

**Early Learning Coalition of  
Broward County, Inc.**

Financial Statements  
and Additional Information  
For the Year Ended June 30, 2020

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**Early Learning Coalition of Broward County, Inc.**

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# FINANCIAL STATEMENTS

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INTERNAL CONTROLS  
AND COMPLIANCE

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Early Learning Coalition of Broward County, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Early Learning Coalition of Broward County, Inc., (the "Organization"), which comprise of the statement of financial position as of June 30, 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

The financial statements of the Organization as of June 30, 2019, were audited by other auditors whose report dated February 26, 2020, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, with the audited financial statements from which it has been derived.

## **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 is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the Florida Single Audit Act*, 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 Schedule of Expenditures of Federal awards and State Financial Assistance 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 (DATE), on our consideration of the Organization'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 Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

KEEFE McCULLOUGH

Fort Lauderdale, Florida  
(DATE)

**Early Learning Coalition of Broward County, Inc.**  
**Statement of Financial Position**  
**June 30, 2020**  
**(with comparative totals for June 30, 2019)**

	<u>2020</u>	<u>2019</u>
<b>Assets:</b>		
Cash	\$ 5,127,883	\$ 4,898,386
Grants receivable	6,356,028	2,908,159
Advances to providers	2,924,795	243,423
Other assets	1,353,420	136,603
Prepaid expenses	271,322	226,646
Property and equipment, net	17,177	21,093
	<u>16,050,625</u>	<u>8,434,310</u>
Total assets	\$ <u>16,050,625</u>	\$ <u>8,434,310</u>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,384,815	\$ 1,063,211
Deferred rent liability	132,349	40,435
Refundable advances	2,559,295	360,813
Due to providers	11,595,383	6,320,920
Due to subrecipients	57,227	343,794
	<u>15,729,069</u>	<u>8,129,173</u>
Total liabilities	<u>15,729,069</u>	<u>8,129,173</u>
<b>Net Assets:</b>		
Without donor restrictions:		
Undesignated	<u>321,556</u>	<u>305,137</u>
Total net assets	<u>321,556</u>	<u>305,137</u>
Total liabilities and net assets	\$ <u>16,050,625</u>	\$ <u>8,434,310</u>

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

**Early Learning Coalition of Broward County, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**  
**(with comparative totals for June 30, 2019)**

	<u>2020</u>	<u>2019</u>
<b>Public support and revenues:</b>		
Federal grants	\$ 60,915,401	\$ 45,360,578
State grants	47,118,337	50,713,086
Local grants	12,888,544	7,897,183
Other income	59,964	54,084
	<u>120,982,246</u>	<u>104,024,931</u>
<b>Operating Expenses:</b>		
Program services:		
Slots and pass through	109,144,953	92,836,851
Eligibility, provider relations and payments	5,862,861	4,868,933
Quality and education	2,838,442	3,609,109
	<u>117,846,256</u>	<u>101,314,893</u>
Total program services		
Supporting services:		
General and administrative expenses	3,119,571	2,665,564
	<u>120,965,827</u>	<u>103,980,457</u>
Total operating expenses		
Change in net assets without donor restrictions	16,419	44,474
<b>Net Assets, beginning of year</b>	<u>305,137</u>	<u>260,663</u>
<b>Net Assets, end of year</b>	<u>\$ 321,556</u>	<u>\$ 305,137</u>

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



**Early Learning Coalition of Broward County, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2020**  
**(with comparative totals for June 30, 2019)**

