

**Community Coordinated
Care for Children, Inc. and
The 4C Foundation, Inc.**

**Combined Financial
Statements
and Supplemental
Information**

**Year Ended
December 31, 2020**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 – 2
COMBINED FINANCIAL STATEMENTS	
Combined Statement of Financial Position	3
Combined Statement of Activities and Changes in Net Assets	4
Combined Statement of Functional Expenses	5
Combined Statement of Cash Flows	6
Notes to Combined Financial Statements	7 – 22
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards and State Financial Assistance	23 – 25
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	26
Combined Schedule of Head Start Expenses	27
Combined Schedule of Early Head Start Expenses	28
Combined Schedule of Early Head Start Child Care Partnership Expenses	29
Combined Schedule of Early Head Start Expansion Expenses	30
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 <i>Government Auditing Standards</i>	31 – 32
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 State of Florida Chapter 10.650, <i>Rules of the Auditor General</i>	33 – 34
Schedule of Findings and Questioned Costs Federal Awards and State Financial Assistance	35 – 39



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Community Coordinated Care for Children, Inc.
and The 4C Foundation, Inc.
Orlando, Florida

Report on the Financial Statements

We have audited the accompanying combined financial statements of Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc. (collectively the "Organization") (a nonprofit organization) which comprise the combined statement of financial position as of December 31, 2020, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc. as of December 31, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying combined schedule of Head Start Expenses, combined schedule of Early Head Start Expenses, combined schedule of Early Head Start Child Care Partnership Expenses, and combined schedule of Early Head Start Expansion Expenses are presented for purposes of additional analysis and are not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and State of Florida Chapter 10.650, *Rules of the Auditor General*, is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined 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 June 9, 2021, on our consideration of Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.'s internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
June 9, 2021

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

COMBINED STATEMENT OF FINANCIAL POSITION

December 31, 2020

ASSETS

Assets	
Cash and cash equivalents	\$ 1,750,175
Receivables	10,798,019
Due from early learning providers	3,455,112
Unconditional promise to give	115,000
Prepaid expenses and other assets	1,211,185
Cash designated for capital expenditures	114,000
Property and equipment, net	1,047,840
Investments	1,260,341
Beneficial interest in assets held by others	156,207
Assets held in trust for the deferred compensation plan	<u>201,791</u>
Total assets	<u>\$ 20,109,670</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ 2,300,232
Due to early learning providers	6,179,632
Due to Early Learning Coalition of Orange County	2,905,285
Due to Early Learning Coalition of Osceola County	399,281
Refundable advances	1,673,210
Deferred compensation payable	<u>201,791</u>
Total liabilities	<u>13,659,431</u>
Commitments and contingencies (Notes J and K)	<u>-</u>
Net assets	
Without donor restrictions	
Undesignated	5,017,192
Net investment in property and equipment	1,047,840
Designated for capital expenditures	<u>114,000</u>
Total net assets without donor restrictions	6,179,032
With donor restrictions	<u>271,207</u>
Total net assets	<u>6,450,239</u>
Total liabilities and net assets	<u>\$ 20,109,670</u>

The accompanying notes are an integral part of these combined financial statements.

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Early Learning Coalition of Orange County	\$ 80,306,624	\$ -	\$ 80,306,624
Early Learning Coalition of Osceola County	18,003,125	-	18,003,125
U.S. Department of Health and Human Services	14,019,106	-	14,019,106
State of Florida Department of Health - Food Program	4,983,502	-	4,983,502
Orange County Citizens' Commission for Children	2,441,522	-	2,441,522
Other support and revenues, and contributions	4,111,677	-	4,111,677
Heart of Florida United Way, Inc.	51,998	115,000	166,998
City of Orlando	317,013	-	317,013
Orange County Commission	241,844	-	241,844
Catholic Charities of Central Florida, Inc.	168,498	-	168,498
Orange County Citizens' Review Panel	134,231	-	134,231
City of Orlando - Parramore project	145,715	-	145,715
State of Florida Department of Children and Families	38,186	-	38,186
In-kind contributions - Head Start and Early Head Start	173,177	-	173,177
Investment income	47,365	11,708	59,073
Net assets released from restrictions	115,000	(115,000)	-
	<hr/>	<hr/>	<hr/>
Total revenues and support	125,298,583	11,708	125,310,291
EXPENSES			
Program services			
Early Care and Learning (School Readiness)	68,222,983	-	68,222,983
Voluntary Pre-K	32,560,139	-	32,560,139
Food Program	4,893,036	-	4,893,036
Head Start	3,916,796	-	3,916,796
Early Head Start	3,869,518	-	3,869,518
Early Head Start Child Care Partnership	4,289,285	-	4,289,285
Early Head Start Expansion	3,505,812	-	3,505,812
Other program services	2,167,990	-	2,167,990
	<hr/>	<hr/>	<hr/>
Total program services	123,425,559	-	123,425,559
Support services			
Management and general	1,623,615	-	1,623,615
	<hr/>	<hr/>	<hr/>
Total supporting services	1,623,615	-	1,623,615
	<hr/>	<hr/>	<hr/>
Total expenses	125,049,174	-	125,049,174
Change in net assets	249,409	11,708	261,117
NET ASSETS AT BEGINNING OF YEAR	<hr/>	<hr/>	<hr/>
	5,929,623	259,499	6,189,122
NET ASSETS AT END OF YEAR	<hr/>	<hr/>	<hr/>
	\$ 6,179,032	\$ 271,207	\$ 6,450,239

