

**POLK COUNTY SCHOOL READINESS COALITION, INC.
DBA: EARLY LEARNING COALITION OF POLK COUNTY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2019 AND 2018



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**EARLY LEARNING COALITION OF POLK COUNTY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Early Learning Coalition of Polk County
Lakeland, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Polk County School Readiness Coalition, Inc. (dba: Early Learning Coalition of Polk County) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Early Learning Coalition of Polk County as of June 30, 2019 and 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and State of Florida Chapter 10.650, *Rules of the Auditor General*, and special audit guidance provided by the Office of Early Learning is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2020, on our consideration of Early Learning Coalition of Polk County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Early Learning Coalition of Polk County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Early Learning Coalition of Polk County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Lakeland, Florida
March 30, 2020

**EARLY LEARNING COALITION OF POLK COUNTY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,794,570	\$ 1,764,207
Prepaid Expenses	13,655	12,422
Due From State of Florida	751,005	648,923
Total Current Assets	2,559,230	2,425,552
PROPERTY AND EQUIPMENT, NET		
	3,709	6,744
Total Assets	\$ 2,562,939	\$ 2,432,296
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,942,574	\$ 2,035,961
Accrued Liabilities	106,440	184
Total Liabilities	2,049,014	2,036,145
NET ASSETS		
Net Assets Without Donor Restrictions	513,925	396,151
Total Liabilities and Net Assets	\$ 2,562,939	\$ 2,432,296

See accompanying Notes to Financial Statements.

**EARLY LEARNING COALITION OF POLK COUNTY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
REVENUES AND SUPPORT WITHOUT RESTRICTIONS		
Government Grants:		
School Readiness	\$ 23,563,158	\$ 20,340,555
Voluntary Pre-Kindergarten	11,176,677	10,762,125
Florida Maternal, Infant and Early Childhood Home Visiting Initiative	680,226	636,246
Provider Pilot Funding	-	741,136
United Way	342,628	333,203
Other Income	511,726	596,377
Total Revenues and Support Without Restrictions	36,274,415	33,409,642
EXPENSES		
Program Services:		
School Readiness	22,100,987	20,305,918
Voluntary Pre-Kindergarten	10,724,850	10,441,093
Florida Maternal, Infant and Early Childhood Home Visiting Initiative	680,221	533,276
Provider Pilot Funding	711,551	799,474
Total Program Services	34,217,609	32,079,761
Support Services:		
Management and General	1,870,068	1,169,536
Fundraising	68,964	-
Total Support Services	1,939,032	1,169,536
Total Expenses	36,156,641	33,249,297
CHANGE IN NET ASSETS	117,774	160,345
Net Assets - Beginning of Year	396,151	235,806
NET ASSETS - END OF YEAR	\$ 513,925	\$ 396,151

See accompanying Notes to Financial Statements.