	Program Services			Supporting Services		Total 2020	Total 2019
	Slots and Pass Through	Eligibility, Provider Relations, and Payments	Quality and Education	Total Program Services	General and Administration		
Child care slots	\$ 106,918,753	\$ -	\$ -	\$ 106,918,753	\$ -	\$ 106,918,753	\$ 92,670,099
Other assistance to providers	2,226,200	-	-	2,226,200	-	2,226,200	166,752
Subrecipient payments	-	303,099	421,085	724,184	142,469	866,653	1,315,635
Salaries and benefits	-	5,059,245	2,007,142	7,066,387	2,269,569	9,335,956	7,640,213
Professional fees	-	38,342	83,433	121,775	239,238	361,013	828,593
Insurance	-	12,670	3,874	16,544	3,289	19,833	14,509
Printing and reproduction	-	-	3,566	3,566	16,190	19,756	25,395
Rent and other related occupancy costs	-	276,561	78,716	355,277	78,712	433,989	354,381
Conferences and training	-	2,860	101,023	103,883	12,221	116,104	71,457
Travel	-	5,306	9,616	14,922	9,690	24,612	56,920
Office expenses	-	101,942	124,689	226,631	316,934	543,565	439,582
Capital expenses	-	-	-	-	-	-	7,020
Other expenses	-	62,836	5,298	68,134	27,343	95,477	375,238
Provision for depreciation	-	-	-	-	3,916	3,916	14,663
<b>Total expenses</b>	<b>\$ 109,144,953</b>	<b>\$ 5,862,861</b>	<b>\$ 2,838,442</b>	<b>\$ 117,846,256</b>	<b>\$ 3,119,571</b>	<b>\$ 120,965,827</b>	<b>\$ 103,980,457</b>

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

**Early Learning Coalition of Broward County, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2020**  
**(with comparative totals for June 30, 2019)**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets without donor restrictions	\$ 16,419	\$ 44,474
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for depreciation	3,916	14,663
(Increase) decrease in assets:		
Grants receivable	(3,447,869)	704,556
Advances to providers	(2,681,372)	(243,423)
Other assets	(1,216,817)	(119,087)
Prepaid expenses	(44,676)	(81,422)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	321,604	499,772
Deferred rent liability	91,914	40,435
Refundable advances	2,198,482	263,856
Due to providers	5,274,463	512,250
Due to subrecipients	(286,567)	(377,293)
	<u>229,497</u>	<u>1,258,781</u>
Net cash provided by (used in) operating activities		
<b>Cash Flows From Investing Activities:</b>		
Purchases of property and equipment	-	(24,443)
	<u>-</u>	<u>(24,443)</u>
Net cash provided by (used in) investing activities		
	<u>229,497</u>	<u>1,234,338</u>
Net increase (decrease) in cash		
<b>Cash, beginning of year</b>	<u>4,898,386</u>	<u>3,664,048</u>
<b>Cash, end of year</b>	<u>\$ 5,127,883</u>	<u>\$ 4,898,386</u>

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

## Note 1 - Organization and Operations

The Early Learning Coalition of Broward County, Inc. (the "Organization") was incorporated on June 12, 2020, under the laws of the State of Florida, as a not-for-profit organization. The purpose of the Organization is to implement an integrated and quality seamless service delivery system for all publicly-funded early education and care programs in Broward County serving children from birth to thirteen years of age. The Organization provides child-care services to school age children under statutory guidelines. Its mission is to promote voluntary pre-kindergarten education program (VPK) and school readiness programs, which will increase the achievement of future educational success for all children residing in Broward County in the specified age groups.

Although the Organization has a variety of goals and objectives, all of its goals and objectives relate to the Organization's primary objective of school readiness for children. Program goals include preparation of children for kindergarten, provision of childcare to meet the needs of working parents with children aged birth to thirteen, and development and training of childcare centers and family childcare homes.

## Note 2 – Summary of Significant Accounting Policies

**Basis of accounting:** The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

**Basis of presentation:** The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Update (FASB ASU) No. 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. Under FASB ASU No. 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**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 restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Generally, contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions. All contributions are considered available for general use, unless specifically restricted by the donor or subject to other legal restrictions.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Cash:** The Organization considers all highly liquid investments, for general operating purposes, with a maturity of three months or less when purchased to be cash equivalents.

