

**ESCAMBIA COUNTY SCHOOL
READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF
ESCAMBIA COUNTY**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2021 AND 2020

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
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JUNE 30, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Escambia County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Escambia County (the Coalition) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coalition as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, 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 State of Florida 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. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2022, on our consideration of the Coalition's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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.

Warren Averett, LLC

Pensacola, Florida
May 9, 2022

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020**

ASSETS		
	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,247,125	\$ 2,304,147
Grants receivable	220,720	79,910
Other current assets	8,405	8,908
Total current assets	2,476,250	2,392,965
COMPUTERS AND EQUIPMENT, NET	19,245	10,330
TOTAL ASSETS	\$ 2,495,495	\$ 2,403,295
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 766,902	\$ 323,033
Accrued expenses	126,228	5,023
Grant advance	-	97,596
Due to service providers	1,394,437	1,784,741
Total current liabilities	2,287,567	2,210,393
NET ASSETS		
Without donor restrictions	207,928	192,902
TOTAL LIABILITIES AND NET ASSETS	\$ 2,495,495	\$ 2,403,295

See notes to the financial statements.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
PUBLIC SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS		
Federal and state grants	\$ 22,800,473	21,201,954
Local match - Escambia County and United Way	218,969	291,564
Local grants	71,650	64,610
Miscellaneous	5,061	4,209
TOTAL PUBLIC SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS	<u>23,096,153</u>	<u>21,562,337</u>
EXPENSES		
Program services:		
Subsidized Child Care	18,970,076	16,154,972
Voluntary Pre-K	3,124,164	4,519,003
Other Programs	68,291	59,404
Total program services	<u>22,162,531</u>	<u>20,733,379</u>
Supporting services:		
Administrative and general	918,596	818,407
TOTAL EXPENSES	<u>23,081,127</u>	<u>21,551,786</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	15,026	10,551
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	<u>192,902</u>	<u>182,351</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	<u><u>\$ 207,928</u></u>	<u><u>\$ 192,902</u></u>

See notes to the financial statements.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>Program Services</u>			<u>Total Program Services</u>	<u>Administrative and General</u>	<u>2021 Total</u>
	<u>Subsidized Child Care</u>	<u>Voluntary Pre-K</u>	<u>Other Programs</u>			
PERSONNEL COSTS						
Salaries and wages	\$ 1,106,090	\$ -	\$ 82	\$ 1,106,172	\$ 618,155	\$ 1,724,327
Employee benefits	385,537	-	6	385,543	152,039	537,582
Total personnel costs	1,491,627	-	88	1,491,715	770,194	2,261,909
OPERATING EXPENSES						
Contract expenses	17,048,855	3,124,164	41,000	20,214,019	2,440	20,216,459
Professional services	27,439	-	-	27,439	33,637	61,076
Equipment and supplies	195,756	-	23,966	219,722	26,281	246,003
Rentals	54,325	-	-	54,325	16,600	70,925
Travel	5,539	-	-	5,539	2,046	7,585
Depreciation	13,468	-	-	13,468	3,857	17,325
Communications	29,032	-	-	29,032	8,963	37,995
Dues and fees	1,029	-	-	1,029	6,579	7,608
Insurance and bond premium	-	-	-	-	10,301	10,301
Miscellaneous	17,543	-	3,237	20,780	-	20,780
Other purchased services	30,053	-	-	30,053	21,693	51,746
Computer software	14,494	-	-	14,494	4,887	19,381
Repair and maintenance	21,938	-	-	21,938	6,426	28,364
Staff development	6,001	-	-	6,001	767	6,768
Utilities	12,977	-	-	12,977	3,925	16,902
Total operating expenses	17,478,449	3,124,164	68,203	20,670,816	148,402	20,819,218
TOTAL EXPENSES	<u>\$ 18,970,076</u>	<u>\$ 3,124,164</u>	<u>\$ 68,291</u>	<u>\$ 22,162,531</u>	<u>\$ 918,596</u>	<u>\$ 23,081,127</u>