**EARLY LEARNING COALITION OF POLK COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	Program Services					Support Services			
	School Readiness	Voluntary Pre- Kindergarten	Florida Maternal, Infant and Early Childhood Home Visiting Initiative	Provider Pilot Funding	Total	Management and General	Fundraising	Total	Total
Direct Provider Support	\$ 18,403,699	\$ 10,724,346	\$ -	\$ 610,860	\$ 29,738,905	\$ 344,627	\$ -	\$ 344,627	\$ 30,083,532
Salaries and Benefits	2,323,657	-	482,765	95,505	2,901,927	926,274	16,227	942,501	3,844,428
Pass-Through									
Payments to Subrecipients	97,000	-	-	-	97,000	-	-	-	97,000
Contracted Services	424,564	-	11,606	310	436,480	67,343	15,400	82,743	519,223
Rent Expense	258,275	-	37,786	1,241	297,302	63,592	13,900	77,492	374,794
In-Kind Match	-	-	-	-	-	208,649	-	208,649	208,649
Supplies and Office Expense	228,500	-	30,209	6	258,715	26,592	411	27,003	285,718
Technology Expense	91,747	-	10,889	215	102,851	19,904	6,355	26,259	129,110
Travel	65,657	-	40,850	3,017	109,524	29,519	147	29,666	139,190
Printing and Postage	18,611	-	3,560	56	22,227	13,475	181	13,656	35,883
Professional Fees	-	-	699	-	699	40,717	250	40,967	41,666
Telephones	45,132	-	8,377	179	53,688	13,289	-	13,289	66,977
Outreach and Awareness	10,615	-	1,047	8	11,670	19,745	3,997	23,742	35,412
Other Expenses	18,920	-	11,025	34	29,979	30,411	1,861	32,272	62,251
Depreciation	3,035	-	-	-	3,035	-	-	-	3,035
Repairs and Maintenance	20,342	-	2,487	63	22,892	4,035	-	4,035	26,927
Insurance	13,490	-	1,983	51	15,524	3,712	150	3,862	19,386
License and Dues	58,658	-	614	6	59,278	50,214	-	50,214	109,492
Training and Development	19,085	504	36,324	-	55,913	7,640	366	8,006	63,919
Fundraising	-	-	-	-	-	-	9,719	9,719	9,719
Bad Debt Expense	-	-	-	-	-	330	-	330	330
Total Expenses	\$ 22,100,987	\$ 10,724,850	\$ 680,221	\$ 711,551	\$ 34,217,609	\$ 1,870,068	\$ 68,964	\$ 1,939,032	\$ 36,156,641

See accompanying Notes to Financial Statements.

**EARLY LEARNING COALITION OF POLK COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

	Program Services					Support Services	Total
	School Readiness	Voluntary Pre- Kindergarten	Florida Maternal, Infant and Early Childhood Home Visiting Initiative	Provider Pilot	Total		
Direct Provider Support	\$ 16,925,660	\$ 10,439,275	\$ -	\$ 568,337	\$ 27,933,272	\$ -	\$ 27,933,272
Salaries and Benefits	1,887,822	1,818	383,160	188,926	2,461,726	898,876	3,360,602
Pass-Through							
Payments to Subrecipients	250,343	-	-	21,903	272,246	-	272,246
Contracted Services	338,076	-	26,402	-	364,478	24,895	389,373
Rent Expense	243,559	-	27,801	7,741	279,101	54,569	333,670
In-Kind Match	240,241	-	-	-	240,241	-	240,241
Supplies and Office Expense	174,204	-	16,958	242	191,404	17,754	209,158
Technology Expense	55,001	-	5,484	809	61,294	14,065	75,359
Travel	33,830	-	36,633	8,224	78,687	34,571	113,258
Printing and Postage	30,616	-	1,672	528	32,816	11,150	43,966
Professional Fees	-	-	200	-	200	31,650	31,850
Telephones	40,865	-	9,125	1,366	51,356	15,982	67,338
Outreach and Awareness	32,096	-	169	2	32,267	15,691	47,958
Other Expenses	16,070	-	4,297	403	20,770	26,684	47,454
Depreciation	3,035	-	-	-	3,035	-	3,035
Repairs and Maintenance	18,960	-	2,394	618	21,972	4,228	26,200
Insurance	9,575	-	1,417	12	11,004	8,189	19,193
License and Dues	155	-	-	-	155	10,785	10,940
Training and Development	5,810	-	17,564	363	23,737	447	24,184
Total Expenses	\$ 20,305,918	\$ 10,441,093	\$ 533,276	\$ 799,474	\$ 32,079,761	\$ 1,169,536	\$ 33,249,297

See accompanying Notes to Financial Statements.

**EARLY LEARNING COALITION OF POLK COUNTY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 117,774	\$ 160,345
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	3,035	3,035
(Increase) Decrease in Assets:		
Due From State of Florida	(102,082)	460,020
Prepaid Expenses	(1,233)	923
Increase (Decrease) in Liabilities:		
Accounts Payable	(93,387)	313,362
Accrued Liabilities	106,256	(106,409)
Deferred Revenue	-	(125,000)
Net Cash Provided By Operating Activities	30,363	706,276
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,363	706,276
Cash and Cash Equivalents - Beginning of Year	1,764,207	1,057,931
CASH AND EQUIVALENTS - END OF YEAR	\$ 1,794,570	\$ 1,764,207

See accompanying Notes to Financial Statements.

