

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

FINANCIAL STATEMENTS

For the Year Ended June 30, 2019
(With Summarized Financial Information for
the Year Ended June 30, 2018)

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

BOARD MEMBERS

June 30, 2019

Connie Anderson	Chair
Dr. Pamela Carswell	Vice Chair
Mantha Young	Treasurer
John Burns	Secretary
Nicole Ferranti	Member
Dianne Head	Member
Carol Milton	Member
Michelle Ward	Member
Terri Boyette	Member
Shelby Waldron	Member
Melanie Howard	Member
Brandon Fernald	Member
Dr. Jimbo Haley	Member
Trevor Hickman	Member
Esther Bass	Member
Stacey Rimes	Member
Patricia Brantley	Member
Janene Fitzpatrick	Ex-officio, non-voting
Stephen Clark	Ex-officio, non-voting
Thomas Moffses	Ex-officio, non-voting
Dawn Odum	Ex-officio, non-voting
Betty Linton	Ex-officio, non-voting
Kerry Waldron	Ex-officio, non-voting
Lashone T. Surrency	Executive Director
Steven Harris	Finance Director

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

FINANCIAL STATEMENTS

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(With Summarized Financial Information for the Year
Ended June 30, 2018)

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FINANCIAL SECTION

KENNETH M. DANIELS
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Early Learning Coalition of Florida's Gateway, Inc.
Lake City, Florida

Report on the Financial Statements

I was engaged to audit the accompanying financial statements of the Early Learning Coalition of Florida's Gateway, Inc., a non-profit organization, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, 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 State of America; this includes the design, implementation, and maintenance of internal control relevant to the fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Early Learning Coalition of Florida's Gateway, Inc., uses software developed by the Florida Department of Education, Office of Early Learning (OEL) to track attendance, ensure eligibility, compute parent fees, and generate invoices based on the aforementioned for provider payments. The updated software was not fully functional during the year ending June 30, 2019, and payments to providers for school readiness were made based upon estimates. Post year-end reconciliations were attempted but not fully completed.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Early Learning Coalition of Florida's Gateway, Inc., adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. My opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

I have previously audited the Early Learning Coalition of Florida's Gateway, Inc.'s 2018 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated December 21, 2018. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650 *Rules of the Auditor General*, 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. However, because of the significance of the matter giving rise to the disclaimer of opinion on the basic financial statements, it is inappropriate to, and I do not express an opinion on the supplementary information.

The Schedule of Provider Payments – Estimated and Corrected has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 13, 2020, on my consideration of the Early Learning Coalition of Florida's Gateway, Inc.'s, internal control over financial reporting and my 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 my 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 Early Learning Coalition of Florida's Gateway, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Early Learning Coalition of Florida's Gateway, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Ken M Daniels". The signature is written in a cursive, flowing style.

Kenneth M. Daniels
Certified Public Accountant
March 13, 2020

FINANCIAL STATEMENTS

EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2019

(With Summarized Financial Information as of June 30, 2018)

Assets

Current assets	<u>2019</u>	<u>2018</u>
Cash	\$ 225,178	\$ 95,257
Due from providers	564,444	-
Due from State of Florida	<u>985,840</u>	<u>279,217</u>
Total current assets	<u>1,775,462</u>	<u>374,474</u>
Fixed assets		
Computer equipment and software	122,425	122,425
Office equipment and furniture	6,014	6,014
Leasehold improvements	34,075	34,075
Vehicles	<u>84,447</u>	<u>84,447</u>
Total depreciable assets	246,961	246,961
Accumulated depreciation	<u>(224,415)</u>	<u>(202,329)</u>
Total net fixed assets	<u>22,546</u>	<u>44,632</u>
Total assets	<u>\$ 1,798,008</u>	<u>\$ 419,106</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 119,683	\$ 73,847
Accrued salaries	-	7,347
Payroll taxes and withholding payable	29,386	-
Due to State of Florida	<u>565,168</u>	<u>-</u>
Total current liabilities	<u>714,237</u>	<u>81,194</u>
Net assets		
Without donor restrictions	<u>1,083,771</u>	<u>337,912</u>
Total liabilities and net assets	<u>\$ 1,798,008</u>	<u>\$ 419,106</u>

EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

(With Summarized Financial Information for the Year Ended June 30, 2018)

Revenues, Gains, and Other Support		
School Readiness Funding	<u>2019</u>	<u>2018</u>
Federal grants	\$ 7,686,524	\$ 7,167,613
State grants	2,804,139	2,612,707
Other contractual	33,450	6,300
Contributions	-	1,050
Miscellaneous	<u>1,634</u>	<u>14,394</u>
Total revenues, gains, and other support	<u>10,525,747</u>	<u>9,802,064</u>
Expenses		
Program Services		
School readiness programs		
Non-direct Program Support	249,355	285,923
Eligibility Determination	175,144	124,605
Quality Improvement - infant and toddler	172,855	89,806
Resource and referral	167,803	155,115
Quality services	238,171	398,465
Quality Improvement Inclusion	77,488	66,078
Performance funding	47,994	-
Targeted Assistance to Providers	101,364	106,080
Child Care Information Systems	93,626	76,929
Child Care	<u>8,214,008</u>	<u>8,123,866</u>
Total program services	<u>9,537,808</u>	<u>9,426,867</u>
Supporting Services		
Management and general		
Voluntary Pre-K	34,703	78,643
School Readiness	<u>207,377</u>	<u>214,566</u>
Total management and general	<u>242,080</u>	<u>293,209</u>
Total operating expenses	9,779,888	9,720,076
Increase (decrease) in net assets	745,859	81,988
Net assets at beginning of year	<u>337,912</u>	<u>255,924</u>
Net assets at end of year	<u>\$ 1,083,771</u>	<u>\$ 337,912</u>

EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

(With Summarized Financial Information for the Year Ended June 30, 2018)

Expenses	Program Services										Management and General		Totals	
	Nondirect Support	Eligibility Determination	I & T Quality Improvement	Resource & Referral	Quality Services	Quality Improvement	Performance Funding	Targeted Assistance	Child Care Info Systems	Pre-K/Child Care	Voluntary Pre-K	School Readiness	2019	2018
Salaries	\$ 163,771	\$ 112,083	\$ 87,683	\$ 84,634	\$ 80,067	\$ 47,268	\$ 14,476	\$ 57,733	\$ 62,444	\$ -	\$ 18,913	\$ 121,642	\$ 850,714	\$ 761,966
Payroll taxes	12,214	8,573	6,598	6,441	6,048	3,603	476	4,330	4,708	-	1,433	9,809	64,233	57,508
Benefits reemployment	1	2	-	-	-	-	-	-	-	-	-	-	3	26
Health insurance	23,140	11,931	11,570	10,330	14,863	9,174	1,037	11,875	9,134	-	2,960	21,007	127,021	116,764
Retirement	7,149	2,771	4,154	2,742	4,099	2,450	310	2,864	3,094	-	771	6,877	37,281	30,983
Other benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	2,074
Staff development	613	535	2,547	82	-	-	6	344	173	-	70	390	4,760	3,031
Professional services	3,297	2,532	1,145	1,947	1,651	809	3	1,625	840	-	342	1,857	16,048	21,713
Repairs and maintenance	95	103	55	78	563	27	8	59	34	-	60	84	1,166	8,057
Direct services	-	-	-	-	-	-	-	-	-	8,214,008	-	-	8,214,008	8,123,866
Occupancy	22,587	20,069	11,432	9,086	5,349	6,155	1,077	12,191	7,456	-	4,964	11,403	111,769	106,821
Postage, freight, and delivery	224	184	81	109	125	40	-	125	59	-	24	131	1,102	2,473
Rentals - office equipment	157	1,221	593	821	784	359	48	743	399	-	291	944	6,360	6,884
Office supplies/expense	1,318	1,488	878	1,060	1,043	508	92	822	493	-	1,751	-	9,453	27,463
Communications	3,675	3,372	1,628	2,237	2,171	972	134	2,063	1,104	-	828	2,599	20,783	19,199
Insurance	2,436	2,163	1,018	1,384	1,440	546	36	1,377	699	-	698	1,584	13,381	17,727
Equipment < \$1000	180	126	125	121	172	56	35	73	68	-	21	172	1,149	-

(Continued)

See notes to financial statements.

EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

(With Summarized Financial Information for the Year Ended June 30, 2018)

	Program Services										Management and General		Totals	
	Nondirect Support	Eligibility Determination	I & T Quality Improvement	Resource & Referral	Quality Services	Quality Improvement	Performance Funding	Targeted Assistance	Child Care Info Systems	Pre-K/Child Care	Voluntary Pre-K	School Readiness	2019	2018
Expenses continued														
Quality and classroom sup.	\$ -	\$ -	\$ 30,000	\$ -	\$ 8,244	\$ -	\$ 822	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,066	\$ 49,223
Training materials/space	882	666	7,843	329	4,929	1,734	3,975	427	218	-	90	482	21,575	14,443
Consumer education	124	138	78	40,873	94	44	15	73	46	-	26	119	41,630	70,649
Grants to providers	-	-	-	-	70,299	-	6,750	-	-	-	-	-	77,049	149,001
Scholarships/other education	-	-	-	-	16,857	-	-	-	-	-	-	-	16,857	51,354
Wage incentives	-	-	-	-	9,600	-	18,500	-	-	-	-	-	28,100	14,250
Travel and training	2,253	2,250	3,248	1,837	6,456	2,868	135	1,337	736	-	598	1,789	23,507	16,688
Bank fees	45	43	20	30	29	10	1	28	14	-	9	32	261	888
Application software licenses	3,167	3,057	1,336	2,206	2,046	495	38	2,061	1,322	-	555	2,175	18,458	8,391
Web service/hosting	213	208	100	142	142	45	3	133	66	-	80	150	1,282	4,170
Other employee expenses	824	709	319	433	477	167	8	466	228	-	97	514	4,242	3,941
Dues and subscriptions	607	591	250	419	411	59	1	411	182	-	73	406	3,410	4,888
Taxes, licenses, fees	82	80	39	61	49	18	8	46	27	-	13	67	490	382
Miscellaneous/other	301	249	115	401	163	81	-	158	82	-	36	1,058	2,644	2,672
Depreciation	-	-	-	-	-	-	-	-	-	-	-	22,086	22,086	22,581
Total expenses	<u>\$ 249,355</u>	<u>\$ 175,144</u>	<u>\$ 172,855</u>	<u>\$ 167,803</u>	<u>\$ 238,171</u>	<u>\$ 77,488</u>	<u>\$ 47,994</u>	<u>\$ 101,364</u>	<u>\$ 93,626</u>	<u>\$ 8,214,008</u>	<u>\$ 34,703</u>	<u>\$ 207,377</u>	<u>\$ 9,779,888</u>	<u>\$ 9,720,076</u>

EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019

(With Summarized Financial Information for the Year Ended June 30, 2018)