**Receivables and allowance for doubtful accounts:** Grants receivable consist principally of claims not yet reimbursed by various grantor agencies. Advances to providers consist of advances to various providers for child-care services. Receivable balances are unsecured. Management periodically reviews the receivable balances and provides an allowance for accounts which may be uncollectible based on historical experience an assessment of economic conditions, and a review of subsequent collections. At June 30, 2020 and 2019, management considered all of its receivable balances to be fully collectible; therefore, no allowance was recorded.

**Property and equipment:** Property and equipment are carried at cost. The Organization’s policy is to provide for depreciation, using the straight-line method over the estimated useful life of the asset. Estimated useful lives for assets are as follows:

Computers and software	3 years
Furniture and equipment	11 years

Maintenance and repairs to property and equipment are charged to expense when incurred. Additions and major renewals are capitalized.

**Due to Providers:** Due to providers represents pending reimbursements for child-care services to various providers for costs incurred prior to June 30, and not paid until after the fiscal year end.

**Deferred Rent:** The Organization recognizes rent expense on a straight-line basis over the term of its lease agreements. The difference in the amount of cash paid and recognized rent expense is recorded as deferred rent in the accompanying statements of financial position. The Organization received rent abatement for several months that resulted in deferred rent.

**Refundable advances and deferred revenue:** Revenues received in advance (nonexchange transaction) that are not recognized because the allowable costs as defined by the individual grant or contract have not been incurred, the unit of service has not been provided, and/or the conditions of release have not been substantially met or explicitly waived are considered refundable advances.

**Revenue and revenue recognition:** The Organization recognizes revenues from nonexchange transactions when cash, securities or other assets, an unconditional promise to give, or 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 or explicitly waived.

Grant and contract revenue derived from units of service contracts is recognized as revenue when the unit of service has been provided in compliance with the specific contract. Revenue derived from cost-reimbursement contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses, is recognized when such expenditures are incurred in compliance with specific contract provisions.

**Note 2 – Summary of Significant Accounting Policies (continued)**

Other revenues are recognized when the performance obligation of transferring the products or providing the service are met.

**Functional expenses:** The costs of providing the various programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Program and supporting services are charged with their direct expenses. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses allocated include personnel and occupancy costs, among other expenses; which are allocated on the basis of estimates of time and effort, square footage basis, as well as other methods as determined from time-to-time by management.

**Concentrations of credit risk:** Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, receivables, and advances to providers. Although cash balances may exceed federally insured limits at times during the year, the Organization has not experienced and does not expect to incur any losses in such accounts. Cash is maintained, with what management believes to be high quality financial institutions, to limit its risk. The concentration of credit risk with respect to receivables is primarily due to the economic dependency in federal, state, and other agencies and the ability to obtain authorization, process and collect balances timely. Advances to providers are dependent on the financial ability of the individual payor and/or the ability to provide services. The Organization does not require collateral or other security to support receivables.

**Income taxes:** The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and as such, is only subject to federal income taxes on unrelated business income. Per management, there were no material income taxes resulting from unrelated business income during the years ended June 30, 2020 and 2019.

**Use of estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Summarized prior year information:** The financial statements include summarized comparative information from the prior year, which is not presented by net asset type and functional expense classification and does not include sufficient detail to conform with accounting principles generally accepted in the United States of America ("GAAP"). This information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2019, from which the comparative information was derived.

**Date of management review:** Subsequent events were evaluated by management through (DATE), which is the date the financial statements were available for issuance.

Early Learning Coalition of Broward County, Inc.  
Notes to Financial Statements  
June 30, 2020  
(with comparative totals for June 30, 2019)

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**Note 3 - Liquidity and Availability**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date ending June 30, 2020 is estimated and, comprise the following:

Financial assets:	
Cash	\$ 5,127,883
Grants receivable	6,356,028
Advances to providers	<u>2,924,795</u>
	<u>\$ 14,408,706</u>

**Note 4 - Property and Equipment**

Property and equipment consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Computers and software	\$ 225,757	\$ 225,757
Furniture and equipment	<u>54,039</u>	<u>54,039</u>
	279,796	279,796
Less: accumulated depreciation	<u>262,619</u>	<u>258,703</u>
Total	<u>\$ 17,177</u>	<u>\$ 21,093</u>

**Note 5 – Commitments and Contingencies**

**Grants and contracts:** The grant and contract revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor/contract agencies becomes a liability of the Organization.

