

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

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2020 AND 2019**

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.  
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY  
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JUNE 30, 2020 AND 2019**

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## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of Escambia County School Readiness Coalition, Inc. (the Coalition) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *Auditors' Responsibility*

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coalition as of June 30, 2020 and 2019, 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***Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, *Rules of the Auditor General*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 February 24, 2021, 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.



Pensacola, Florida  
February 24, 2021

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.  
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019**

<b>ASSETS</b>		
	<b>2020</b>	<b>2019</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,304,147	\$ 1,774,723
Grants receivable	79,910	70,114
Other current assets	8,908	9,325
Total current assets	2,392,965	1,854,162
<b>COMPUTERS AND EQUIPMENT, NET</b>	10,330	25,056
<b>TOTAL ASSETS</b>	<u>\$ 2,403,295</u>	<u>\$ 1,879,218</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 323,033	\$ 273,764
Accrued expenses	5,023	2,225
Grant advance	97,596	232,500
Due to service providers	1,784,741	1,188,378
Total current liabilities	2,210,393	1,696,867
<b>NET ASSETS</b>		
Without donor restrictions	192,902	182,351
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,403,295</u>	<u>\$ 1,879,218</u>

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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>PUBLIC SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS</b>		
Federal and state grants	\$ 21,201,954	18,726,066
Local match - Escambia County and United Way	291,564	308,875
Local grants	64,610	154,469
Miscellaneous	<u>4,209</u>	<u>5,478</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS</b>	21,562,337	19,194,888
<b>EXPENSES</b>		
Program services:		
Subsidized Child Care	16,154,972	13,712,761
Voluntary Pre-K	4,519,003	4,529,788
Other Programs	<u>59,404</u>	<u>103,582</u>
Total program services	20,733,379	18,346,131
Supporting services:		
Administrative and general	<u>818,407</u>	<u>829,680</u>
<b>TOTAL EXPENSES</b>	<u>21,551,786</u>	<u>19,175,811</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	10,551	19,077
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR</b>	<u>182,351</u>	<u>163,274</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR</b>	<u><u>\$ 192,902</u></u>	<u><u>\$ 182,351</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, 2020 AND 2019**

	<b>Program Services</b>					
	<b>Subsidized Child Care</b>	<b>Voluntary Pre-K</b>	<b>Other Programs</b>	<b>Total Program Services</b>	<b>Administrative and General</b>	<b>2020 Total</b>
<b>PERSONNEL COSTS</b>						
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
<b>OPERATING EXPENSES</b>						
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
<b>TOTAL EXPENSES</b>	<b>\$ 16,154,972</b>	<b>\$ 4,519,003</b>	<b>\$ 59,404</b>	<b>\$ 20,733,379</b>	<b>\$ 818,407</b>	<b>\$ 21,551,786</b>

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, 2020 AND 2019**

	<b>Program Services</b>					
	<b>Subsidized Child Care</b>	<b>Voluntary Pre-K</b>	<b>Other Programs</b>	<b>Total Program Services</b>	<b>Administrative and General</b>	<b>2019 Total</b>
<b>PERSONNEL COSTS</b>						
Salaries and wages	\$ 1,050,332	\$ -	\$ 174	\$ 1,050,506	\$ 539,815	\$ 1,590,321
Employee benefits	298,420	-	15	298,435	129,285	427,720
Total personnel costs	1,348,752	-	189	1,348,941	669,100	2,018,041
<b>OPERATING EXPENSES</b>						
Contract expenses	11,873,905	4,529,788	41,000	16,444,693	4,516	16,449,209
Professional services	37,721	-	-	37,721	38,691	76,412
Equipment and supplies	174,110	-	47,661	221,771	28,596	250,367
Rentals	83,920	-	-	83,920	28,890	112,810
Travel	12,945	-	165	13,110	12,305	25,415
Depreciation	19,764	-	-	19,764	3,396	23,160
Communications	28,285	-	-	28,285	9,963	38,248
Dues and fees	675	-	-	675	6,378	7,053
Insurance and bond premium	179	-	-	179	8,685	8,864
Miscellaneous	26,738	-	14,567	41,305	(64)	41,241
Other purchased services	47,961	-	-	47,961	3,979	51,940
Computer software	28,881	-	-	28,881	5,655	34,536
Repair and maintenance	5,306	-	-	5,306	1,785	7,091
Staff development	1,933	-	-	1,933	340	2,273
Utilities	21,686	-	-	21,686	7,465	29,151
Total operating expenses	12,364,009	4,529,788	103,393	16,997,190	160,580	17,157,770
<b>TOTAL EXPENSES</b>	<b>\$ 13,712,761</b>	<b>\$ 4,529,788</b>	<b>\$ 103,582</b>	<b>\$ 18,346,131</b>	<b>\$ 829,680</b>	<b>\$ 19,175,811</b>