Cash flows from operating activities	<u>2019</u>	<u>2018</u>
Cash received from federal and state grants	\$ 10,349,208	\$ 9,828,153
Cash received from contractual services	33,450	6,300
Cash received from contributions and miscellaneous	1,634	13,904
Cash paid to employees	(858,061)	(774,542)
Cash paid for employee taxes and benefits	(203,912)	(207,355)
Cash paid for supplies	(450,629)	(604,305)
Cash paid for childcare	<u>(8,741,769)</u>	<u>(8,189,028)</u>
Net cash provided (used) by operating activities	<u>129,921</u>	<u>73,127</u>
Cash flows from investing activities		
Payments for equipment	<u>-</u>	<u>(5,636)</u>
Cash - beginning	<u>95,257</u>	<u>27,766</u>
Cash - ending	<u>\$ 225,178</u>	<u>\$ 95,257</u>
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities		
Increase (decrease) in net assets	<u>\$ 745,859</u>	<u>\$ 81,988</u>
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	22,086	22,581
Decrease (increase) in operating assets		
Grant funds receivable	(706,623)	47,833
Due from providers	(564,444)	-
Increase (decrease) in operating liabilities		
Accounts payable	45,836	(65,162)
Accrued salaries	(7,347)	2,212
Payroll taxes and withholding payable	29,386	(1,416)
Accrued leave	-	(13,369)
Due to the State	<u>565,168</u>	<u>(1,540)</u>
Total adjustments	<u>(615,938)</u>	<u>(8,861)</u>
Net cash provided (used) by operating activities	<u>\$ 129,921</u>	<u>\$ 73,127</u>
Noncash transactions	<u>\$ -</u>	<u>\$ -</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose - The Early Learning Coalition of Florida's Gateway, Inc. (Coalition), is a nonprofit corporation organized on May 2, 2000, for the purpose of providing opportunities for at risk, birth to kindergarten children and enhancing their chances for educational success. The Coalition was specifically formed to implement the provisions of the "Florida School Readiness Act" in the counties of Columbia, Hamilton, Lafayette, Suwannee, and Union.

The Organization is governed by a voluntary board of directors selected from the five-county area.

The Organization is primarily funded by grant contracts with the State of Florida Office of Early Learning, which includes State and Federal grant funding for childcare and school readiness programs. The Organization primarily provides its school readiness services through contractual arrangements with area childcare providers and school boards.

Revenues supporting the Organization are primarily federal and state grants, contractual services, and contributions.

Basis of Accounting - The Coalition follows standards of accounting and financial reporting prescribed for voluntary health and welfare agencies. It uses the accrual basis of accounting, which recognizes revenues when earned and expenses as incurred. Federal, state, and local government and other public grants are recorded as support when performance occurs under the terms of the grant agreement.

The costs of providing the various programs and other activities have been detailed in the Statement of Functional Expenses and summarized on a functional basis in the Statement of Activities. Salaries and other expenses which are associated with a specific program are charged directly to that program. Salaries which benefit more than one program are allocated to the various programs based on employee time spent in each functional area. Other expenses which benefit more than one area are allocated based on the averaged employee time spent in the various cost centers.

Financial Statement Presentation - The financial statement presentation is presented as required by the Section 958, Not for Profit Entities, in the Financial Accounting Standards Board (FASB) Accounting Standards Codification.

Under the Codification, the Early Learning Coalition of Florida's Gateway, Inc., is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction, which represents the expendable resources that are

available for operations at management's discretion and net assets with donor restrictions which are restricted by the donor as to purpose or time.

Also, in accordance with the above referenced Codification, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence of any restrictions.

During the year ending June 30, 2019, all net assets were classified as net assets without donor restrictions.

Promises to Give – Based on FASB Codification 958-605-25, contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in donor restricted net assets depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

During the year ending June 30, 2019, all contributions were recorded as net assets without donor restrictions.

Cash Equivalents - As applicable, cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase. At June 30, 2019, the Organization had no investments, which it considered cash equivalents.

Property and Depreciation - The Organization follows the practice of capitalizing all property and equipment expenditures in excess of \$1,000, at cost, or, if donated, at fair market value. The Organization utilizes straight line depreciation with useful lives ranging from 5-10 years.

Property and equipment are valued at historical cost. Donated property and equipment are valued at estimated fair value at the date of donation. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and Equipment Acquired by Grants - All property and equipment purchased with funds provided by federal or state funded programs is the property of the federal government or State of Florida. The Coalition uses the property and equipment in its operations and is required to maintain physical control over these assets. The titles to the assets are held by the Organization. Disposition of fixed assets exceeding established amounts requires prior approval by the federal pass-through agency, the State of Florida, Office of Early Learning.

Revenue Recognition - The Organization's primary revenue is derived from annual grants awarded

by the State of Florida, Office of Early Learning. These grant revenues, which are susceptible to accrual, are recognized when they become measurable and available. Other revenues, if any, are recorded on the accrual basis of accounting.

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 and disclosures. Accordingly, actual results could differ from those estimates.

Contributions without donor restrictions - The Organization reports contributions with donor restrictions as contributions without donor restrictions when any donor-imposed restrictions are met within the same reporting period in which the contribution is received.

Uncertain Tax Positions – The Organization considered FASB Codification 740-10-50-15. As a result, it determined that the primary tax position of the Organization is its filing status as a tax-exempt entity. In addition, the Organization determined that it is more likely than not that its tax positions would be sustained upon examination by the Internal Revenue Service (IRS).

Prior Year Summarized Comparative Information – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30 of the prior year, from which the summarized information was derived.

Change in Accounting Principle – On July 1, 2018, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 was adopted to clarify and improve the information presented and disclosed in its financial statements. As a result, there was no change in the Organization’s total net assets. The change occurred only in the classification of the balances.

Net assets prior to adoption of ASU No. 2016-14

Net assets

Unrestricted	\$ <u>337,912</u>
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Net assets after adoption of ASU No. 2016-14

Net assets

Without donor restrictions

Undesignated	\$ <u>337,912</u>
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NOTE 2. CASH

Cash includes amounts in demand deposits as well as short-term money market investment accounts. Cash in demand deposits is secured by federal depository insurance. There were no restrictions on the cash balances at June 30, 2019.