The accompanying notes are an integral part of these combined financial statements.

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

	Program Services										
	Early Care and Learning (School Readiness)	Voluntary Pre-K	Food Program	Head Start	Early Head Start	Early Head Start Child Care Partnership	Early Head Start Expansion	Other Program Services	Total Program Services	Management and General	Total Functional Expenses
Salaries	\$ 2,975,793	\$ 516,569	\$ 370,196	\$ 1,774,852	\$ 1,471,763	\$ 867,358	\$ 1,544,134	\$ 1,229,488	\$ 10,750,153	\$ 922,883	\$ 11,673,036
Payroll taxes and employee benefits	727,182	128,543	93,552	468,291	397,085	206,541	323,905	274,841	2,619,940	219,376	2,839,316
Total salaries and related expenses	3,702,975	645,112	463,748	2,243,143	1,868,848	1,073,899	1,868,039	1,504,329	13,370,093	1,142,259	14,512,352
Child care education services and meals	62,023,588	31,834,775	4,331,417	-	-	-	-	158,436	98,348,216	-	98,348,216
First responders CARES	1,853,429	-	-	-	-	-	-	-	1,853,429	16,736	1,870,165
Educational training services and contractual	1,072	-	-	632,247	1,404,358	2,820,030	1,025	25,878	4,884,610	6,773	4,891,383
Rent	42,777	17,727	2,601	271,911	130,303	23,892	394,226	153,541	1,036,978	5,433	1,042,411
Telephone and utilities	115,681	28,128	14,405	109,054	45,253	27,211	39,570	55,583	434,885	30,880	465,765
Repairs and maintenance	52,498	9,823	6,396	116,193	37,134	15,460	394,663	146,016	778,183	28,296	806,479
Office expense	48,074	9,236	7,076	22,324	16,273	15,428	30,393	59,224	208,028	43,024	251,052
Food and classroom supplies	-	-	-	85,181	26,436	9,148	58,703	-	179,468	-	179,468
Professional services	-	-	-	17,030	3,123	98,745	14,599	638	134,135	64,214	198,349
Noncapital equipment costs	14,476	3,785	-	2,329	7,515	262	20,913	-	49,280	-	49,280
Temporary services	21,034	579	-	4,116	2,120	9,469	-	21,279	58,597	54,122	112,719
Insurance	13,592	2,428	1,233	7,071	6,038	7,226	4,859	1,045	43,492	83,378	126,870
Training and technical assistance	-	-	-	18,983	17,433	16,084	16,379	-	68,879	-	68,879
Meetings and conferences	2,050	398	2,000	366	242	172	261	1,913	7,402	8,194	15,596
Computer support	6,092	1,154	54,905	114,263	11,377	7,080	4,015	3,043	201,929	77,563	279,492
In-kind expenses	-	-	-	29,319	2,406	1,457	139,995	-	173,177	-	173,177
Depreciation	24,321	3,510	2,417	1,489	1,829	2,888	1,158	2,054	39,666	32,692	72,358
Building security	13,611	-	-	-	-	-	-	51	13,662	-	13,662
Travel	625	76	2,334	4,611	5,736	6,241	2,241	4,151	26,015	870	26,885
Equipment rental	6,926	3,259	4,271	3,635	1,780	1,496	548	12,580	34,495	3,814	38,309
Miscellaneous	203,530	23	-	10	12	19	7	8	203,609	13,894	217,503
Program expense	-	-	-	225,554	273,127	149,270	510,223	17,695	1,175,869	-	1,175,869
Dues and publications	-	-	-	2,859	5,424	1,803	1,309	-	11,395	11,248	22,643
Directory/advertising	276	77	233	175	88	54	136	94	1,133	56	1,189
Vehicle expense	356	49	-	4,933	2,663	1,951	2,550	27	12,529	169	12,698
Educational materials	76,000	-	-	-	-	-	-	405	76,405	-	76,405
Total expenses	\$ 68,222,983	\$ 32,560,139	\$ 4,893,036	\$ 3,916,796	\$ 3,869,518	\$ 4,289,285	\$ 3,505,812	\$ 2,167,990	\$ 123,425,559	\$ 1,623,615	\$ 125,049,174