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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 10,551	\$ 19,077
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	14,727	23,160
Change in operating assets and liabilities:		
Grants receivable	(9,796)	129,364
Other current assets	416	(148)
Accounts payable	49,269	220,612
Accrued expenses	(229,702)	(902)
Grant advance	97,596	232,500
Due to service providers	596,363	32,647
<b>NET INCREASE IN CASH</b>	529,424	656,310
<b>CASH AND EQUIVALENTS AT BEGINNING OF YEAR</b>	1,774,723	1,118,413
<b>CASH AND EQUIVALENTS AT END OF YEAR</b>	<u>\$ 2,304,147</u>	<u>\$ 1,774,723</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, 2020 AND 2019**

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**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 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 helping families achieve economic self-sufficiency.

A majority of revenues are received from federal and state sources through the Office of Early Learning. 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.

**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.

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, 2020.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.  
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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

**Revenue Recognition**

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Under accounting standards, earned revenue measurement is driven via a principles based process that requires the entity: 1) identify the contract with the customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied. Contributed support follows different standards. 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, 2020 AND 2019**

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**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, 2020 and 2019, 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. No disposition of such assets occurred during the years ended June 30, 2020 and 2019.

**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 the Office of Education and Learning (OEL).

**New Accounting Pronouncements**

Effective July 1, 2019, the Coalition adopted ASU-2014-09, "Revenue from Contracts with Customers (Topic 606)," which amends existing revenue recognition standards and establishes a new Accounting Standards Codification ("ASC") Topic 606. The core principle of this amendment is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for these goods or services. The Coalition concluded that all of its contracts with customers consist of a single performance obligation to transfer promised services and are, therefore, not impacted by the adoption of ASC 606.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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

**New Accounting Pronouncements - Continued**

Effective July 1, 2019, the Coalition adopted the ASU-No. 2018-08, “Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.” ASU No. 2018-08 requires that unconditional contributions (those that do not include a measurable performance-related or other barrier, or those in which the Coalition has limited discretion over how the contribution should be spent) are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions that include a measurable barrier or those for which the Coalition has limited discretion over how the contributions should be spent are recorded as conditional contributions. Conditional contributions are not recognized until they have become unconditional; that is, when the conditions surrounding the indications of the barrier have been met. The adoption of ASU No. 2018-08 did not have an impact on the financial statements.

**Reclassifications**

Certain prior period financial statement amounts have been reclassified to conform to current period presentation.

**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.

**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 February 24, 2021, 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, 2020 AND 2019**

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**2. GRANTS RECEIVABLE**

Grants receivable at June 30, 2020 and 2019, consists of the following:

	<b>2020</b>	<b>2019</b>
Escambia County Board of Commissioners	\$ 79,625	\$ 59,719
Office of Early Learning	-	5,265
University of Florida - ELF Program	-	4,845
Miscellaneous	285	285
Total	<u>\$ 79,910</u>	<u>\$ 70,114</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, 2020 and 2019, the Coalition had approximately \$2,296,000 and \$1,678,000 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, 2020 and 2019, the agency provided \$21,201,954 and \$18,726,066 of revenue, respectively, which represents 98% 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 \$14,140 and \$13,537 during the years ended June 30, 2020 and 2019, respectively.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.  
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NOTES TO THE FINANCIAL STATEMENTS  
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**5. OPERATING LEASES**

The Coalition leases office equipment under an operating lease agreement. The total rent for this office equipment totaled \$7,910 and \$7,810 for the fiscal years ended June 30, 2020 and 2019, respectively. The future rental payment schedule is:

2021	\$ 8,826
2022	7,066
2023	7,066
2024	1,767
	<u>\$ 24,725</u>

The Coalition conducted operations from one facility located in Pensacola, Florida, that was leased under an operating lease. The five-year lease expires June 30, 2021. Rental expense totaled approximately \$108,000 and \$105,000 for the years ended June 30, 2020 and 2019, respectively. The future rental payment schedule for this lease is \$108,000 for the fiscal year ending June 30, 2021.