See notes to the financial statements.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES – CONTINUED
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	Program Services			Total Program Services	Administrative and General	2020 Total
	Subsidized Child Care	Voluntary Pre-K	Other Programs			
PERSONNEL COSTS						
Salaries and wages	\$ 1,166,272	\$ -	\$ 971	\$ 1,167,243	\$ 544,836	\$ 1,712,079
Employee benefits	390,006	-	63	390,069	140,017	530,086
Total personnel costs	1,556,278	-	1,034	1,557,312	684,853	2,242,165
OPERATING EXPENSES						
Contract expenses	14,165,879	4,519,003	41,750	18,726,632	3,653	18,730,285
Professional services	17,147	-	-	17,147	30,108	47,255
Equipment and supplies	117,001	-	4,799	121,800	14,643	136,443
Rentals	90,753	-	-	90,753	25,156	115,909
Travel	15,277	-	640	15,917	8,234	24,151
Depreciation	11,730	-	-	11,730	2,997	14,727
Communications	31,014	-	-	31,014	8,688	39,702
Dues and fees	913	-	36	949	7,068	8,017
Insurance and bond premium	-	-	-	-	8,995	8,995
Miscellaneous	22,529	-	11,145	33,674	-	33,674
Other purchased services	60,724	-	-	60,724	4,901	65,625
Computer software	33,895	-	-	33,895	10,582	44,477
Repair and maintenance	5,725	-	-	5,725	1,616	7,341
Staff development	3,166	-	-	3,166	417	3,583
Utilities	22,941	-	-	22,941	6,496	29,437
Total operating expenses	14,598,694	4,519,003	58,370	19,176,067	133,554	19,309,621
TOTAL EXPENSES	\$ 16,154,972	\$ 4,519,003	\$ 59,404	\$ 20,733,379	\$ 818,407	\$ 21,551,786

See notes to the financial statements.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 15,026	\$ 10,551
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	17,325	14,727
Change in operating assets and liabilities:		
Grants receivable	(140,810)	(9,796)
Other current assets	503	416
Accounts payable	443,869	49,269
Accrued expenses	121,205	(229,702)
Grant advance	(97,596)	97,596
Due to service providers	<u>(390,304)</u>	<u>596,363</u>
Net cash provided by (used in) operating activities	(30,782)	529,424
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of computers and equipment	<u>(26,240)</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(57,022)	529,424
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,304,147</u>	<u>1,774,723</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,247,125</u>	<u>\$ 2,304,147</u>

See notes to the financial statements.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Escambia County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Escambia County (the Coalition) was formed in 2000, as result of the implementation of the School Readiness Act, Chapter 411 Florida Statutes. Its mission is to identify and meet the needs of children and families in Escambia County, Florida, and to lay the foundation for lifetime success. This comprehensive program is achieved by maximizing each child's potential, preparing children to enter school ready to learn and by helping families achieve economic self-sufficiency.

A majority of revenues are received from federal and state sources through the Florida Division of Early Learning (DEL). Other revenues are received through local sources. The following are descriptions of the Coalition's significant programs:

School Readiness/Subsidized Childcare (SR) – This program provides for early education and care for children of families with limited incomes and enables parents to gain and/or sustain their economic self-sufficiency through maintenance of employment or participation in job skill/vocational training leading to employment. The program provides for the needs of children from low-income families that are working, children from families that are transitioning from welfare to self-sufficiency and children that are under protective supervision or in foster care placement. Program participants have access to health, developmental and educational screenings and other support services. Caregivers are held accountable for providing safe learning environments that nurture and cultivate the child's cognitive, language, motor, social and self-help skills. All services are provided in accordance with the Escambia County School Readiness Plan and state and federal laws and regulations.

Voluntary Pre-Kindergarten (VPK) – This program consists of state mandated funding to support a voluntary pre-kindergarten program for all four-year-old children. Funding is based on a base student allocation per full-time equivalent student in the Voluntary Pre-Kindergarten Education Program and is determined at the state level.

Basis of Accounting

The financial statements of the Coalition have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Coalition and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions are net assets available for general use and are not subject to donor restrictions.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
– CONTINUED**

Net Assets with Donor Restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Coalition had no donor-imposed restrictions at June 30, 2021 or June 30, 2020.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. A summary of each of the revenue and support flows are as follows:

Gifts and grants, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Gifts and grants of assets other than cash are recorded at their estimated fair value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in gift and grant revenue in accordance with the donor-imposed restrictions, if any, on the gifts or grants. Gifts or grants with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with restrictions and reclassified to net assets without donor restrictions when such time or purposes restriction has been satisfied.

Gifts of property and equipment are recorded as without donor restrictions, unless the donor explicitly states how such assets should be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. The Coalition reports expirations of donor restrictions when the donated or acquired long lived asset is placed into service.

Conditional contributions are recorded as revenue when such amounts become unconditional, which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers. Contributions received pending designation by the donor are considered with donor restrictions until known at which time such are reclassified, if required.