At June 30, 2019, the total bank balances were \$225,178, all of which was covered by the Federal Deposit Insurance Corporation (FDIC). If amounts exceed the FDIC limit, the remaining

balance is insured by the Bureau of Collateral Management, Florida Department of Financial Services.

NOTE 3. DUE FROM STATE OF FLORIDA

Due from the State of Florida, consists of amounts owed to the Coalition for child care services provided prior to June 30, 2019. Management considers the amounts fully collectible.

No provision for uncollectible amounts is provided for in the financial statements. All amounts were collected post year end.

Due from the State of Florida consisted of the following:

Federal grants - School Readiness	\$	856,276
State grants - VPK		<u>129,564</u>
Total	\$	<u>985,840</u>

NOTE 4. DUE FROM SCHOOL READINESS PROVIDERS

Due to a software upgrade estimated amounts were paid to school readiness providers throughout the year. Post year end, the Coalition corrected the amounts and determined the balances that were owed to the Coalition by various providers due to overpayments (estimated vs. actual). The balances remain subject to further review and adjustment. In addition, an erroneous amount was paid to providers.

The amount due from providers at June 30, 2019, is as follows:

Erroneous payment (parent fees)	\$	101,537
Estimated payment excess		<u>462,907</u>
Total due from providers	\$	<u>564,444</u>

The Coalition is offering the following terms to the providers: 1. A one-time payment 2. Six-month repayment plan or 3. Coalition approved plan.

The Coalition expects amounts to be repaid and has not recorded an allowance for doubtful provider amounts.

NOTE 5. FIXED ASSETS AND DEPRECIATION

Depreciation of furniture and fixtures, and machinery and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. In accordance with the Organization's policy, assets costing less than \$1,000 are generally fully expensed in their year of acquisition.

Depreciation expense for the period ended June 30, 2019, was \$22,086.

A summary of the Organization's fixed assets at June 30, 2019, is as follows:

Fixed asset type		<u>Cost</u>	<u>Life</u>
Computer hardware/software	\$	122,425	5
Office equipment and furniture		6,014	5
Leasehold improvements		34,075	5-10
Vehicles		84,447	5
Total fixed assets		246,961	
Accumulated depreciation		(224,415)	
Net fixed assets	\$	<u>22,546</u>	

NOTE 6. RETIREMENT

In 2015, the Organization adopted a Safe Harbor 401(k) Plan. Under the plan, the Organization makes an employer matching contribution of up to six percent of an employee's wages. The individual accounts are one-hundred percent vested and are funded on a per-pay-period basis.

For the year ending June 30, 2019, the Organization incurred \$37,281 in retirement expense.

NOTE 7. INCOME TAXES

The Organization has been granted an exemption from income taxes under Internal Revenue Code, Section 501(c)(3), as a nonprofit corporation. As required by Internal Revenue Service regulations, the Organization annually files a Form 990, "Return of Organization Exempt from Income Tax".

No taxes were owed by the Organization for the year ended June 30, 2019.

NOTE 8. CONTINGENCIES

There is a contingent liability due to the fact that all audits/monitoring's have not been completed for the fiscal year ended June 30, 2019. Under provisions of the funding agreements, any expenditure determined not in compliance with grant regulations would be subject to repayment by the Organization.

The Organization's administration believes that all expenditures were significantly in compliance with grant regulations.

NOTE 9. LEASE COMMITMENT - FACILITIES

The Organization rents administrative offices at 1104 Southwest Main Boulevard in Lake City, Florida, from Tomkins-Brewer Properties, LLC. The lease began in July 2008 and was renewed for an additional five-year period in July 2018 with an option to extend for an additional five-year period.

The lease agreement calls for monthly rental payments of \$5,940 plus \$75 monthly for water/sewer (total monthly payment \$6,015). The minimum rental payments under this noncancelable lease is as follows:

<u>Fiscal Year Ended</u>		<u>Rents</u>		<u>Utilities</u>		<u>Minimum Lease Payments</u>
June 30, 2020	\$	71,280	\$	900	\$	72,180
June 30, 2021		71,280		900		72,180
June 30, 2022		71,280		900		72,180

If exercised, an additional five-year option calls for monthly payments of \$6,465 plus \$75 monthly for water/sewer (total monthly payment \$6,540).

Facility lease costs incurred for the year ending June 30, 2019, totaled \$72,180.

NOTE 10. LEASE COMMITMENTS - EQUIPMENT

The Organization has an operating lease agreement with for a Lexmark Multifunction printer and hole punch finisher. The lease is for 48 months with monthly rental payments of \$503. Future payments under the lease are:

<u>June 30,</u>	<u>Minimum Lease Payments</u>
2020	\$ 6,032

Rental expense for the above copier totaled \$6,032, for the year ending June 30, 2019.

The Organization also has an operating lease agreement with Pitney Bowes for a postage meter for a payment of \$213 quarterly. The lease renews for successive 12-month annual extensions until written notice is provided.

Future payments under the lease are:

<u>June 30,</u>	<u>Minimum Lease Payments</u>
2020	\$ 852

NOTE 11. CONCENTRATION OF CREDIT RISK

Financial instruments which subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents in a local bank which at times may exceed the FDIC limits. However, because of classification as public funds, any amounts that exceed FDIC coverage are insured through the Bureau of Collateral Management, Division of Treasury, and Department of Financial Services.

The Organization has no policy requiring collateral or other security to support its receivables.

NOTE 12. EXPENSES BY FUNCTION

Expenses by function have been allocated among program and supporting services classifications on the basis of employee time records based on personal activity reports (PARs). Hours by function are entered on a spreadsheet and an average by department (Administrative/finance, Provider Support, and Family Support) is computed. The average by department is totaled by function and multiplied by the total number of employees. The average by employee is used to allocate those costs that are not directly charged. The process is updated on a monthly basis.