**6. RELATED PARTY TRANSACTIONS**

The Coalition paid membership dues of \$5,825 and \$6,075 to the Association of Early Learning Coalitions, Inc. during the years ended June 30, 2020 and 2019, respectively.

**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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,304,147	\$ 1,774,723
Grants receivable	<u>79,910</u>	<u>70,114</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 2,384,057</u>	<u>\$ 1,844,837</u>



**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.  
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
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**8. IMPACT OF CORONAVIRUS**

The outbreak of the novel coronavirus has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The ongoing development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the novel coronavirus. Nevertheless, the novel coronavirus presents uncertainty and risk with respect to the Coalition, its performance and its financial results.

In response to the pandemic, OEL and the Coalition implemented the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding strategies to support child care 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, and reimbursing providers for active enrollments during temporary closures. Through the date of this report, the Coalition has been awarded \$3,131,537 in CARES funding. The Coalition incurred \$688,568 in CARES expenditures during the year ended June 30, 2020. The remaining amount of CARES expenditures will be incurred during the year ending June 30, 2021.

**9. SUBSEQUENT EVENT**

On August 20, 2020, a portion of the Coalition's leased facility was destroyed by fire. The fire caused a loss and an insurance claim of approximately \$213,000.



## 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, 2020**

<b>Grantor / Pass-through Grantor / Program Title</b>	<b>CFDA/ CSFA Number</b>	<b>Contract Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>United States Department of Health and Human Services</b>				
<b>Passed through Florida Office of Early Learning:</b>				
Preschool Development Grant	93.434	EL170	\$ 57,020	\$ -
Temporary Assistance for Needy Families (TANF) Welfare Transition Program	93.558	EL170	4,866,804	-
Child Care and Development Fund Cluster:				
Child Care and Development Block Grant	93.575	EL170	9,701,346	-
COVID-19 Child Care and Development Block Grant	93.575	EL170	688,568	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL170	1,174,499	-
Total Child Care and Development Fund Cluster			11,564,413	-
Social Service Block Grant	93.667	EL170	5,912	-
Total Federal Awards			16,494,149	-
<b>Florida Office of Early Learning</b>				
Voluntary Pre-Kindergarten Education	48.108	OA170	5,150	-
Voluntary Pre-Kindergarten Education	48.108	EL170	4,717,786	-
Total State Financial Assistance			4,722,936	-
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>			<b>\$ 21,217,085</b>	<b>\$ -</b>

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, 2020**

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**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 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, 2020. 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, 2020, 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 February 24, 2021.

**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 Organization's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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*.

**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.

A handwritten signature in cursive script that reads "Warren Averett, LLC".

Pensacola, Florida  
February 24, 2021

**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 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 *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 Office of Early Learning for the year ended June 30, 2020. 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 Auditor General*. Those standards and the *Uniform Guidance* 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 with those requirements.

### **Opinion on Major Federal Programs and State Project**

In our opinion, the Coalition complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state project and requirements set forth by the Florida Office of Early Learning for the year ended June 30, 2020.

### **Report on Internal Control Over Compliance**

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 state projects. 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 the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the *Uniform Guidance* and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 Auditor General*. Accordingly, this report is not suitable for any other purpose.

*Warren Averett, LLC*

Pensacola, Florida  
February 24, 2021

**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, 2020**

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**1. SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

Federal Awards and State Project:

Internal control over major programs/project:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None reported

Type of auditors' report issued on compliance for major programs/projects: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the *Uniform Guidance* and Chapter 10.650, *Rules of the Auditor General*? \_\_\_\_\_ Yes   X   No

Identification of major programs/project:

Federal Programs

CFDA Number(s) Name of Federal Programs or Cluster

93.575/93.596 Child Care Development Fund Cluster

93.558 Temporary Assistance for Needy Families

Dollar threshold used to distinguish between type A and type B programs:   \$ 750,000  

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

State Project

CSFA Number(s) Name of State Project

48.108 Voluntary Pre-Kindergarten Education Program

Dollar threshold used to distinguish between type A and type B programs:   \$ 750,000



**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, 2020**

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**2. FINDINGS – FINANCIAL STATEMENTS**

There were no findings, which were required to be reported in accordance with government auditing standards generally accepted in the United States of America.

**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 Auditor General*.

**5. COMMUNICATIONS REQUIRED BY THE OFFICE 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, 2020.                                             | Yes |
| 4. The audit work papers include documentation to verify the above tasks were performed. The work papers are available to review by OEL staff upon request. | Yes |

**6. OTHER ISSUES**

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.