**EARLY LEARNING COALITION OF POLK COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Polk County School Readiness Coalition, Inc. dba: Early Learning Coalition of Polk County (the Coalition) is a nonprofit organization under the State of Florida Not-for-Profit Corporation Act and is exempt from income taxes according to the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Coalition qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation.

In 1999, the State of Florida instituted legislation establishing a statewide school readiness program for the state's at-risk birth-to-kindergarten population. The program is intended to increase children's chances of achieving future educational success and becoming productive members of society. The State's intent was for the school readiness programs to be designed and administered at the local level. The Coalition was organized in order to provide an integrated, seamless service delivery system for all publicly funded early education and childcare programs within Polk County, Florida.

The State of Florida is a recipient of several federal financial assistance programs through the United States Department of Health and Human Services. The State of Florida has designated the Coalition as the sub-recipient for all of these assistance programs within Polk County, Florida.

The State of Florida also provides funding from general revenue sources to the Coalition to pay for the costs associated with the State's Pre-Kindergarten programs.

The primary objective of these programs is to prepare children for entry into kindergarten. To accomplish this purpose, the Coalition contracts with various organizations, to provide early childhood services.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Cash and Equivalents

For purposes of the statements of cash flows, the Coalition considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements and accompanying schedule have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and include all funds and activities over which the board of directors of the Coalition has oversight and financial responsibility.

**EARLY LEARNING COALITION OF POLK COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

The Coalition receives funding through grants and contract revenue from federal, state, and county agencies. Revenues are earned as allowable grant costs are incurred.

Due From State of Florida

Grants receivable are due from federal and state governmental agencies and recorded when services are provided. The Coalition's receivables as of June 30, 2019 and 2018 are due in less than one year and management believes that all receivables are fully collectible.

Concentration of Credit Risk

Financial instruments, which potentially expose the Coalition to concentrations of credit risk, consist principally of cash bank deposits. The Coalition's policy is to place its cash investments with high quality financial institutions. At June 30, 2019 and 2018, the Coalition had \$2,806,509 and \$2,143,369 respectively in financial institutions. The Coalition maintains its cash deposits accounts in institutions which are qualified public depositories in Florida pursuant to Chapter 280.07 Florida Statutes. The Coalition has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

**EARLY LEARNING COALITION OF POLK COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Donated Services, Materials and Facilities

All contributions of services, materials and facilities received by the Coalition are used to service its programs and are recorded as support at their fair market values at the date of receipt by the Coalition. A corresponding amount is recorded as expense or property and equipment.

The Coalition receives donated teaching services consisting of salary equivalent workers who provide services for training and mentoring and support for teachers and students.

Donated services, materials and facilities totaled \$213,092 and \$248,782 for the years ended June 30, 2019 and 2018.

Property and Equipment

All acquisitions of office equipment in excess of \$5,000 are capitalized. Office equipment is carried at cost or, if donated, at the estimated fair value at the date of donation.

Depreciation is provided over the estimated useful life of the respective assets on a straight-line basis. The estimated useful life for computer equipment is five years and ten years for other office equipment.

Property acquired with governmental funds is considered to be owned by the Coalition while used in the program for which it was purchased or in future authorized programs; however, its disposition as well as the ownership of any proceeds from the sale of assets there from is subject to applicable regulations.

Functional Expenses

The costs of providing services have been summarized on a functional basis in the accompanying statements of activities. Costs that are directly related to the Coalition's specific purpose have been recorded as a direct expense and included as program services. Certain costs have been allocated among program and supporting services based on amounts directly incurred to the program or service and the percentages of actual time employees spend working on program-related tasks.

Change in Accounting Principle

On August 18, 2016, FASB issue Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Coalition has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied to liquidity only for 2019 as permitted by the standards.