The plan was approved by the Florida Office of Early Learning and certified annually.

NOTE 13. CONCENTRATION OF REVENUE SOURCES

Approximately 99% of the Organization's revenues are derived from one state grant contract which must be renewed annually.

NOTE 14. INVENTORIES

It has consistently been the policy of the Organization to record acquisition of goods and supplies as expenditures at the time of purchase. The amount of such inventory on hand at any one time would be a nominal amount and considered to be immaterial.

NOTE 15. DONATED SERVICES

The Organization also receives contributed services from various individuals. Volunteer services are recorded in accordance with FASB Codification 958-605-25-16 if they: 1 create or enhance nonfinancial assets or 2 require specialized skills and are provided by the individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The contributed services provided to the Organization during the year ending June 30, 2019, did not meet the revenue recognition criteria above and were not recorded.

In addition, the fair market value of the unrecorded donated services has not been estimated.

Volunteer services were provided to all programs.

NOTE 16. QUALITATIVE AND QUANTITATIVE INFORMATION

Qualitative Information

Donor restrictions

The Organization has no responsibility to maintain resources due to donor restrictions at June 30, 2019.

Goals for Maintaining Financial Assets

The Organization's goals for maintaining financial assets are indicated in its Financial Policy and Procedures: "monitor cash flow needs on a weekly basis to eliminate idle funds and to ensure that payment obligations can be met."

Policies for Investing Excess Cash

The Organization's policy for maintaining financial assets is indicated in its Financial Policy and Procedures: "Any funds in excess of two months' anticipated cash flow needs held in the operating checking account shall be transferred into the Organization's money market account."

Contractual Agreements

At June 30, 2019, the Organization had no contractual agreements which would make any financial agreements unavailable to fund general expenses.

Line of Credit

Due to advances provided by the Florida Office of Early Learning, the Organization has not required any short-term funding via a line of credit or other means.

Quantitative Information

Financial assets at year end	\$	1,775,462
Grants awarded 2019-20 (See Note 19.)		
VPK - EL020		2,666,704
SR - EL020		8,824,234
Total grants awarded		<u>11,490,938</u>
Financial assets/awards available to meet general expenses within one year	\$	<u>13,266,400</u>

NOTE 17. RECONCILIATION OF OEL CONFIRMED REVENUE TO STATEMENT OF ACTIVITIES BALANCES

The following schedule reconciles the OEL confirmed revenue total to the amount reported on the Coalition's financial statements:

Confirmed revenues (SR and VPK) per OEL Confirmation	\$	10,944,577
Post year end corrections:		
Draw in excess of estimated billing		(101,537)
Amount due to providers - deficiency		110,530
Amount due from providers - excess		<u>(462,907)</u>
Total net corrections		<u>(453,914)</u>
Net federal and state grant revenues	\$	<u>10,490,663</u>
Per financial statements		
SR	\$	7,686,524
VPK		<u>2,804,139</u>
Total	\$	<u>10,490,663</u>

NOTE 18. RELATED PARTY TRANSACTIONS

The composition of the Coalition's Board of Directors includes seven persons (includes voting and nonvoting members) associated with Pre-K/School Readiness providers who received payments from the Organization during the year ended June 30, 2019.

The amounts paid to the providers are as follows:

<u>Board Member</u>	<u>Daycare Provider</u>	<u>Total Expended</u>
T. Boyette	Castle Hill Academy, Inc	\$ 481,917
D Odum *	Columbia County School Board	555,684
B Linton *	Hamilton County School Board	120,990
S Clark *	Lafayette Co School Board of Public Instruction	80,992
P Brantley	Suwannee County School District	289,780
M. Ward	Suwannee Valley 4Cs	178,910
S Rimes *	Union County School Board	172,503
S Waldron	Christ Central Preschool	57,014

* nonvoting members

The terms of these contracts were substantially the same as for other child care providers.

NOTE 19. SUBSEQUENT EVENTS

Grant Award

On July 1, 2019, the State of Florida Office of Early Learning awarded the Organization the following grants:

Voluntary Prekindergarten Services:

EL020 \$ 2,666,704

School Readiness Services:

EL020 \$ 8,824,234

The Organization's management has evaluated subsequent events through March 13, 2020, the date which the financial statements were available for issuance.

NOTE 20. RECONCILIATION OF FINANCIAL RECORDS TO SCHOOL READINESS DATA AND REPORTING SYSTEM

During the year ending June 30, 2019, a monthly reconciliation of the Organization's financial records to the statewide School Readiness data and reporting system was generally performed in a timely and satisfactory manner based on the estimated payments requested.