**Leases:** Previously, the Organization entered into a one hundred twenty-five (125) month operating lease agreement for office space, commencing April 30, 2019. The lease provides for base lease payments of \$ 18,144 per month, escalating annually by 3.0%, plus the Organization’s share of common area maintenance charges through September 2029.

The Organization also entered into an operating lease agreement with the School Board of Broward County, Florida (“SBBC”) to lease space to provide program support services and training to school readiness clients and providers. The Organization is required to pay a shared custodial cost for the leased space in the amount of \$ 12,000 per year through September 2022.

Rent expense and other related occupancy costs under these agreements was approximately \$ 434,000 and \$ 354,400 for the years ended June 30, 2020 and 2019, respectively.

**Note 5 – Commitments and Contingencies (continued)**

The following are approximate base future minimum lease payments:

Year Ending June 30,	Amount
2021	\$ 225,400
2022	\$ 232,100
2023	\$ 239,100
2024	\$ 246,300
2025	\$ 253,700
Thereafter	\$ <u>1,166,200</u>
Total	\$ <u><u>2,362,800</u></u>

**Note 6 - Concentrations**

The Organization receives a substantial portion of its revenue from federal and state grants. If a significant reduction in this revenue should occur, it may have an effect on the Organization's programs. For the years ended June 30, 2020 and 2019, approximately 97% and 99%, respectively, of the Organization's revenues and support were from the Office of Early Learning (OEL) and the Children's Services Council of Broward County.

**Note 7 - Related Parties**

The Organization's Board of Directors is mandated by Florida statutes to include individuals representing certain public and private organizations. Consequently, the Organization's Board of Directors includes representatives from funding organizations and organizations that receive funds directly and/or indirectly through the Organization.

Total payments to these related organizations during the years ended June 30, 2020 and 2019 were \$ 3,398,362 and \$ 9,142, respectively. Accounts payable to related parties at June 30, 2020 and 2019 were \$ 9,142 and \$ 9,142, respectively.

**Note 8 - Defined Contribution Pension Plan**

The Organization offers a 403(b) defined contribution retirement plan. Contributions to the plan by the Organization are discretionary. For the years ended June 30, 2020 and 2019, the Organization contributed approximately \$ 230,000 and \$191,700, respectively.

Early Learning Coalition of Broward County, Inc.  
Notes to Financial Statements  
June 30, 2020  
(with comparative totals for June 30, 2019)

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**Note 9 – Local Grant Revenue**

Local grant revenue consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Children's Services Council		
Financially Assisted Child Care	\$ 5,725,342	\$ 2,670,951
Vulnerable Pop Child Care	<u>3,951,231</u>	<u>2,687,509</u>
Total Children's Services Council grants	9,676,573	5,358,460
Broward County		
Subsidized Program	2,141,397	1,291,275
Special Needs	<u>495,025</u>	<u>632,429</u>
Total Broward County grants	2,636,422	1,923,704
Other		
School Readiness Local Match	523,313	573,318
Other	<u>52,236</u>	<u>41,701</u>
Total other local grants	575,549	615,019
Total local grant revenue	\$ <u>12,888,544</u>	\$ <u>7,897,183</u>

**Note 10 - Risk and Uncertainties**

The coronavirus (COVID-19) outbreak has caused disruption in international and U.S. economies and markets. The coronavirus and fear of further spread has caused quarantines, cancellation of events, and overall reduction in business and economic activity. On March 11, 2020, the World Health Organization designated the coronavirus outbreak as a pandemic. Management and the Board of Directors continue to evaluate and monitor the potential adverse effect that this event may have on the Organization's financial position, operations and cash flows. The full impact of COVID-19 is unknown at this time and cannot be reasonably estimated as these events are still developing.