**EARLY LEARNING COALITION OF POLK COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Coalition is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code; therefore no income tax provision is required in the accompanying financial statements.

Management has analyzed its various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported and that no accruals for income tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded.

Subsequent Events

Management has evaluated the effect subsequent events would have on the financial statements through the date these financial statements were available to be issued on March 30, 2020.

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Coalition, COVID-19 may impact various parts of its 2020 operations and financial results, including (program services). Management believes the Coalition is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end are still developing.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and Cash Equivalents	\$ 1,794,570
Due from the State of Florida	751,005
Total	<u>\$ 2,545,575</u>

As part of its liquidity management plan, the Coalition invests cash in excess of daily requirements in money market funds.

**EARLY LEARNING COALITION OF POLK COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 3 RELATED PARTY TRANSACTIONS

In accordance with applicable regulations, the Coalition's board of directors includes representatives of private and public sector industries. During the fiscal years ended June 30, 2019 and 2018, the Coalition entered into several contracts with certain private and public sector industries, with which certain Coalition Board members are associated, for the purpose of providing services to participants. This includes contracts with the School Board, Department of Health, child care providers and the Coalition's insurance provider. Total payments to these organizations during the years ended June 30, 2019 and 2018 were \$4,321,348 and \$4,145,214, respectively, and accounts payable to them at June 30, 2019 and 2018 were \$78,945 and \$43,091, respectively. During the fiscal years ended June 30, 2019 and 2018, the Coalition held cash in the amounts of \$0 and \$206,143, respectively, at a banking institution where a board member is associated.

NOTE 4 ECONOMIC DEPENDENCE

The Coalition received substantially all of its revenue from federal and state contracts during the years ended June 30, 2019 and 2018. The continuance of state and federal funding is subject to annual legislative budgetary review.

NOTE 5 COMMITMENTS AND CONTINGENCIES

Federal and State Appropriated Funds

The Coalition receives substantially all of its support from the federal and state governments in the form of grants. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Coalition's programs and activities.

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

Operating Leases

The Coalition has office leases for office space in Lakeland and Winter Haven, Florida, and various smaller leases. The following is a schedule of approximate future minimum lease payments required under leases:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 357,871
2021	249,464
2022	130,787
2023	117,918
2024	98,265
Total	<u>\$ 954,305</u>

Rent expense for the years ended June 30, 2019 and 2018 was \$368,124 and \$313,331, respectively.

**EARLY LEARNING COALITION OF POLK COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at June 30, 2019 and 2018 are summarized as follows:

	2019	2018
Computer Equipment	\$ 198,610	\$ 198,610
Office Furniture	12,740	12,740
	211,350	211,350
Less: Accumulated Depreciation	207,641	204,606
Property and Equipment, Net	\$ 3,709	\$ 6,744

NOTE 7 RETIREMENT PLAN

The Coalition established a 401(k) Plan effective July 1, 2007 for all qualifying employees. All employees at least 18 years of age and with a minimum of one year of service are eligible to participate in the plan. Contribution components of the Plan are at the discretion of the Coalition and are determined on an annual basis. The Coalition provided for matching contributions of \$67,021 and \$64,416 to the plan for the years ended June 30, 2019 and 2018, respectively. Employees are fully vested in their respective accounts funded by salary deferral contributions and rollover contributions. Employees are vested in the Coalition's match contributions at 20% each year for the first five years of service.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Litigation

From time to time, the Coalition may become involved in litigation relating to claims arising out of the operations in the normal course of business. At this time, management is not aware of any claims or legal action or any pending or threatened litigation that might have material impact on the Coalition's net assets, results of activities or cash flows. While management believes that the Coalition has adequate general and professional liability coverage, current or subsequent claims could result in additional costs to the Coalition.