SUPPLEMENTARY INFORMATION

**EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.
SCHEDULE OF PROVIDER PAYMENTS - ESTIMATED AND CORRECTED**

For the Year Ending June 30, 2019

<u>Provider</u>	Corrected Provider <u>Payments</u>	Paid to <u>Provider</u>	Balance <u>Owed to (Due from)</u>
Aunt Marcia's Love-N-Care	\$ 65,929	\$ 74,834	\$ (8,904)
Beasley Large Family Child Care Home	56,297	56,609	(312)
Bethlehem Pre-School House of Bread	24,867	21,749	3,119
Branford Love N Care	108,315	126,285	(17,970)
Bright Stars Academy Inc.	188,777	199,811	(11,034)
Building Blocks Enrichment Center	79,134	81,329	(2,195)
Bullfrogs and Butterflies Learning Center	91,740	92,617	(877)
Busy Bee Playschool 2	240,937	230,540	10,397
Castle Hill Academy LLC	348,014	362,252	(14,238)
Christ Central Preschool & Daycare	56,323	50,730	5,593
Christ Central Sports	35,852	32,179	3,673
Dora's Paradise and Learning Academy	67,077	63,669	3,408
Ebenezer Nursery & Preschool	103,499	108,768	(5,269)
Full of Joy Family Child Care Home	22,008	23,888	(1,881)
Gandy Family Day Care Home	44,082	48,147	(4,066)
Greater Heights Academy	179,218	196,133	(16,914)
Green Gables Learning Tree	44,200	51,333	(7,133)
Happy Hearts East	253,046	283,633	(30,587)
Happy Hearts West Child Care Center	371,172	357,658	13,514
Happy House	554,976	591,643	(36,667)
Harriette's Right Way Nursery	130,455	144,965	(14,510)
Hart 2 Hart Academy	155,796	165,990	(10,195)
Holden Family Day Care Home	11,297	13,345	(2,047)
Harrell Investments dba Jewels Little Rascals	141,124	170,262	(29,137)
Johnson Family Day Care Home	50,492	54,207	(3,715)
Johnson's Love-N-Learn Daycare	69,721	74,892	(5,171)
Kountry Kids	101,198	101,204	(6)
Kountry Kids Daycare	103,499	108,559	(5,060)
Lake City Kiddy Club	241,691	278,969	(37,278)
Learning Station Preschool	187,602	165,191	22,411
Lee's Fun to Learn Daycare & Tutoring Inc.	33,838	35,813	(1,975)
Little Rainbow's Learning Center, Inc	180,502	193,008	(12,506)
Lollipop Childcare Center	378,218	361,000	17,218
Lollipop Hangout, Inc	62,727	61,433	1,293
Love 'n & Learning Childcare Center	24,933	28,393	(3,460)
My Little Red Schoolhouse	119,685	135,023	(15,338)
Nanny's Place	207,695	230,212	(22,518)
New Standards Childcare Facility	46,260	48,224	(1,964)
Over the Rainbow Child Care	41,715	44,104	(2,389)
Pride & Joy Child Care & Preschool	156,912	177,972	(21,061)
Rice Family Childcare Home	12,554	13,189	(635)
Sanchez Family Day Care Home	16,356	16,222	134
Slocum Family Day Care Home	22,549	23,985	(1,435)
Stepping Stones	82,083	89,620	(7,537)
Tender Touch Learning Center	155,671	172,823	(17,152)
The Living Word Preschool	152,135	124,490	27,645
Tigers Den Daycare	67,654	85,658	(18,004)
Tina Cherry Family Daycare Home	30,258	30,889	(631)
Tiny Praying Hands Large Child Care Home	104,300	106,625	(2,326)
Tiny Tots	42,180	40,054	2,125
Wee Care Pre-School & Daycare Inc.	147,653	176,953	(29,299)
Wee Care, Too	105,782	113,801	(8,019)
Wee Kare Academy of Mayo	36,612	47,462	(10,850)
Wee Kare Academy, Inc.	85,282	105,925	(20,643)
Totals	<u>\$ 6,441,890</u>	<u>\$ 6,794,268</u>	<u>\$ (352,377)</u>

COMPLIANCE SECTION

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**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 of the
Early Learning Coalition of Florida's Gateway, Inc.
Lake City, Florida

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Early Learning Coalition of Florida's Gateway, Inc., (a nonprofit organization), 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 my report thereon dated March 13, 2020. A disclaimer of opinion was issued.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Early Learning Coalition of Florida's Gateway, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Early Learning Coalition of Florida's Gateway, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, as described in the accompanying schedule of findings and questioned costs, I did identify certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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. I consider the deficiencies described in the

accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 to be material weaknesses.

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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Early Learning Coalition of Florida's Gateway, Inc.'s financial statements are free of material misstatement, I 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002.

Early Learning Coalition of Florida's Gateway, Inc's Response to Findings

Early Learning Coalition of Florida's Gateway, Inc.'s response to the findings identified above is described in the accompanying Corrective Action Plan. Early Learning Coalition of Florida's Gateway, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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



Kenneth M. Daniels
Certified Public Accountant
March 13, 2020

EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

For the Fiscal Year Ended June 30, 2019

	Federal/State CFDA/CSFA <u>Number</u>	Grant/ Contract <u>Number</u>	Contract <u>Period</u>	Grant/ Contract <u>Amount</u>	<u>Expenditures</u>	Passed Through to Subrecipients	Deferred Revenue <u>6/30/2019</u>
Federal Financial Assistance							
U.S. Department of Health and Human Services passed through Florida's Office of Early Learning							
Temporary Assistance for Needy Families	93.558	EL029	7/1/2018 06/30/19	\$ 1,546,060	\$ 1,546,060	\$ -	\$ -
Childcare and Development Block Grant *	93.575	EL029	7/1/2018 06/30/19	4,832,763	4,373,414	-	-
Childcare Mandatory and Matching Funds *	93.596	EL029	7/1/2018 06/30/19	<u>1,755,208</u>	<u>1,755,208</u>	-	-
Total Child Care and Development Fund Cluster				<u>6,587,971</u>	<u>6,128,622</u>	-	-
Social Services Block Grant	93.667	EL029	7/1/2018 06/30/19	<u>11,842</u>	<u>11,842</u>	-	-
Total federal financial assistance				<u>8,145,873</u>	<u>7,686,524</u>	-	-
State Financial Assistance							
Florida's Office of Early Learning							
Voluntary Pre-K Education Program	48.108	EL029	7/1/2017 06/30/18	<u>2,804,139</u>	<u>2,804,139</u>	-	-
Total all assistance				<u>\$ 10,950,012</u>	<u>\$ 10,490,663</u>	\$ -	\$ -

* Cluster of programs

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant/contract activity for the Early Learning Coalition of Florida's Gateway, Inc., under programs of the federal and state governments for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of Florida, *Rules of the Auditor General* 10.650. Because the Schedule presents only a selected portion of the operations of the Early Learning Coalition of Florida's Gateway, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Early Learning Coalition of Florida's Gateway, Inc.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. When applicable, negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenses in prior years.