## ADDITIONAL INFORMATION

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**Early Learning Coalition of Broward County, Inc.**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the Year Ended June 30, 2020**

<u>Federal /State Agency Pass-through Grantor/Federal Program/State Project</u>	<u>CFDA/CSFA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>	<u>State Matching Expenditures (1)</u>	<u>Transfers to Subrecipients</u>
<b>Federal Agency Name:</b>					
Indirect Programs:					
U.S. Department of Health and Human Services - Passed through State of Florida Office of Early Learning - Temporary Assistance for Needy Families	93.558	EL090	\$ 13,604,027	\$ 5,429,078	\$ 190,230
Child Care and Development Fund Cluster					
Child Care and Development Block Grant	93.575	EL090	36,799,723	-	438,006
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL090	<u>10,025,115</u>	<u>2,571,698</u>	<u>237,810</u>
Total Child Care and Development Fund Cluster			<u>46,824,838</u>	<u>2,571,698</u>	<u>675,816</u>
Social Services Block Grant	93.667	EL090	36,960	-	607
Every Student Succeeds Act/Preschool Development Grants	93.434	EL090	265,519	-	-
Passed through State of Florida Department of Children and Families - Refugee and Entrant Assistance State Administered Programs	93.566	XK048	<u>184,057</u>	<u>-</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 60,915,401</u>	<u>\$ 8,000,776</u>	<u>\$ 866,653</u>

See Notes to the Schedule of Federal Awards and State Financial Assistance.

Early Learning Coalition of Broward County, Inc.  
 Schedule of Expenditures of Federal Awards and State Financial Assistance  
 (continued)  
 For the Year Ended June 30, 2020

<u>Federal /State Agency Pass-through Grantor/Federal Program/State Project</u>	<u>CFDA/CSFA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>	<u>State Matching Expenditures (1)</u>	<u>Transfers to Subrecipients</u>
<b>State Agency Name:</b>					
Indirect Programs:					
State of Florida Department of Education -					
Passed through State of Florida Office of Early					
Learning -					
Voluntary Pre-Kindergarten Services	48.108	EL090	\$ 39,044,851	\$ -	\$ -
Voluntary Pre-Kindergarten Services	48.108	OA090	<u>72,455</u>	<u>-</u>	<u>-</u>
Total Expenditures of State Financial Assistance			<u>\$ 39,117,306</u>	<u>\$ -</u>	<u>\$ -</u>

(1) State financial assistance not subject to Section 215.97, Florida Statutes.

See Notes to the Schedule of Federal Awards and State Financial Assistance.

**Note 1 – Summary of Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the “Schedule”) include the federal and state award activity of Early Learning Coalition of Broward County, Inc. (the “Organization”) under programs of the federal and state governments for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Because of the Schedule presenting only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, change in net assets, or cash flows of the Organization.

**Note 2 – Summary of Significant Account 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 and Chapter 10.650m Rules of the Auditor General, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 – Indirect Cost Rate**

The Organization did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 4 - Contingency**

The grant and contract revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor/contract agencies would become a liability of the Organization. In the opinion of management, all grant and contract expenditures are in compliance with the terms of the agreements and applicable federal and state laws and other applicable regulations.

REPORT OF INDEPENDENT AUDITOR'S 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  
Early Learning Coalition of Broward County, 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 Broward County, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2020, 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 (DATE).

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Organization'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 the 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 Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

KEEFE McCULLOUGH

Fort Lauderdale, Florida  
(DATE)

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

To the Board of Directors  
Early Learning Coalition of Broward County, Inc.