**EARLY LEARNING COALITION OF POLK COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 9 CALCULATION OF MAXIMUM ADMINISTRATIVE EXPENSES

The following compares administrative expenses incurred to the maximum 5% and 4% administrative expenses for the School Readiness program and Voluntary Pre-Kindergarten program, respectively, allowed by Florida's Office of Early Learning (OEL):

<u>June 30, 2019</u>	<u>School Readiness</u>	<u>Voluntary Pre- Kindergarten</u>	<u>Total</u>
Total Administrative Expenses Subject to 5% and 4% Maximum	\$ 799,458	\$ 430,471	\$ 1,229,929
Maximum 5% and 4% Administrative Expenses Allowable Per OEL	<u>1,180,448</u>	<u>446,213</u>	<u>1,626,661</u>
Administrative Expenses (Under) Over Maximum	<u>\$ (380,990)</u>	<u>\$ (15,742)</u>	<u>\$ (396,732)</u>

For the year ended June 30, 2019, administrative expenses incurred for the School Readiness and Voluntary Pre-Kindergarten programs totaled 3.4% and 3.9%, respectively, of the total expenses for School Readiness and Voluntary Pre-Kindergarten as defined by OEL.

<u>June 30, 2018</u>	<u>School Readiness</u>	<u>Voluntary Pre- Kindergarten</u>	<u>Total</u>
Total Administrative Expenses Subject to 5% and 4% Maximum	\$ 676,117	\$ 328,984	\$ 1,005,101
Maximum 5% and 4% Administrative Expenses Allowable Per OEL	<u>994,594</u>	<u>417,644</u>	<u>1,412,238</u>
Administrative Expenses Under Maximum	<u>\$ (318,477)</u>	<u>\$ (88,660)</u>	<u>\$ (407,137)</u>

For the year ended June 30, 2018, administrative expenses incurred for the School Readiness and Voluntary Pre-Kindergarten programs totaled 3.4% and 3.2%, respectively, of the total expenses for School Readiness and Voluntary Pre-Kindergarten as defined by OEL.



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

Board of Directors
Early Learning Coalition of Polk County
Lakeland, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Early Learning Coalition of Polk County, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Early Learning Coalition of Polk County'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 Early Learning Coalition of Polk County's internal control. Accordingly, we do not express an opinion on the effectiveness of Early Learning Coalition of Polk County's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Lakeland, Florida
March 30, 2020



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 STATE OF FLORIDA CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

Board of Directors
Early Learning Coalition of Polk County
Lakeland, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Early Learning Coalition of Polk County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the Department of Financial Services' State Projects Compliance Supplement, and special audit guidance provided by the Office of Early Learning that could have a direct and material effect on each of Early Learning Coalition of Polk County's major federal programs and state projects for the year ended June 30, 2019. Early Learning Coalition of Polk County's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program and State Project

In our opinion, Early Learning Coalition of Polk County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2019.

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 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 is not modified with respect to these matters.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items [2019-001 and 2019-002] that we consider to be material weaknesses.

Early Learning Coalition of Polk County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Early Learning Coalition of Polk County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



CliftonLarsonAllen LLP

Lakeland, Florida
March 30, 2020

**EARLY LEARNING COALITION OF POLK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2019**

<u>Grantor/Program Title</u>	<u>CFDA CSFA</u>	<u>Pass-Through Entity Number</u>	<u>Expenditures</u>	<u>Transfer to Subrecipients</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
School Readiness Cluster:				
Passed through Florida's Office of Early Learning for School Readiness Services				
Temporary Assistance for Needy Families Cluster	93.558	EL429	\$ 7,663,202	\$ 49,948
Social Services Block Grant	93.667	EL429	11,841	77
 Child Care Development Fund Cluster Passed through Florida's Office of Early Learning for School Readiness Services				
Child Care and Development Block Grant	93.575	EL429	14,500,010	94,509
 Passed through Florida's Office of Early Learning for School Readiness Services				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL429	1,388,105	9,047
Total School Readiness Cluster			<u>23,563,158</u>	<u>153,581</u>
 Passed through Florida Association of Healthy Start Coalitions, Inc.				
Florida Maternal, Infant and Early Childhood Home Visiting	93.505	MIECHV	680,226	-
 Total Expenditures of Federal Awards			<u>\$ 24,243,384</u>	<u>\$ 153,581</u>
STATE OF FLORIDA DEPARTMENT OF EDUCATION				
Passed through Florida's Office of Early Learning				
Voluntary Pre-Kindergarten Education Program	48.108	OA429	\$ 21,351	\$ -
Voluntary Pre-Kindergarten Education Program	48.108	EL429	11,155,326	72,848
Total Voluntary Pre-Kindergarten Education Program			<u>11,176,677</u>	<u>72,848</u>
 Total Expenditures of State Financial Assistance			<u>\$ 11,176,677</u>	<u>\$ 72,848</u>

