

**FINANCE COMMITTEE
MEETING AGENDA**

Monday, August 10, 2020 at 3:00 pm
GoToMeeting

I. CALL TO ORDER

- A. Roll Call/Quorum Verification L. Buzard
- B. Approval of Minutes for June 1, 2020 Regular Meeting (Pg. 3) L. Buzard

II. PUBLIC COMMENT I

Individuals wishing to address the Early Learning Coalition of Hillsborough County Board of Directors must complete a Public Comment Request Card and submit it to the official recorder prior to the noticed start time of the meeting. Said comments will be limited to three (3) minutes per individual on a first come, first serve basis, and only at such time as is identified on the official meeting agenda for public comment. All public comment in Public Comment I must pertain to an item on the approved agenda.

III. FINANCIAL REPORT

- A. Financial Statements for year-ended June 30, 2020 (Pg. 5) D. Jaglal

IV. ACTION ITEMS

- A. Request Approval; Independent Audit Report (Pg. 9) D. Jaglal

V. CEO REPORT

- A. Reconciliation G. Gillette
- B. Match Alignment
- C. School Readiness Merger Related Severances and Bonuses
- D. Phase 1&2 CARES Grants

VI. DISCUSSION ITEMS

VII. ADJOURNMENT

UPCOMING MEETINGS

Executive Committee Meeting- Monday, August 17, 2020 at 3:00 pm

Board of Director's Meeting- Monday, August 24, 2020 at 3:00 pm

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Monday, June 1, 2020 at 3:00 pm
Zoom Meeting

MEETING ATTENDANCE

Facilitator: Luke Buzard, Chair

Committee Members Present:

Luke Buzard, Dianne Jacob*, Candy Olson*

Committee Members Absent:

Joe McElroy and Dr. Shawn Robinson

ELCHC Staff:

Alison Fraga*, Gordon Gillette*, John Kachurick*, Nancy Metsker*, Kelley Minney*, and Helen Sovich*

Other Attendees:

Tonia Williams

CALL TO ORDER

Quorum Verification

Noting a quorum was present, Committee Chair, Luke Buzard called the meeting to order at 3:08 pm.

Approval of April 6, 2020 Finance/Executive Committee meeting minutes

A motion was made by Candy Olson to approve the April 6, 2020 Finance/Executive Committee meeting minutes. Dianne Jacob made a second. The motion carried unanimously.

PUBLIC COMMENT

There was No Public Comment

FINANCIAL REPORT

Devin Jaglal, Director, Finance, reviewed and responded to Committee questions about the financial statements as of March 2020 and the FY 20-21 proposed budget.

Mr. Jaglal reported that the FY 20-21 Notice of Award was expected in August.

Gordon Gillette reported that the contract for Screening, Assessment, and Evaluation (SAE) services with the School District would end June 30, 2020. After discussions with the School Board of Hillsborough County, Early Childhood Council, Florida Diagnostic & Learning Resources System (FDLRS), and the Children's Board, the Coalition and the School Board decided to restructure services. Screening and assessment services would be done by the Early Learning Coalition of Hillsborough County (ELCHC), evaluation services for children under 3 years would be performed by FDLRS, and evaluation services for children 3 years of age and over would be performed by the School District.

Mr. Jaglal reported that the external auditors, Moore, Stephens, Lovelace (MSL) were onsite on January 14, 2020. Mr. Jaglal anticipated the audit report by next week.

ACTION ITEMS

A. FY 20-21 Proposed Budget

Dianne Jacob made a motion to approve the FY 20-21 proposed budget. Candy Olson made a second. The motion carried unanimously.

B. Allocation of Funds to Early Childhood Council

Candy Olson made a motion to approve. Dianne Jacob made a second. The motion carried unanimously.

C. Allocation of Funds for INCENTIVE\$ Program

Mr. Gillette reported that the INCENTIVE\$ program provided early childhood teachers incentives to continue their education. Mr. Gillette added that 594 teachers were enrolled in the program.

Dianne Jacob made a motion to approve. Candy Olson made a second. The motion carried unanimously.

D. Finance Committee Meeting Schedule

Candy Olson made a motion to approve. Dianne Jacob made a second. The motion carried unanimously.

CEO REPORT

Mr. Gillette reported on the following items:

1. Match alignment project update- The team continues to make good progress with the match alignment (children had incorrect eligibilities associated with state match funding for July-August 2019) and has inquired the help of the Office of Early Learning (OEL).
2. Local funding/match commitments- The team has contacted our local funders about their FY 20-21 commitments for match.
3. Reconciliation project- OEL has requested that Coalitions sign addendums to the OEL grant agreement regarding the 18-19 reconciliation and audit testing requirements
4. Bonuses/severance agreements- In discussions with OEL on how to manage the cost of earlier bonuses/severance agreements totaling \$85,000. OEL will make a decision if the \$85,000 will be paid with School Readiness dollars or other dollars, such as dollars from the fees and fines collected by Child Care Licensing.

ADJOURNMENT

Dianne Jacob made a motion to adjourn the meeting. Candy Olson made a second. The motion carried unanimously.