Note 3. Indirect Cost Rate

The Early Learning Coalition of Florida's Gateway, Inc., did not elect to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

Independent Auditor's Report

To the Board of Directors of
Early Learning Coalition of Florida's Gateway, Inc.
Lake City, Florida

Report on Compliance for Each Major Federal Program and State Project

I have audited Early Learning Coalition of Florida's Gateway, Inc.'s, compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, and the special audit guidance provided by the Florida Office of Early Learning that could have a direct and material effect on each of Early Learning Coalition of Florida's Gateway, Inc.'s, major federal programs and state projects for the year ended June 30, 2019. The Early Learning Coalition of Florida's Gateway, Inc.'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 and State statutes, regulations, and the terms and conditions of its Federal awards and State projects applicable to its Federal programs and State projects.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Early Learning Coalition of Florida's Gateway, Inc.'s, major federal programs and state projects based on my audit of the types of compliance requirements referred to above. I conducted my 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 for Federal Awards* (Uniform Guidance); and Chapter 10.650, *Rules of the Auditor General*. Those standards, the Uniform Guidance, Chapter 10.650, *Rules of the Auditor General* and the special audit guidance provided by the Florida Office of

Early Learning require that I 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 Florida's Gateway Inc.'s, compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major Federal program and State project. However, my audit does not provide a legal determination of the Early Learning Coalition of Florida's Gateway, Inc.'s, compliance.

Basis for Qualified Opinion on Each Major Federal Program and State Project

As described in the accompanying schedule of findings and questioned costs, the Early Learning Coalition of Florida's Gateway Inc., did not comply with the requirements regarding the following major Federal Programs: Temporary Assistance for Needy Families 93.558, Childcare and Development Block Grant 93.575, and Childcare Mandatory and Matching Funds 93.596; types of compliance requirements: activities allowed or unallowed and allowable costs, eligibility. The associated findings are described in the Schedule of Findings and Questioned Costs as finding numbers 2019-001 and 2019-002. Compliance with such requirements is necessary, in my opinion, for the Early Learning Coalition of Florida's Gateway Inc., to comply with the requirements applicable to those programs.

Qualified Opinion on Major Federal Programs 93.558, 93.575, and 93.596

In my opinion, except for the noncompliance described in the Basis for Qualified Opinion Paragraph, the Early Learning Coalition of Florida's Gateway, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs and State projects for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Early Learning Coalition of Florida's Gateway, Inc., is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Early Learning Coalition of Florida's Gateway, Inc.'s, internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program or 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, Chapter 10.650 *Rules of the Auditor General*, and the special audit guidance provided by the Florida Office of Early Learning but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Early Learning Coalition of Florida's Gateway, Inc.'s, internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described below, I identified certain deficiencies in internal control over compliance, that I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 to be significant deficiencies.

Early Learning Coalition of Florida's Gateway, Inc.'s response to the internal control over compliance findings identified in my audit is described in the accompanying Corrective Action Plan. Early Learning Coalition of Florida's Gateway, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance, Chapter 10.650, *Rules of the Auditor General*, and the special audit guidance provided by the Florida Office of Early Learning. Accordingly, this report is not suitable for any other purpose.



Kenneth M. Daniels
Certified Public Accountant
Jasper, FL
March 13, 2020

**EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS**

For the Year Ended June 30, 2019

Summary of Auditor's Results

<u>Financial Statements</u>	
Type of auditor's report issued:	Disclaimer of opinion
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes
<u>Federal Awards and State Projects</u>	
Internal control over major programs:	
Major weakness(es) identified?	Yes
Significant deficiency(ies) identified?	Yes
Types of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a) or Chapter 10.656?	Yes
Identification of major programs:	
<u>Federal Program or Cluster</u>	<u>Federal CDEFA No.</u>
U.S. Department of Health and Human Services	
Temporary Assistance for Needy Families	93.558
Childcare and Development Block Grant (Cluster)	93.575
Childcare Mandatory and Matching Funds (Cluster)	93.596

<u>State Project</u>	<u>State CSFA No.</u>
State of Florida, Office of Early Learning Voluntary Pre-K Education Program	48.108
Dollar threshold used to distinguish between Type A and Type B programs – Federal Programs:	\$750,000
Dollar threshold used to distinguish between Type A and Type B programs – State Programs:	\$300,000
Auditee qualified as low-risk pursuant to the Uniform Guidance (not applicable for State projects)	Yes

Findings – Financial Statements

Finding Number

See below.

Findings and Questioned Costs –

Major Federal Programs

Temporary Assistance for Needy Families 93.558

Childcare and Development Block Grant (Cluster) 93.575

Childcare Mandatory and Matching Funds (Cluster) 93.596

Finding Number

2019-001 Software Conversion – estimated costs vs. actual

Criteria or specific requirement: The Early Learning Coalition of Florida’s Gateways, Inc., uses software provided by the Florida Department of Education, Office of Early Learning (OEL). The Coalition depends upon the software to track attendance, verify parent income, compute parent fees, and calculate provider rates/reimbursements. During the year ending June 30, 2019, OEL upgraded the software used. The upgrade was not fully functional during the year ended June 30, 2019 (OEL continues to work toward resolution).

Condition: As indicated above, the software upgrade was not completed. Records were not available to generate accurate amounts. Therefore, payments to School Readiness providers were estimated.

Cause: Failure to complete software upgrade in a timely manner – isolated to 2018-19 fiscal year.