**EARLY LEARNING COALITION OF POLK COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2019**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal award and state financial assistance activity of Early Learning Coalition of Polk County under programs of the federal and state government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Rules of the Auditor General, Chapter 10.650 *Florida Single Audit Act Audits – Nonprofit and For-Profit Organizations*, issued by the Auditor General of the State of Florida. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Early Learning Coalition of Polk County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 RECONCILIATION FROM REVENUE AND SUPPORT TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

See reconciliation below noting the revenues from the Statement of Activities for School Readiness are recorded in excess of the Schedule of Federal Awards and State Financial Assistance awarded as of June 30, 2019.

Revenues and Support			
Government Grants			
School Readiness			<u>\$ 23,563,158</u>
Schedule of Expenditures of Federal Awards and State Financial Assistance	<u>CFDA</u>	<u>Award Number</u>	<u>Expenditures</u>
Child Care and Development Block Grant	93.575	EL429	\$ 14,500,010
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL429	1,388,105
Temporary Assistance for Needy Families	93.558	EL429	7,663,202
Social Services Block Grant	93.667	EL429	<u>11,841</u>
Total School Readiness Expenditures			<u>\$ 23,563,158</u>

**EARLY LEARNING COALITION OF POLK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial statements

Type of auditors’ report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	None
Significant deficiency identified not considered to be a material weakness	None
Noncompliance material to the combined financial statements noted	None

Federal Awards and State Projects

Internal control over major programs:	
Material weakness identified	Yes
Significant deficiency identified not considered to be a material weakness	None

Type of auditor’s report issued on compliance for major programs and projects Unmodified

Audit findings disclosed that are required to be reported in accordance with Uniform Guidance and Chapter 10.650, Rules of the Auditor General Yes

Identification of major federal awards and state projects:

<u>Federal Awards</u>	<u>CFDA Number</u>
<u>School Readiness Cluster:</u>	
Temporary Assistance for Needy Families Cluster	93.558
Social Services Block Grant	93.667
Child Care and Development Fund Cluster	
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596

<u>State Projects</u>	<u>CSFA Number</u>
Voluntary Pre-Kindergarten	48.108

Dollar threshold used to distinguish between Type A and Type B programs for federal awards \$750,000

Dollars threshold use to distinguish between Type A and Type B programs for state projects \$335,300

Auditee qualified as low-risk Yes

**EARLY LEARNING COALITION OF POLK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

2019-001 – Special Provision - EFS Monthly Reconciliation Process - Continued

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

Context: Each of the twelve monthly reconciliations were not able to be performed from the Coalition financial records to the EFS Mod.

Cause: The OEL EFS Mod system was not fully operational during the fiscal year 2019. The Coalition was unable to use the EFS Mod system to make payments to providers. In fiscal year 2019, the Coalition made payments to providers based on actual attendance records from providers.

Effect: Noncompliance with grant agreement requirements due to non-functionality of EFS Mod for the entire fiscal year. Reconciliations were not able to be completed per the grant agreement.

Repeat Finding: No

Recommendation: While the Coalition did develop an alternate method to use in their internal monthly reconciliation process, they were not able to reconcile to EFS Mod since they were informed by OEL that it was not fully operational. Auditor recommends the Coalition continues to perform necessary reconciliations to identify any variances between their financial records and OEL.

Views of responsible officials: The Early Learning Coalition of Polk County continues to review and enhance its methods for the processing of attendance by its providers in order to reconcile the attendance records fully with EFS Mod. This process does and will include identifying variances between the Coalition records and EFS Mod and correcting any discrepancies.