ELCHC FINANCE COMMITTEE MEETING – August 10, 2020

FINANCIAL REPORT

ITEM III.A

ISSUE: Financial Statements for year-ended June 30, 2020

FISCAL IMPACT: Year-to-date

FUNDING SOURCE: SR, VPK, Match and Local Provider Funding.

RECOMMENDED ACTION: Financial Statements for year-ended June 30, 2020

NARRATIVE: Financial Statements for year-ended June 30, 2020.

Financial Statements

as of June 2020

	Actual YTD	Budget YTD	Difference	%	2020 YTD Actual/Forecast	2020 Budget	Difference	%
Revenue								
School Readiness	53,355,311	51,957,437	1,397,874	2.7%	53,355,311	51,957,437	1,397,874	2.7%
School Readiness CARES/Covid**	2,357,444	-	2,357,444	0.0%	6,857,444	-	6,857,444	0.0%
OEL-School Readiness Match	1,698,954	1,698,954	-	0.0%	1,698,954	1,698,954	-	0.0%
Other Programs:								
BOCC-Licensing/Fees & Match	747,788	766,000	(18,212)	-2.4%	747,788	766,000	(18,212)	-2.4%
Caspers	42,243	40,000	2,243	5.6%	42,243	40,000	2,243	5.6%
Children's Board	1,525,662	1,659,238	(133,576)	-8.1%	1,996,040	1,659,238	336,802	20.3%
Conn Foundation	28,000	33,000	(5,000)	-15.2%	28,000	33,000	(5,000)	-15.2%
Hero		27,450	(27,450)	-100.0%	-	27,450	(27,450)	-100.0%
Southshore-Community Foundation	100,000	-	100,000	0.0%	100,000	-	100,000	0.0%
Lastinger Project	212,800	212,000	800	0.4%	212,800	212,000	800	0.4%
Metro Ministries(Children's Board)	61,108	64,000	(2,892)	-4.5%	61,108	64,000	(2,892)	-4.5%
Robles Park	12,708	25,000	(12,292)	-49.2%	12,708	25,000	(12,292)	-49.2%
Spurlino Foundation	50,000	101,250	(51,250)	-50.6%	50,000	101,250	(51,250)	-50.6%
ELCHC Program Income(SRPI)	20,727	15,000	5,727	38.2%	20,727	15,000	5,727	38.2%
City of Tampa	100,000	125,000	(25,000)	-20.0%	100,000	125,000	(25,000)	-20.0%
ELFL-Hillsborough	65,440	-	65,440	0.0%	65,440	-	65,440	0.0%
CF-Maria	90,000	-	90,000	0.0%	90,000	-	90,000	0.0%
United Way	29,090	29,000	90	0.3%	29,090	29,000	90	0.3%
Community Projects-Misc	94,112	-	94,112	0.0%	94,112	-	94,112	0.0%
Total Other Programs	3,179,677	3,096,938	82,740	2.7%	3,650,056	3,096,938	553,118	17.9%
Total SR Revenue	60,591,386	56,753,329	3,838,058	6.8%	65,561,765	56,753,329	8,808,436	15.5%

**SR CARES/COVID includes: \$1.4m for Professional Development, Health & Safety and Infrastructure Stipends; \$981k for CARES Essential Employee Grants and accrual estimate of \$4.5m for Phase I and II.

Financial Statements

as of June 2020

	Actual YTD	Budget YTD	Difference	%	2020 YTD Actual/Forecast	2020 Budget	Difference	%
Program Expenses								
School Readiness								
Direct Services	43,461,783	40,582,283	2,879,500	7.1%	43,461,784	40,582,283	2,879,501	7.1%
Direct Services CARES/Covid	2,357,444	-	2,357,444	0.0%	6,857,444	-	6,857,444	0.0%
OEL-School Readiness Match	1,698,954	1,698,954	-	0.0%	1,698,954	1,698,954	-	0.0%
Local School Readiness Match	3,179,677	3,096,938	82,740	2.7%	3,650,056	3,096,938	553,118	17.9%
<u>Total Direct Services</u>	50,697,858	45,378,175	5,319,684	11.7%	55,668,238	45,378,175	10,290,063	22.7%
ELCHC Operating	7,918,412	8,765,711	(847,299)	-9.7%	7,918,412	8,765,711	(847,299)	-9.7%
CCL/ECC	1,083,425	1,180,404	(96,979)	-8.2%	1,083,425	1,180,404	(96,979)	-8.2%
Inclusion Cost	437,426	682,039	(244,613)	-35.9%	437,426	682,039	(244,613)	-35.9%
Scholarships and Other	454,264	125,000	329,264	263.4%	454,264	125,000	329,264	263.4%
Total School Readiness	60,591,386	56,131,329	4,460,057	7.9%	65,561,765	56,131,329	9,430,436	16.8%
GOALS								
< 5.00 % School Readiness - Admin	3.71%	4.96%	-1.25%	-25.22%	3.71%	4.96%	-1.25%	-25.22%
> 4.00 % School Readiness - Quality	7.41%	9.05%	-1.64%	-18.16%	7.41%	9.05%	-1.64%	-18.16%
< 22.00% School Readiness - Non-Direct	16.35%	19.42%	-3.07%	-15.81%	16.35%	19.42%	-3.07%	-15.81%
> 78.00 % School Readiness - Direct	83.65%	80.58%	3.07%	3.81%	83.65%	80.58%	3.07%	3.81%