**Report on Compliance for Each Major Federal Program and State Project**

We have audited Early Learning Coalition of Broward County, Inc.'s. (a nonprofit organization) (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the Compliance requirements described in the *Department of Financial Services' Florida State Projects Compliance Supplement* that could have a direct and material effect on each of ELC's major federal programs and state projects for the year ended June 30, 2020. The Organization's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization's major federal 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 10.650m *Rules of the Auditor General*. Those standards, 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 occurred. An audit includes examining, on a test basis, evidence about the Organization'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 Organization's compliance.

**Opinion on Each Major Federal Program and State Project**

In our opinion, Organization's 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 state projects for the year ended June 30, 2020.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and Chapter 10.650, Rules of the Florida Auditor General, which are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002. Our opinion on each major federal program and state project are not modified with respect to these matters.

The Organization's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Organization's response was 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 Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on each major federal program and state project as a basis for designing auditing procedures that are appropriate in these circumstances for the purpose of expressing our opinion on compliance for each major federal program and state project and to test and reported on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, Rules of the Florida Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 and/or state project on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program and/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 and/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.

KEEFE McCULLOUGH

Fort Lauderdale, Florida  
(DATE)



**Early Learning Coalition of Broward County, Inc.  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2020**

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**A. Summary of Auditor’s Results**

1. The auditor’s report expresses an unmodified opinion on the financial statements of Early Learning Coalition of Broward County, Inc.
2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor’s 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*.
3. No instances of noncompliance material to the financial statements Early Learning Coalition of Broward County, Inc. were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal programs and state projects are reported in the Independent Auditor’s Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*.
5. The auditor’s report on compliance for each of the major federal award programs and state projects for Early Learning Coalition of Broward County, Inc., expresses an unmodified opinion.
6. An audit finding relative to each of the major federal programs and state projects for Early Learning Coalition of Broward County, Inc., is reported in Part C of this schedule.
7. The programs tested as major programs were as follows:

<u>Federal Program</u>	<u>CFDA No.</u>
U.S. Department of Health and Human Services -	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596
Child Care and Development Block Grants	93.575
<u>State Project</u>	<u>CSFA No.</u>
State of Florida Department of Education -	
Voluntary Pre-Kindergarten Services	48.108

8. The threshold for distinguishing Type A and B for federal programs was \$ 1,827,462 and \$ 456,866, respectively. The threshold for distinguishing Type A and Type B for state projects was \$ 1,173,519 and \$ 391,173, respectively.
9. Early Learning Coalition of Broward County, Inc. was determined to be a low-risk auditee pursuant to the Uniform Guidance.

**B. Findings- Financial Statement Audit**

No matters are reported.

**C. Findings and Questioned Costs - Major Federal Programs and Major State Project**

*U.S. Department of Health and Human Services - Child Care Mandatory and Matching Funds of the Child Care and Development Fund – CFDA 93.596 and Child Care and Development Block Grants – CFDA 93.575.*

*State of Florida Department of Education – Voluntary Pre-Kindergarten Services – CSFA 48.108.*

**Finding 2019-001: Statewide Reporting System Failure/Monthly and Annual Reconciliation Process**

*Condition and Criteria:* Previously, the Office of Early Learning (the “OEL”) transitioned to a new Single Statewide Information System (“SSIS”). During our audit, we found that Early Learning Coalition of Broward County, Inc. (the “Organization”) was not able to reconcile its monthly financial records for provider payments to the Single Statewide Information System (“SSIS”) on a timely basis as the SSIS not fully functional for the entire fiscal year. In accordance with the grant agreement, the Organization must perform reconciliations of its financial records to the SSIS monthly and annually.

*Cause:* SSIS was not functioning for the first quarter of fiscal year 2020. The Organization was unable to use SSIS to make payments to providers. For the first quarter of fiscal year 2020, the Organization made payments to providers based on estimates.