Effect or potential effect: The estimated payments resulted in over and under payments to school readiness providers. The net overpayment to the providers, as computed post year end – and subject to additional scrutiny, was determined to be \$352,377 (underpaid \$462,907 and overpaid \$110,530). The amounts were recorded in the financial statements. However, due to the risk of additional material adjustments, a disclaimer of opinion on the financial statements was issued.

Context: Work performed that resulted in the finding: 1. Scheduled all deposits (draws from OEL) and agreed to requests for estimated draws 2. Scheduled all provider payments (ETFs) from bank statements and agreed to payments for school readiness and VPK providers 3. Tested 190 individual students from corrected provider billings 4. Tested corrected post year-end attendance records from seven providers (in excess of 250 students). However, even with extensive testing performed, the risk of additional provider adjustments could potentially exceed materiality based on the net corrections (see above) made post year-end.

Recommendation: OEL continues to work towards correcting all ongoing software issues. In addition, the Coalition has worked diligently to correct provider payments via the manual review of provider and child records. However, once the software upgrade is complete, I recommend reconciling the corrected manual records/amounts to the software generated records/amounts.

Finding Number

2019-002 Supporting Documentation for Childcare Payments

Criteria or specific requirement: Payments to providers for child care costs should be based upon eligible children supported by adequate documentation. Parent fees should be computed in accordance with applicable income and corresponding sliding fee scale established accordingly.

Condition: Per the test of child records, I noted sixty-one instances of the 190 tested in which parent fees could not be determined correct or the child’s age was not verifiable by birth certificate or immunization record.

Cause: The ongoing OEL software upgrade did not provide access to all children’s records. This issue is isolated to the 2018-19 fiscal year.

Effect or potential effect: Erroneous payments are possible without documentation to support the associated provider payment on a per child basis. Given the magnitude of unsupported children in the test – 32%, the possibility of a material errors exists.

Context: Work performed that resulted in the finding: tested 190 school readiness students from sixteen providers. The provider payments tested totaled \$186,436. An error rate of 32% expressed in dollars for those providers tested is approximately \$60,000.

Recommendation: OEL continues to correct the ongoing software issues. Once the update is completed, I recommend that the Coalition select children and determine that all eligibility support is accessible – even for the prior fiscal year.

**Findings and Questioned Costs –
Major State Projects**

Finding Number

None

Other Issues

Summary Schedule of Prior Year Audit Findings

No Summary Schedule of Prior Audit Findings under 2 CFR section 200.511(a) is required because there were no prior audit findings related to Federal programs or State projects.

Communications Required by the Office of Early Learning

The Early Learning Coalition of Florida's Gateway, Inc.,

1. performs a monthly reconciliation of its financial records to the **estimated payments** provided by the statewide School Readiness data and reporting system,
2. has processes in place to identify and correct errors noted during the monthly reconciliation process.

The Early Learning Coalition of Florida's Gateway, Inc., financial records and the EFS records of **estimated payments** were reconciled and are in agreement for the year ending June 30, 2019.

The audit work papers of Kenneth M Daniels CPA PA include documentation that the above tasks were performed. The work papers are available for review by the Office of Early Learning staff at their request.



Early Learning Coalition of Florida's Gateway, Inc.

Serving the counties of: Columbia, Hamilton, Lafayette, Suwannee and Union

1104 SW Main Blvd

Lake City, FL 32025

(386) 752-9770 / Fax: (386) 752-9786

Corrective Action Plan

March 13, 2020

Florida Office of Early Learning

The Early Learning Coalition of Florida's Gateway, Inc., respectfully submits the following corrective action plan for the year ended June 30, 2019.

Name and address of independent public accounting firm:

Kenneth M Daniels CPA PA
107 2nd Ave SE
Jasper, FL 32052

Accounting period: July 1, 2018 to June 30, 2019

The findings from the March 13, 2020, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Material Weakness:

2019-001 Software Conversion – estimated costs vs actual

Recommendation: Once the software upgrade is complete, reconciling the corrected manual records/amounts to the software generated records/amounts.

Action taken: We concur with the recommendation. It will be implemented once the OEL completes the software upgrade.

2019-002 Supporting Documentation for Childcare Payments

Recommendation: Once the software upgrade is complete, verify that information is available to support providers payments on a per child basis.

Action taken: We concur with the recommendation. Again, once the software upgrade is completed, supporting documentation will be examined.

Signature: _____
Title: Executive Director

Signature: _____
Title: Board Chairperson

Funded By:



OFFICE OF
Early Learning
LEARN EARLY. LEARN FOR LIFE.

KENNETH M. DANIELS
CERTIFIED PUBLIC ACCOUNTANT

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MANAGEMENT LETTER

To the Board of Directors of the
Early Learning Coalition of Florida's Gateway, Inc.
Lake City, Florida

Report on the Financial Statements

I have audited the financial statements of the Early Learning Coalition of Florida's Gateway, Inc. as of and for the fiscal year ended June 30, 2019, and have issued my report thereon dated March 13, 2020. A disclaimer of opinion was issued due to ongoing issues with the OEL's software conversion and the Coalition's inability to issue correct payments to its school readiness providers based on auditable support.

Auditor's Responsibility

I conducted my 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 of Federal Awards* (Uniform Guidance) and Chapter 10.650 *Rules of the Auditor General*.

Other Reporting Requirements

I have issued my Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of 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 in accordance with the Uniform Guidance and Chapter 10.650, *Rules Of The Auditor General*; and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 13, 2020, should be considered in conjunction with this management letter.

Additional Matters

Section 10.654(1)(e), *Rules of the Auditor General*, requires that I address 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 which warrants the attention of those charged with governance. In connection with my audit:

Prior Year Immaterial Audit Findings and Recommendations

All prior year findings were cleared.

There were no current year findings.

Purpose of this Letter

This 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 State granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Kenneth M. Daniels, CPA
Certified Public Accountant
March 13, 2020