Financial Statements

as of June 2020

	Actual YTD	Budget YTD	Difference	%	2020 YTD Actual/Forecast	2020 Budget	Difference	%
VPK Revenue								
Voluntary Pre-Kindergarten	32,008,744	31,133,744	875,000	2.8%	32,008,744	31,133,744	875,000	2.8%
Total VPK Revenue	32,008,744	31,133,744	875,000	2.8%	32,008,744	31,133,744	875,000	2.8%
VPK Expenses								
Voluntary Pre-Kindergarten								
Direct Services	28,280,123	29,955,292	(1,675,169)	-5.6%	28,280,123	29,955,292	(1,675,169)	-5.6%
ELCHC Operating	1,230,447	1,158,452	71,995	6.2%	1,230,447	1,158,452	71,995	6.2%
CCL/ECC	7,060	20,000	(12,941)	-64.7%	7,060	20,000	(12,941)	-64.7%
Total VPK Expenses	29,517,630	31,133,744	(1,616,114)	-5.2%	29,517,630	31,133,744	(1,616,114)	-5.2%
VPK Change in Net Assets	2,491,114	-	(2,491,114)		2,491,114	-	2,491,114	
Change in Net Assets	2,491,114	622,000			2,491,114	622,000		

GOALS									
4.00 %	VPK - Admin	4.02%	3.57%	0.45%	12.52%	4.02%	3.57%	0.45%	12.52%

ELCHC FINANCE COMMITTEE MEETING – August 10, 2020

ACTION ITEMS

ITEM IV.A.

ISSUE:	Audit Report and Financial Statements for year-ended June 30, 2019
FISCAL IMPACT:	No material fiscal impact
FUNDING SOURCE:	SR, VPK, Match and Local Provider Funding.
RECOMMENDED ACTION:	Issuance of Unqualified Audit Report and Financial Statements for FY 2018.

NARRATIVE:

The Coalition's external auditors, Moore, Stephens, Lovelace, P.A. have determined that our Financial Statements for year-ended June 30, 2018 are in good financial standing. Through the conduction of their audit and testing, they will issue the Coalition, an Unqualified Opinion with one finding. The finding is that the Coalition was unable to reconcile the School Readiness monthly financials for provider payments to the SSIS on a monthly basis. This was due to OEL deploying an updated version of the SSIS that had critical flaws and data errors and was not fully functional. The finding has no material fiscal impact for year-ended June 30, 2018.

**HILLSBOROUGH COUNTY SCHOOL
READINESS COALITION, INC.
(d/b/a Early Learning Coalition of
Hillsborough County, Inc.)**

FINANCIAL STATEMENTS

Years Ended June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Hillsborough County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Hillsborough County, Inc.
Tampa, Florida

We have audited the accompanying statements of financial position of The Hillsborough County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Hillsborough County (the "Coalition") as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

"DRAFT FOR DISCUSSION PURPOSES ONLY"

To the Board of Directors of
The Hillsborough County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

Opinion

In our opinion, the financial statements referred to in the first paragraph of this report present fairly, in all material respects, the financial position of the Coalition as of June 30, 2019 and 2018, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated **REPORT DATE**, on our consideration of the Coalition's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 Coalition's internal control over financial reporting and compliance.

Certified Public Accountants

Tampa, Florida
REPORT DATE

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.**

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

ASSETS		2019	2018
		<u></u>	<u></u>
CURRENT ASSETS			
Cash	\$	449,417	\$ 4,024,647
Grants receivable		8,219,892	7,428,491
Other assets		<u>166,307</u>	<u>300</u>
TOTAL ASSETS	\$	<u><u>8,835,616</u></u>	<u><u>\$ 11,453,438</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts and provider payables and accrued expenses	\$	6,844,451	\$ 1,566,296
Due to School District of Hillsborough County		<u>488,897</u>	<u>7,943,461</u>
TOTAL CURRENT LIABILITIES		7,333,348	9,509,757
NET ASSETS		<u>1,502,268</u>	<u>1,943,681</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>8,835,616</u></u>	<u><u>\$ 11,453,438</u></u>

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

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.**

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2019 and 2018

	2019	2018
REVENUES AND SUPPORT		
Program support:		
Grant revenue	\$ 83,195,398	\$ 76,751,100
Other	394,668	128,654
TOTAL REVENUES AND SUPPORT	83,590,066	76,879,754
EXPENSES		
Program services:		
School Readiness	51,069,878	46,154,630
Quality Counts for Kids	-	128,295
Voluntary Pre-K	28,849,419	28,323,457
Other programs	483,774	299,819
TOTAL PROGRAM SERVICES	80,403,071	74,906,201
Supporting services:		
Management and general	3,628,408	1,803,789
TOTAL EXPENSES	84,031,479	76,709,990
CHANGE IN NET ASSETS	(441,413)	169,764
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	1,943,681	1,773,917
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	\$ 1,502,268	\$ 1,943,681