2019-002 - Eligibility

Federal agency: U.S. Department of Health and Human Services

Federal program title: School Readiness Cluster: Temporary Assistance for Needy Families Cluster, Social Services Block Grant, Child Care Development Fund Cluster, Voluntary Pre-Kindergarten Education Program

CFDA Number: [93.558], [93.575], [93.596], [93.667] and **CSFA Number:** [48.108]

Pass-Through Agency: Florida Office of Early Learning for School Readiness Services

Award Period: July 1, 2018 through June 30, 2019

Type of Finding: Material weakness in Internal Control over Compliance
Other Matters

Criteria: In accordance with the funding agreement with OEL, the Coalition shall ensure they verify, document and maintain in the child file the following requirements: citizenship and eligibility documentation

Questioned Cost: NA

**EARLY LEARNING COALITION OF POLK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

2019-002 - Eligibility – Continued

Condition: During our eligibility testing, we noted the following exceptions:

- 1 out of 40 participants sampled were missing documentation related to citizenship
- 20 out of 40 participants sampled were missing documentation related to income verification and certificate of eligibility.

Context: There were 40 participants tested. The files contained the errors as noted in the condition above.

Cause: The OEL EFS Mod system was not fully operational during the fiscal year 2019. The OEL experienced difficulties with the implementation and functionality of the new EFS Mod system which prevented the Coalition from providing necessary documentation in order to complete the compliance testing.

Effect: Noncompliance with grant agreement requirements due to non-functionality of EFS Mod for the entire fiscal year.

Repeat Finding: No

Recommendation: We recommend management establishes policies and procedures to ensure that the Coalition will remain in compliance with requirements.

Views of responsible officials: In the event EFS Mod is not capable of producing the required eligibility documentation, the Early Learning Coalition of Polk County will develop a written protocol that can be implemented to ensure that the Coalition will remain in compliance with the funding agreement in order to verify, document and maintain the required records with regards to a client's citizenship and eligibility.



**EARLY LEARNING COALITION
OF POLK COUNTY**

**EARLY LEARNING COALITION OF POLK COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

U.S. Department of Health and Human Services

Early Learning Coalition of Polk County respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2019.

Audit period: July 1, 2017 – June 30, 2018

The finding from the prior audit's schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the prior year.

FINDINGS – FINANCIAL STATEMENT AUDIT

2018-001: Significant Deficiency in Internal Control over Financial Reporting

Condition: Multiple entries for the fiscal year 2018 were posted to the general ledger after the trial balance was provided to the auditors. This resulted in the audit team receiving multiple trial balances and general ledgers. This also resulted in subsidiary reports not agreeing to the trial balance provided to the auditors. In addition, we noted that net assets did not roll forward properly as a result of transactions posted to the prior year general ledger after the audit.

Current Status: Fully corrected

FINDINGS – FEDERAL AWARD PROGRAMS AUDITS

2018-002: Significant Deficiency in Internal Control over Compliance

Condition: During our testing, we noted one instance in which expenditure was incorrectly charged to the wrong period.

Current Status: Fully corrected

If the U.S. Department of Health and Human Services has questions regarding this schedule, please call John Patrick at 863-733-9064.



MANAGEMENT LETTER

Board of Directors
Early Learning Coalition of Polk County
Lakeland, Florida

We have audited the financial statements of the Early Learning Coalition of Polk County as of and for the fiscal year ended June 30, 2019 and have issued our report thereon dated March 30, 2020.

Auditor's 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; Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Rules of the Auditor General, Chapter 10.650 *Florida Single Audit Act Audits – Nonprofit and For-Profit Organizations*, issued by the Auditor General of the State of Florida.

Other Reporting Requirements

We have issued our Independent Auditor's 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 Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 30, 2020, should be considered in conjunction with this management letter.

Additional Matters

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

Purpose of this Letter

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

CliftonLarsonAllen LLP

Lakeland, Florida
March 30, 2020