*Effect:* The Organization was not in compliance with the reconciliation requirement for the School Readiness grant or the Voluntary Pre-kindergarten Education Program for all twelve months of the year, which led to temporary underpayment and overpayment to certain providers. The Organization mitigated the effect by working with the OEL to improve the SSIS functionality and by retroactively entering information into the SSIS once it was functional then completing its reconciliations. The delayed process also caused delays in the Organization’s ability to close its books at year end.

*Recommendation:* We recommend that management continue to work with the Office of Early Learning to determine the best procedures and tools to be used during the reconciliation process.

*Management’s Response:* See Management’s Corrective Action Plan on page 24.

**D. Other Matters – State of Florida Office of Early Learning Contract EL090**

1. The Organization’s staff performs reconciliations on a monthly basis, except as disclosed in Finding 2019-001 in section C.
2. The Organization has processes in place to identify and correct errors noted during the monthly reconciliation process.
3. The Organization’s financial records and the SSIS records were reconciled and in agreement as of the annual program year end.
4. The audit work papers include documentation to verify tests of these tasks were performed and such workpapers are available for review by the Florida Office of Early Learning staff upon request.

**E. Other Issues**

1. A separate management letter was not issued.
2. A schedule of prior audit findings is required in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General* (see page 23).
3. A corrective action plan is required in accordance with the Uniform Guidance Chapter 10.650, *Rules of the Auditor General* (see page 24).

DRAFT

**Early Learning Coalition of Broward County, Inc.  
Summary of Prior Year Findings  
For the Year Ended June 30, 2020**

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Department of Health and Human Services

State of Florida Department of Education

Federal Programs: CFDA 93.596 and 93.575

State Projects: CSFA 48.108

Findings 2019-001 and 2019-002: Statewide Reporting System Failure/ Monthly and Annual Reconciliation Process

*Condition:* Early Learning Coalition of Broward County, Inc. (the “Organization”) was not able to reconcile its monthly financial records for provider payments to the Single Statewide Information System (“SSIS”) on a monthly basis.

*Recommendation:* The auditor recommended the Organization continue to work with the Office of Early Learning to determine the best procedures and tools to be used during the reconciliation process.

*Current Status:* The recommendation was adopted in 2020. However, the SSIS was not functioning for the first quarter of fiscal year 2020. See comment 2019-001 in Section C on the Schedule of Findings and Questioned Costs.

DRAFT

## Management's Corrective Action Plan

### Finding Number: 2019-001

#### Responsible Official's Response and Corrective Action Plan

Responsibility for these findings lies entirely with the State of Florida's Office of Early Learning ("OEL"), not the Organization. In July 2018, OEL deployed a lawed new version of the Single Statewide Information System that lacked critical functionality needed to comply with OEL and the State of Florida's own requirements for monthly provider payment processing. The Organization was prevented from carrying out the necessary reconciliations because this functionality was not available in the OEL system for all 12 months of the fiscal year. OEL's statement of responsibility is included below.

*Development/Deployment of EFS Mod. In July 2018, OEL 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. OEL 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 FY2018-19 prevented the Early Learning Coalitions (the Organization's) and Redlands Christian Migrant Association (RCMA) from complying with monthly reconciliation requirements as instructed in OEL's grant agreements. Given the issues related to the data migration, OEL 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 FY2018-19 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 FY2018-19. These system-wide issues are to be considered state agency-level errors and as a result, OEL understands and asserts –*

*The amounts presented are based on best available data from OEL records and/or self-reported estimates from the entity as of 1/31/2020.*

*The variances noted are a consequence of the ongoing (but incomplete) efforts of OEL to obtain data accuracy and system functionality for EFS Mod for FY2018-19.*

*Future efforts to address EFS Mod data corrections and system upgrades may identify and/or result in additional variances for this entity.*

If the U.S. Department of Health and Human Services or State of Florida Department of Education have questions regarding this plan, please call Christine Klima at 954-377-2190 or email at [cklima@elcbroward.org](mailto:cklima@elcbroward.org).

Sincerely yours,

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Christine Klima, Chief Administrative Officer