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

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.**

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Program Services				Support Services	2019
	School Readiness	Voluntary Pre-K	Other Programs	Total	Management and General	
Salaries	\$ 2,092,029	\$ 182,906	\$ 152,420	\$ 2,427,355	\$ 1,494,572	\$ 3,921,927
Fringe benefits	491,348	52,846	13,726	557,920	338,794	896,714
TOTAL SALARIES AND RELATED EXPENSES	2,583,377	235,752	166,146	2,985,275	1,833,366	4,818,641
Payments to subrecipients	4,219,314	-	-	4,219,314	434,792	4,654,106
Payments to providers	43,368,278	28,610,049	31,396	72,009,723	-	72,009,723
Contractual services	476,239	-	173,611	649,850	177,621	827,471
Maintenance contracts	-	-	-	-	17,654	17,654
Accounting and auditing	-	1,603	50	1,653	36,523	38,176
Travel	18,033	-	6,264	24,297	18,016	42,313
Telephone and communication	741	-	1,421	2,162	21,780	23,942
Postage and shipping	1,079	-	193	1,272	3,090	4,362
Rent and utilities	16,922	-	1,029	17,951	355,662	373,613
Insurance	-	-	-	-	49,710	49,710
Printing and copying	640	2,015	55	2,710	17,890	20,600
Bank charges	364,960	-	694	365,654	1,548	367,202
Office supplies and equipment	15,295	-	62,592	77,887	602,244	680,131
Staff training and development	5,000	-	9,746	14,746	26,273	41,019
Dues and memberships	-	-	4,201	4,201	16,750	20,951
Other	-	-	26,376	26,376	15,489	41,865
TOTAL EXPENSES	\$ 51,069,878	\$ 28,849,419	\$ 483,774	\$ 80,403,071	\$ 3,628,408	\$ 84,031,479

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

"DRAFT FOR DISCUSSION PURPOSES ONLY"
HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES *(Continued)*

Year Ended June 30, 2018

	Program Services					Support Services	
	School Readiness	Quality Counts for Kids	Voluntary Pre-K	Other Programs	Total	Management and General	2018
Salaries	\$ 1,841,408	\$ 71,795	\$ 369,774	\$ (7,560)	\$ 2,275,417	\$ 599,776	\$ 2,875,193
Fringe benefits	537,847	30,339	156,293	8,836	733,315	186,467	919,782
TOTAL SALARIES AND RELATED EXPENSES	2,379,255	102,134	526,067	1,276	3,008,732	786,243	3,794,975
Payments to subrecipients	43,420,556	15,511	19,425	117,729	43,573,221	-	43,573,221
Payments to providers	-	-	27,772,071	-	27,772,071	-	27,772,071
Office supplies and equipment	285,171	730	643	74,994	361,538	69,645	431,183
Contractual services	-	-	399	53,915	54,314	299,565	353,879
Rent and utilities	23,335	7,898	-	4,547	35,780	314,880	350,660
Maintenance contracts	6,393	754	117	-	7,264	127,696	134,960
Accounting and auditing	-	-	-	-	-	62,667	62,667
Promotional activities	3,990	-	3,831	30,251	38,072	5,710	43,782
Dues and memberships	6,656	-	-	3,246	9,902	33,095	42,997
Printing and copying	4,601	161	-	4,905	9,667	28,765	38,432
Staff training and development	6,119	-	-	7,700	13,819	15,966	29,785
Telephone and communication	2,908	-	-	12	2,920	23,444	26,364
Insurance	865	-	58	8	931	22,119	23,050
Travel	14,466	1,107	828	645	17,046	5,651	22,697
Other	-	-	-	591	591	4,037	4,628
Postage and shipping	-	-	-	-	-	2,683	2,683
Bank charges	-	-	-	-	-	1,623	1,623
Client/Participant Supplies	315	-	18	-	333	-	333
TOTAL EXPENSES	\$ 46,154,630	\$ 128,295	\$ 28,323,457	\$ 299,819	\$ 74,906,201	\$ 1,803,789	\$ 76,709,990

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

"DRAFT FOR DISCUSSION PURPOSES ONLY"
HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Cash received from:		
Grant income	\$ 82,403,997	\$ 76,341,453
Other income	<u>394,668</u>	<u>128,354</u>
TOTAL CASH RECEIVED	82,798,665	76,469,807
Cash paid for:		
Program services	82,579,480	75,132,238
Administrative expenses	<u>3,794,415</u>	<u>1,803,789</u>
TOTAL CASH PAID	<u>86,373,895</u>	<u>76,936,027</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(3,575,230)</u>	<u>(466,220)</u>
NET DECREASE IN CASH	(3,575,230)	(466,220)
CASH - BEGINNING OF YEAR	<u>4,024,647</u>	<u>4,490,867</u>
CASH - END OF YEAR	<u><u>\$ 449,417</u></u>	<u><u>\$ 4,024,647</u></u>