Support funded by grants is recognized as revenue as the Coalition incurs costs associated for program services. Accordingly, as the Coalition incurs direct programmatic expenses eligible for reimbursement under the grant agreements, revenue is recognized along with amounts allowable for overhead. Invoiced and un-invoiced amounts are recorded in grants receivable as such costs are incurred, if grants are funded in advance, as a reduction in the associated deferred revenue from such grantor.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
– CONTINUED**

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Coalition considers all debt securities purchased within three months of maturity to be cash equivalents. As of June 30, 2021 and 2020, there were no cash equivalents held by the Coalition.

Grants Receivable

Grants receivable represents amounts due for program services performed by the Coalition. An allowance for uncollectible grant receivables has not been recorded, as all amounts are deemed by management to be fully collectible. Grants receivable balances will be written off in the period management deems they are uncollectible. Recoveries of receivables previously written off will be recorded in revenue when received.

Computers and Equipment

Computers and equipment are stated at cost. The Coalition's capitalization policy requires applicable costs be capitalized when amounts equal or exceed \$5,000, and the useful life of the asset exceeds one year. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets, which range from three to five years. All computers and equipment of the Coalition were purchased with federal and state government support. As a result, if such assets are disposed, the granting agency that participated in the funding of the purchase has a contractual right to participate in the proceeds from the disposition.

Due to Service Providers

Due to service providers represents the amounts due to independent contractors for contracted services. The Coalition does not have any sub-recipient agencies for which the Coalition acts as a pass-through agency.

Functional Allocation of Expenses

The costs of providing various programs and supporting activities of the Coalition have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and general and administrative expenses based upon allocation guidelines set forth by DEL.

Income Tax

The Coalition is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a not-for-profit corporation. The Coalition is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with United States generally accepted accounting principles.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
– CONTINUED**

New Accounting Pronouncements

The FASB issued Accounting Standards (ASU) 2016-02, Leases (Subtopic 842). The purpose of this ASU is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on their balance sheets and disclosing key information about leasing arrangements. The amendments in this ASU require that lessees recognize the rights and obligations resulting from leases as assets and liabilities on their balance sheets, initially measured at the present value of the lease payments over the term of the lease, including payments to be made in optional periods to extend the lease and payments to purchase the underlying assets if the lessee is reasonably certain of exercising those options. Subtopic 842 requires recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. This guidance is effective for fiscal years beginning after December 15, 2021. Management is currently evaluating the impact this standard will have on the financial statements.

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. This affects the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from these estimates.

Contribution of Services

Contributed professional services are recognized if services create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills. No amounts have been reflected in the financial statements for donated services because such donations did not meet the required criteria.

Evaluation of Subsequent Events

In preparing the financial statements, the Coalition's management has evaluated events and transactions for potential recognition or disclosure through May 9, 2022, which is the date the financial statements were available to be issued.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

2. GRANTS RECEIVABLE

Grants receivable at June 30, 2021 and 2020, consists of the following:

	<u>2021</u>	<u>2020</u>
Florida Division of Early Learning	\$ 200,529	\$ -
Escambia County Board of Commissioners	19,906	79,625
Miscellaneous	<u>285</u>	<u>285</u>
Total	<u>\$ 220,720</u>	<u>\$ 79,910</u>

3. CONCENTRATIONS

The Coalition maintains its cash accounts at one local financial institution and at times, balances may exceed FDIC insured limits. The balances are insured up to \$250,000 per depositor by the FDIC. At June 30, 2021 and 2020, the Coalition had approximately \$2,230,000 and \$2,296,000 in uninsured cash balances, respectively. The Coalition has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

The Coalition receives a substantial amount of federal and state grants through one state agency. For the fiscal years ended June 30, 2021 and 2020, the agency provided \$22,800,473 and \$21,201,954 of revenue, respectively, which represents 99% of total revenues recorded by the Coalition for each of the fiscal years.

4. EMPLOYEE BENEFIT PLAN

The Coalition sponsors a 401(k) plan for its employees. Employees are eligible for participation in the Plan if they have met the service requirement of one month and are at least 21 years old. The Coalition's current discretionary matching contribution to the Plan is limited to 50% of the first 7% of an employee's annual compensation. The Coalition's discretionary matching contributions are vested by the employees over five years. Any non-vested amounts forfeited during a plan year are used to reduce future employer contribution obligations. Retirement plan expense totaled \$16,916 and \$14,140 during the years ended June 30, 2021 and 2020, respectively.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

5. OPERATING LEASES

The Coalition leases office equipment under an operating lease agreement. The total rent for this office equipment totaled \$7,925 and \$7,910 for the fiscal years ended June 30, 2021 and 2020, respectively. The future rental payment schedule is:

Year Ending June 30,

2022	\$ 7,066
2023	7,066
2024	1,767
	<u>\$ 15,899</u>

The Coalition conducted operations from a facility located in Pensacola, Florida, that was leased under an operating lease. The five-year lease expired on June 30, 2021, and continued on a month-to-month basis until the new five-year lease commenced in February 2022. Rental expense totaled approximately \$63,000 and \$108,000 for the years ended June 30, 2021 and 2020, respectively. The future rental payment schedule is:

Year Ending June 30,

2022	\$ 87,500
2023	135,520
2024	138,230
2025	140,995
2026	143,815
Thereafter	84,863
	<u>\$ 730,923</u>

6. RELATED PARTY TRANSACTIONS

The Coalition paid membership dues of \$6,725 and \$5,825 to the Association of Early Learning Coalitions, Inc. during the years ended June 30, 2021 and 2020, respectively.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

7. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Coalition has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations and maintaining sufficient reserves. The following table reflects the Coalition's financial assets, reduced by amounts not available for general expenditures within one year.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,247,125	\$ 2,304,147
Grants receivable	<u>220,720</u>	<u>79,910</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 2,467,845</u>	<u>\$ 2,384,057</u>

8. COVID-19 FUNDING

In response to the COVID-19 pandemic, DEL and the Coalition implemented the Coronavirus Aid, Relief, and Economic Security Act (CARES) and the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) funding strategies to support childcare providers facing decreased enrollment or closures. Funding strategies include providing child care and early learning services to children of first responders and health care workers at free or reduced rates, providing bonuses to providers that service families of first responders, reimbursing providers for unanticipated absences for parents that chose to keep their children home beginning March 1, reimbursing providers for active enrollments during temporary closures, and additional funding to assist them in remaining open during the crisis. During the years ended June 30, 2021 and 2020, the Coalition expended \$4,144,004 and \$688,568 in COVID-19 funding, respectively.

COMPLIANCE SECTION

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>Assistance Listing</u>	<u>Contract Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
United States Department of Health and Human Services				
Passed through Florida Division of Early Learning:				
Preschool Development Grant	93.434	EL171	\$ 14,211	\$ -
Temporary Assistance for Needy Families (TANF) Welfare Transition Program	93.558	EL171	3,204,989	-
Child Care and Development Fund Cluster:				
Child Care and Development Block Grant	93.575	EL171	6,607,642	-
COVID-19 Child Care and Development Block Grant	93.575	EL171	4,144,004	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL171	<u>5,484,810</u>	<u>-</u>
Total Child Care and Development Fund Cluster			16,236,456	-
Social Service Block Grant	93.667	EL171	<u>6,512</u>	<u>-</u>
Total Federal Awards			19,462,168	-
Florida Division of Early Learning				
Voluntary Pre-Kindergarten Education	48.108	EL171	<u>3,338,717</u>	<u>-</u>
Total State Financial Assistance			<u>3,338,717</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 22,800,885</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2021**

1. BASIS OF PRESENTATION

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and Chapter 10.650, *Rules of the State of Florida Auditor General*. Since the schedule presents only a select portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state grant activity for the year ended June 30, 2021. Expenditures reported on the schedule are reported on the accrual basis of accounting.

3. DE MINIMIS INDIRECT COST RATE ELECTION

The Organization did not elect to utilize the ten percent de minimis indirect cost rate as allowed under the *Uniform Guidance*.

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

To the Board of Directors
Escambia County School Readiness Coalition, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Escambia County School Readiness Coalition, Inc. (the Coalition) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 9, 2022.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Coalition's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify the deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Coalition's Response to Finding

The Coalition's response to the finding 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 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 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.

Warren Averett, LLC

Pensacola, Florida
May 9, 2022

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

To the Board of Directors
Escambia County School Readiness Coalition, Inc.

Report on Compliance for Major Federal Programs and State Project

We have audited Escambia County School Readiness Coalition, Inc.'s (the Coalition) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and with the requirements described in the *Florida Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the Coalition's major federal programs and the state project and the special audit guidance provided by the Florida Division of Early Learning for the year ended June 30, 2021. The Coalition's major federal programs and state project are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for 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 State of Florida Auditor General*. Those standards and the *Uniform Guidance* and Chapter 10.650 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 on compliance for the major federal programs and state project. However, our audit does not provide a legal determination of the Coalition's compliance.