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

"DRAFT FOR DISCUSSION PURPOSES ONLY"

HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

STATEMENTS OF CASH FLOWS *(Continued)*

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH		
USED IN OPERATING ACTIVITIES		
Change in net assets	\$ (441,413)	\$ 169,764
Adjustments to reconcile change in net assets to net cash		
used in by operating activities:		
Increase in grants receivable	(791,401)	(409,647)
Increase in other assets	(166,007)	(300)
Decrease (Increase) in accounts payable and accrued expenses	5,278,155	(270,563)
Increase (Decrease) in due to School District of Hillsborough County	<u>(7,454,564)</u>	<u>44,526</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (3,575,230)</u>	<u>\$ (466,220)</u>

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

HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2019 and 2018

NOTE 1 - NATURE OF ORGANIZATION

Hillsborough County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Hillsborough County, Inc. (the “Coalition”) is a not-for-profit corporation organized under the laws of the State of Florida. The Coalition’s role is to develop and administer a comprehensive school readiness program and Voluntary Pre-Kindergarten (“VPK”) delivery system that prepares children to succeed in school and in life. This is an ongoing process that involves building on existing services, working in cooperation with other programs for young children, and coordinating and integrating program funding to achieve efficiency and effectiveness. The Coalition provides these services primarily through recurring funding through Florida’s Office of Early Learning (“OEL”).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

Basis of Accounting

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Coalition as a whole and to present revenue, expenses, and net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions – Net assets not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets which are subject to donor-imposed stipulations that may or will be met by actions of the Coalition and/or the passage of time. At June 30, 2019 and 2018, there were no net assets with donor restrictions.

Revenue is reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Federal, state, and local grants are considered exchange transactions and are recorded as unrestricted revenue when earned.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue of net assets without donor restrictions. Contributions are recognized when the donor makes a promise to give to the Coalition, that is, in substance, unconditional.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES
(Continued)

Grants Receivable

Grants receivable primarily represent amounts for services provided and reimbursable expenses requested from the OEL as of June 30, 2019 and 2018. Management believes that the entire balance of these receivables is collectible, based on amounts subsequently collected and prior collection history. Accordingly, no allowance for potentially uncollectible contracts, grants, or unbilled receivables is provided.

Property and Equipment

The Coalition capitalizes all assets acquired in excess of \$5,000 for property and equipment. Property and equipment are carried at cost for purchased assets and at fair value at date of donation for donated assets. The Coalition has no items recorded that met the capitalization requirement at June 30, 2019 and 2018.

Revenue Recognition

The Coalition receives substantially all of its grant revenue from federal and state agencies. Grant revenue is recognized up to the maximum amount provided in the Coalition's contracts, to the extent services were provided or expenses were incurred. Grant revenues are subject to audit by grantor agencies. Audits of these grants may result in disallowed costs, which may result in a liability to the Coalition. In the opinion of management, disallowed costs, if any, would not be material to the financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs are directly attributed to the specific program or supporting service, and other costs have been allocated. Salaries are allocated based on actual time spent and other expenses are allocated based on direct usage or management's estimates of the benefit derived by each activity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES
(Continued)

Income Taxes

The Coalition is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Income Tax Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. The Coalition is subject to the accounting standards on accounting for uncertainty in income taxes. Management does not believe it has taken any tax positions that are subject to a significant degree of uncertainty.

NOTE 3 - LIQUIDITY ANALYSIS

The table below represents financial assets available to meet cash needs for general expenditures within one year at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash	\$ 449,417	\$ 4,024,647
Grants receivable	<u>8,219,892</u>	<u>7,428,491</u>
	<u>\$ 8,669,309</u>	<u>\$ 11,453,138</u>

As part of a cash and liquidity management policy, the Coalition structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

NOTE 4 - RELATED PARTIES

Certain members of the Board of Directors are mandated in the State of Florida School Readiness Act. These members include three personnel from the School District of Hillsborough County ("SDHC"), the Executive Director of the Children's Board of Hillsborough County ("CBHC"), the Hillsborough County Board of County Commissioners ("BOCC") county commissioner, and the general manager of the BOCC Child Care Licensing program.

Approximately \$1,016,000 and \$34,925,000 was paid by the Coalition for services provided by the SDHC and the BOCC for the years ended June 30, 2019 and 2018, respectively. The SDHC program assists eligible children and families with access to scholarships and school readiness services and payments to the BOCC is for compliance with Hillsborough County's local childcare licensing ordinance. In addition, the Coalition received matching funds from the BOCC, which are designated to be used only for the school readiness and VPK programs, of approximately \$444,000 and \$446,000 for the years ended June 30, 2019 and 2018, respectively.

The Coalition received funding from the CBHC for the local match in the School Readiness program of approximately \$2,041,000 and \$1,470,000 for the years ended June 30, 2019 and 2018, respectively. The Coalition also received approximately \$128,000 in funding for the operation of the Quality Counts for Kids program during fiscal year 2018.

NOTE 5 - DEFERRED COMPENSATION PLAN

The Coalition sponsors a 401(k) Deferred Compensation Plan (the “Plan”) and makes both Employer Safe Harbor and Employer Profit Sharing Contributions to the Plan.

The Employer Safe Harbor portion of the Plan provides that the employer matches 100% on the first 4% contributed by the employee. Vesting is simultaneous with the contribution. Employees are allowed to contribute on a pre-tax basis, not to exceed amounts dictated by U.S. Treasury Regulations.

The Employer Profit Sharing portion of the Plan provides that the Coalition contribute 6% of an employee’s salary for the fiscal year ended June 30, 2019. Vesting is 100% after 6 years of employment with the Coalition, with a 20% increase in vesting for each year of employment.

NOTE 6 - CONCENTRATIONS AND GOVERNMENT SUPPORT

The Coalition receives a substantial amount of support from federal, state, and local government agencies. Governmental funding for programs is subject to statutory and regulatory changes, administrative rulings, interpretations of policy, intermediary determinations, and governmental funding restrictions. A reduction in the level of future support from the federal, state or local governmental agencies could have a substantial effect on the Coalition’s programs and activities.

The Coalition receives all its federal and state program grant revenues through the OEL. In July 2018, the OEL deployed an updated version of the Single Statewide Information System that had critical flaws and data errors and as a result the OEL instructed early learning coalitions to pay providers based on estimated attendance and to perform a reconciliation and true-up once the system errors were corrected. Due to continued system issues, the Coalition was forced to do a significant manual reconciliation to estimate settlement based upon actual payment amounts with school readiness and VPK providers and reimbursement from the OEL. The Coalition has completed a significant amount of the reconciliation process and is estimating an approximate \$2.6 million overpayment at June 30, 2019 that will reduce future provider payments and reimbursement from the OEL.

NOTE 7 - OPERATING LEASE

The Coalition leases its office space under an operating lease. Total rent expense was approximately \$322,000 and \$309,000 for the years ended June 30, 2019 and 2018, respectively. In August 2019, the Coalition signed a new lease agreement for office space that expires in July 2026 with the ability to extend the lease for one additional term of five years. The new lease provides for a rent abatement of the first six months of the lease which would approximate \$181,000.

Approximate future minimum lease payments under the operating lease as of June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 178,000
2021	371,000
2022	383,000
2023	394,000
2024	406,000
Thereafter	885,000
	<u>\$ 2,617,000</u>

The Coalition has the option to cancel its office space lease if the Coalition receives more than a 50% decrease in funding from the OEL in any fiscal year.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Coalition may be subject to audit examination by funding sources to determine compliance with grant conditions. In the event that expenditures would be disallowed, repayment could be required. Management believes the Coalition is in compliance with the terms of its grant agreements.

NOTE 9 - SUBSEQUENT EVENT

The Coalition has evaluated events and transactions for potential recognition or disclosure in the financial statements through **REPORT DATE**, which is the date the financial statements were available to be issued.

In December 2019, a new coronavirus disease ("COVID-19") was first reported in China. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. COVID-19 has had a severe impact on the economy in general. The extent of COVID-19's effect on the Coalition's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the potential impact of COVID-19 on the Coalition. However, if the pandemic continues to evolve into a severe worldwide health crisis, the disease could have a material adverse effect on the Coalition's business, results of operations, financial condition and cash flows. These financial statements do not include any adjustments related to the ultimate outcome of these uncertainties.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.

d/b/a Early Learning Coalition of Hillsborough County, Inc.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE**

Year Ended June 30, 2019

Federal Agency/State Agency/Pass-Through Grantor/ Program Title	Grant Period	Federal CFDA #	Contract #	Federal Expenditures	Transferred to Subrecipient
FEDERAL AWARDS					
U.S. Department of Health and Human Services:					
Child Care Development Fund (CCDF) Cluster:					
<i>Passed through State of Florida Office of Early Learning</i>					
Child Care Development Block Grant	7/1/18-6/30/19	93.575	EL259	\$ 33,528,761	\$ 22,914,943
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	7/1/18-6/30/19	93.596	EL259	7,351,701	7,351,701
Total Child Care Development Fund (CCDF) Cluster				40,880,462	30,266,644
<i>Passed through State of Florida Office of Early Learning</i>					
Social Services Block Grant	7/1/18-6/30/19	93.667	EL259	11,841	11,841
Temporary Assistance for Needy Families	7/1/18-6/30/19	93.558	EL259	3,719,670	3,719,670
Total Expenditures of Federal Awards				44,611,973	33,998,155
	Grant Period	State CSFA #	Contract #	State Expenditures	Transferred to Subrecipient
STATE FINANCIAL ASSISTANCE					
State of Florida Office of Early Learning					
Voluntary Pre-K	7/1/18-6/30/19	48.108	EL259	28,032,686	21,382
Unrestricted General	7/1/18-6/30/19	48.108	OA259	53,986	-
Total Expenditures of State Financial Assistance				28,086,672	21,382
Grantor/Pass-Through Grantor Program Title	Grant Period			Local Expenditures	Transferred to Subrecipient
STATE MATCHING AND LOCAL FUNDS					
Florida Office of Early Learning					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	7/1/18-6/30/19	93.596	EL259	2,980,861	2,980,861
Temporary Assistance for Needy Families	7/1/18-6/30/19	93.558	EL259	4,735,122	4,735,122
Total State Matching and Local Funds				7,715,983	7,715,983
Total Federal Awards, State Financial Assistance, and Local Funds				\$ 80,414,628	\$ 41,735,520

HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.

d/b/a Early Learning Coalition of Hillsborough County, Inc.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE**

Year Ended June 30, 2019

(1) General:

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance include the grant activity of the Coalition and is presented on the accrual basis of accounting. 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"), Chapter 10.650, *Rules of the State Auditor General*, and the Rules of the Executive Office of the Governor 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.

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

(2) Other State Financial Assistance Received:

The Coalition received funding from the OEL that was not subject to Section 215.97, Florida Statutes, as follows:

<u>Florida's Office of Early Learning</u>	<u>Contract Number</u>	<u>Current Year Expenditure</u>
A. Matching Funds for Federal Programs:		
State Matching Funds - 93.596 School Readiness CCDF Mandatory and Matching	EL259	\$ 2,980,861
State Matching Funds - 93.558 Temporary Assistance for Needy Families	EL259	<u>4,735,122</u>
Total State Funds awarding for Matching		<u>\$ 7,715,983</u>

(3) Reconciliation to Statewide School Readiness Data and Reporting System:

The Coalition was unable to reconciliation its financial reports to the Statewide School Readiness Data and Reporting System on a monthly basis, see finding 2019-001.



**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 Hillsborough County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Hillsborough County, Inc.
Tampa, Florida

We have audited the accompanying financial statements of The Hillsborough County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Hillsborough County (the "Coalition"), as of and for the year ended June 30, 2019, and have issued our report thereon dated **REPORT DATE**. 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.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Coalition's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control. Accordingly, we do not express an opinion on the effectiveness of the Coalition's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

To the Board of Directors of
The Hillsborough County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coalition's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as Finding No. 2019-001 and Finding No. 2019-002.

The Coalition's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the 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.

Certified Public Accountants

Tampa, Florida
REPORT DATE



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Board of Directors of
The Hillsborough County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Hillsborough County, Inc.
Tampa, Florida

Report on the Financial Statements

We have audited the financial statements of The Hillsborough County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Hillsborough County (the "Coalition") as of and for the year ended June 30, 2019, and have issued our report thereon dated **REPORT DATE**.

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 Chapter 10.650, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and 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 in Accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated **REPORT DATE**, should be considered in conjunction with this management letter.

Additional Matters

Section 10.654(1)(e), *Rules of the Auditor General*, requires that we 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. The results of our 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 Finding No. 2019-001 and Finding No. 2019-002.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

To the Board of Directors of
The Hillsborough County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

Purpose of the 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.

Certified Public Accountants

Tampa, Florida
REPORT DATE



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

To the Board of Directors of
The Hillsborough County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Hillsborough County, Inc.
Tampa, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the compliance of The Hillsborough County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Hillsborough County (the "Coalition") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Compliance Supplement, and the requirements described in the Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of its major federal programs and state project for the year ended June 30, 2019. The Coalition's major federal programs and state project 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state project.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Coalition's major federal programs and state project 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 for Federal Awards* ("Uniform Guidance"); and Chapter 10.650, *Rules of the Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Coalition's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination on the Coalition's compliance with those requirements.

To the Board of Directors of
The Hillsborough County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

Opinion on Child Care Development Fund Cluster and Voluntary Pre-Kindergarten Education Program

In our opinion, the Coalition complied, in all material respects, with the types of compliance requirements referred to in the first paragraph that could have a direct and material effect on CFDA 93.575 and CFDA 93.596 Child Care Development Fund Cluster and CSFA 48.408 Voluntary Pre-Kindergarten Education Program for the year ended June 30, 2019.

Other Matters

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

Report on Internal Control over Compliance

The management of the Coalition is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and the state project. In planning and performing our audit, we considered the Coalition's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with 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 the Coalition's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Federal Awards Finding No. 2019-001 and State Financial Assistance Finding No. 2019-002 to be a significant deficiency.

The Coalition's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Coalition's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

To the Board of Directors of
The Hillsborough County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

Purpose of this Report

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 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.

Certified Public Accountants

Tampa, Florida

REPORT DATE

HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2019

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of Auditor's Report Issued:

Unmodified Opinion

Internal control over financial reporting:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |
| Noncompliance material to financial statements noted? | <u> </u> Yes | <u> X </u> No |

Federal Awards

Internal control over major programs:

- | | | |
|---|-------------------|-----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> X </u> Yes | <u> </u> None reported |

Type of report issued on compliance for major federal program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance?

 X Yes No

Identification of Major Federal Programs:

CFDA Numbers

Name of Federal Program or Cluster

93.575, 93.596
93.558

Child Care Development Fund Cluster
Temporary Assistance for Needy Families

Dollar threshold used to distinguish between
Type A and Type B programs:

\$1,338,359

Auditee qualified as low-risk auditee?