Opinion on Major Federal Programs and State Project

In our opinion, the Coalition 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 project and requirements set forth by the Florida Division of Early Learning for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance* and Chapter 10.650, *Rules of the State of Florida Auditor General*. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC

Pensacola, Florida
May 9, 2022

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

1. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards and State Project:

Internal control over major programs/project:		
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None reported

Type of auditors' report issued on compliance for major programs/projects:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with the <i>Uniform Guidance</i> and Chapter 10.650, <i>Rules of the State of Florida Auditor General</i> ?	<u> </u> Yes	<u> X </u> No
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Identification of major programs/project:

Federal Programs

Federal Assistance Listing Number 93.575/93.596 Child Care Development Fund Cluster
Federal Assistance Listing Number 93.558 Temporary Assistance for Needy Families

Dollar threshold used to distinguish between type A and type B programs:	<u> \$ 750,000 </u>
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Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No
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State Project

State Assistance Listing Number 48.108 Voluntary Pre-Kindergarten Education Program

Dollar threshold used to distinguish between type A and type B programs:	<u> \$ 750,000 </u>
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**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021**

2. FINDINGS – FINANCIAL STATEMENTS

FINDING 2021-001 - RECONCILIATION OF GRANT ACTIVITIES

Criteria

The Coalition's internal control over financial reporting is designed to allow for management and employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, a material misstatement on a timely basis. In accordance with GAAP, recipients of expenditure-driven grants should recognize revenue as qualifying expenditures are incurred.

Condition

The Coalition's grant revenues and expenditures, including unearned revenues and receivables, did not reconcile to DEL's accounting records.

Cause

Reconciliation of grant activities for financial reporting purposes was not prepared and reviewed on a timely basis.

Effect

Various audit adjustments were proposed and accepted by management to properly reconcile grant activity for financial reporting purposes and to prepare the SEFA.

Recommendation

Management should reconcile the general ledger to DEL invoices on a monthly basis. Revenue and expenditures reported on a monthly DEL invoice should agree to the general ledger for the same reporting period.

Management's Response and Planned Corrective Actions

We agree with the finding and the recommended procedures have been implemented.

3. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

There were no findings, which were required to be reported in accordance with the *Uniform Guidance*.

4. FINDINGS AND QUESTIONED COSTS – MAJOR STATE FINANCIAL ASSISTANCE

There were no findings, which were required to be reported in accordance with Chapter 10.650, *Rules of the State of Florida Auditor General*.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021**

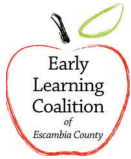
5. COMMUNICATIONS REQUIRED BY THE FLORIDA DIVISION OF EARLY LEARNING

- | | |
|---|-----|
| 1. A reconciliation of the Coalition’s financial records to the Single Statewide Information System (SSIS) is performed monthly. | Yes |
| 2. The Coalition has processes in place to identify and correct errors noted during the monthly reconciliation process to SSIS. | Yes |
| 3. The Coalition’s financial records and the SSIS records were reconciled and in agreement as of June 30, 2021. | Yes |
| 4. The audit work papers include documentation to verify the above tasks were performed. The work papers are available to review by DEL staff upon request. | Yes |

6. OTHER MATTERS

There were no prior audit findings as described in the Uniform Guidance and Chapter 10.650, *Rules of the State of Florida Auditor General*.

There were no items relating to federal award programs or state financial assistance required to be reported in the management letter.



Early Learning Coalition of Escambia County

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
SCHEDULE OF PRIOR YEAR FINDINGS AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2021**

SCHEDULE OF PRIOR YEAR FINDINGS

There were no findings reported in the prior year which require Management's response.

CORRECTIVE ACTION PLAN

The finding from the May 9, 2022 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

Name of Contact Person for Completing Corrective Action Plan:

Walter B. Watson, Jr., Executive Director

Bwatson@elcescambia.org

850-595-5400

FINDING 2021-001 RECONCILIATION OF GRANT ACTIVITIES

The Coalition's grant revenues and expenditures, including unearned revenues and receivables, did not reconcile to DEL's accounting records.

Management's Response

The finding is correct in that the proper reconciliation of all revenues and expenditures required to close out Fiscal 2020-2021 had not been made at the time the audit was conducted. The reason this occurred was primarily due to a change in Finance Directors that was ongoing from May 2021 to September 2021. It had been agreed between the Executive Director and the outgoing Finance Director that reconciliation of all revenues and expenditures for the 2020-2021 year would be completed prior to the outgoing Finance Director's resignation. This was not done. In researching this issue, it was also discovered that the outgoing Finance Director had not passed down to the new finance Director how to properly do the end of year reconciliation. The new Finance Director, however, was able to learn the processes of this company and associated requirements of the State, especially those associated with the end of fiscal year transition. After a thorough review, the reconciliation of all revenues and expenses for 2020-2021 was completed on May 6, 2022.