 X Yes No

HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)

Year Ended June 30, 2019

Section I - Summary of Independent Auditor's Results (*Continued*)

State Financial Assistance

Internal control over major project:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☒ Yes ☐ None reported

Type of report issued on compliance for major state project: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with *Rules of the Auditor General*, Chapter 10.656? ☒ Yes ☐ No

Identification of Major State Project:

CSFA Number

48.108

Name of State Project

Voluntary Pre-Kindergarten Education Program

Dollar threshold used to distinguish between
Type A and Type B projects:

\$842,606

OEL's grant terms require auditors to test and report on whether the Coalition's monthly reconciliation of its financial records to the statewide School Readiness Data and Reporting System was completed in an accurate and timely manner. During the year ended June 30, 2019, the Coalition was unable to reconcile its School Readiness monthly financial records for provider payments to the Single Statewide Information System ("SSIS") on a monthly basis due to functional issues with the Statewide Information System, see Finding 2019-001.

**Section II - Findings Related to the Financial Statement Audit, as Required to be Reported
in accordance with *Government Auditing Standards***

None reported.

**HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)

Year Ended June 30, 2019

**Section III - Findings and Questioned Costs for Federal Awards and State Financial Assistance
Reported in accordance with the Uniform Guidance and *Rules of the Auditor General*,
Chapter 10.650**

Finding No. 2019-001 – Inability to Perform Monthly Reconciliations to the Statewide Reporting System

Federal Programs: CFDA 93.575/93.596

Finding Type: Compliance and Significant Deficiency

Criteria: In accordance with s. 1002.82(2)(n), F.S. and 1002.53(4)(a), F.S. the Coalition shall ensure that its financial records for provider payments are reconciled to the SSIS on a monthly basis.

Condition: The Coalition was unable to reconcile its School Readiness monthly financial records for provider payments to the SSIS on a monthly basis.

Cause: In July 2018, the OEL deployed an updated version of the SSIS that had critical flaws and data errors and was not fully functional.

Effect: Due to the lack of accuracy of the SSIS during the fiscal year, monthly reconciliations were not performed. The OEL instructed early learning coalitions to pay providers based on estimated attendance and to perform a reconciliation and true-up once the system errors were corrected. Due to continued system issues, the Coalition had to calculate amounts that should have been paid to each provider and reconcile that with amounts actually paid.

Recommendation: The Coalition should continue its internal accounting and reconciliation process to calculate the amounts earned by each provider and reconcile with the estimated payments. With the SSIS becoming fully functional, the Coalition should transition back to the regular monthly reconciliations.

Questioned Costs: None

Management's Response: The data flaws and non-functionality of the SSIS during the entire fiscal year prevented the Coalition from performing the necessary monthly reconciliations. The Coalition followed the OEL's guidance and engaged in a significant process that requires substantial time, effort, and cost to determine and calculate provider payment amounts and reconcile with amounts actually paid. With completion of this reconciliation and SSIS becoming fully functional, the Coalition will perform the regular monthly reconciliations.

**HILLSBOROUGH COUNTY SCHOOL READINESS COALITION, INC.
d/b/a Early Learning Coalition of Hillsborough County, Inc.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)

Year Ended June 30, 2019

Findings and Questioned Costs – Major State Projects

Finding No. 2019-002 – Inability to Perform Monthly Reconciliations to the Statewide Reporting System

State Projects: CSFA: 48.108

Finding Type: Compliance and Significant Deficiency

Criteria: In accordance with s. 1002.82(2)(n), F.S. and 1002.53(4)(a), F.S. the Coalition shall ensure that its financial records for provider payments are reconciled to the SSIS on a monthly basis.

Condition: The Coalition was unable to reconcile its Voluntary Pre-Kindergarten provider payments to the SSIS on a monthly basis.

Cause: In July 2018, the OEL deployed an updated version of the SSIS that had critical flaws and data errors and was not fully functional.

Effect: Due to the lack of accuracy of the SSIS during the fiscal year monthly reconciliations were not performed. The OEL instructed early learning coalitions to pay providers based on estimated attendance and to perform a reconciliation and true-up once the system errors were corrected. Due to continued system issues, the Coalition had to calculate amounts that should have been paid to each provider and reconcile that with amounts actually paid.

Recommendation: The Coalition should continue its internal accounting and reconciliation process to calculate the amounts earned by each provider and reconcile with the estimated payments. With the SSIS becoming fully functional, the Coalition should transition back to the regular monthly reconciliations.

Questioned Costs: None

Management's Response: The data flaws and non-functionality of the SSIS during the entire fiscal year prevented the Coalition from performing the necessary monthly reconciliations. The Coalition followed the OEL's guidance and engaged in a significant process that requires substantial time, effort, and cost to determine and calculate provider payment amounts and reconcile with amounts actually paid. With completion of this reconciliation and SSIS becoming fully functional, the Coalition will perform the regular monthly reconciliations.

Section IV - Prior Year Audit Findings

None reported.