The accompanying notes are an integral part of these combined financial statements.

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

COMBINED STATEMENT OF CASH FLOWS

Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 261,117
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	72,358
Net realized and unrealized gain	(129,438)
Decrease (increase) in assets:	
Receivables	(1,064,136)
Prepaid expenses and other assets	(49,520)
Due from early learning providers	420,533
Due from Early Learning Coalition of Osceola County	970,159
Assets held in trust for the deferred compensation plan	(23,476)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	163,001
Due to early learning providers	(2,706,584)
Due to Early Learning Coalition of Orange County	1,140,828
Due to Early Learning Coalition of Osceola County	399,281
Refundable advances	111,106
Deferred compensation payable	23,476
Net cash used by operating activities	<u>(411,295)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	<u>(32,333)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES

Change in beneficial interest in asset held by others	<u>11,708</u>
Net decrease in cash, cash equivalents and restricted cash	(431,920)
Cash, cash equivalents and restricted cash at beginning of year	<u>2,296,095</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 1,864,175</u>

RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH BALANCES

Cash and cash equivalents	\$ 1,750,175
Cash designated for capital expenditures	<u>114,000</u>
	<u>\$ 1,864,175</u>

The accompanying notes are an integral part of these combined financial statements.

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2020

NOTE A – NATURE OF ORGANIZATION, PRINCIPLES OF COMBINATION AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization and nature of activities

Community Coordinated Care for Children, Inc. (“4C”) is a not-for-profit corporation operating in Central Florida as a coordinative agency for child care activities and other support services for families with young children.

4C's major program services are as follows:

Early Care and Learning (School Readiness): 4C contracts with local Early Care and Learning Coalitions, local governments, and not-for-profit organizations to provide income eligible families child care financial assistance and other related activities. Local government contracts, United Way allocations, private foundations and other local funders are used to meet match requirements for certain contracts.

Voluntary Pre-K: 4C participates in a Florida Department of Education program designed to prepare four year olds for kindergarten and build the foundation for their educational success. The program allows a parent to enroll his or her eligible child in a free voluntary pre-kindergarten program. 4C currently contracts with local coalitions to provide such services.

Food Program: Accounts for resources received from the State of Florida Department of Health to subsidize meal costs for eligible children under the National School Lunch and the Child Nutrition Acts.

Head Start: Head Start is a federal program that promotes the school readiness of children ages three to five, enhancing their cognitive, physical, social, and emotional development. The learning environment supports children's growth in these areas, and emphasizes the role of parents as their child's first teacher. The program also helps build relationships with families in support of their well-being and achieving family goals.

Early Head Start: Early Head Start programs provide services to infants, toddlers, pregnant women, and their families through a variety of service models, depending on the needs of the local community. 4C operates Early Head Start sites and also works with child care centers. Some programs offer home-based services that assign dedicated staff who conduct weekly visits to children in their own home and work with the parent as the child's primary teacher.

Early Head Start Child Care Partnership: The EHS-CCP program brings together the strengths of child care and Early Head Start programs through partnerships between 4C and local child care providers. These child care providers have experience providing care that is strongly grounded in the cultural, linguistic, and social needs of the families and their local communities.

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2020

NOTE A – NATURE OF ORGANIZATION, PRINCIPLES OF COMBINATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Organization and nature of activities (continued)

Early Head Start Expansion: The Early Head Start Expansion program provides services to children and pregnant women by providing additional funding to operations and training and technical assistance for the Early Head Start Programs.

Other Program Services: Consists primarily of four programs: 1) Early Childhood Education Training Programs - accounts for resources received from the State of Florida Department of Children and Families for state mandated training services and resources for other training programs, 2) Other Child Care - accounts for resources received from the Catholic Charities of Central Florida, Inc. for refugee child care and other contracts for child care services, 3) Community Services - accounts for various community services and other family related programs, and 4) Orange County Citizens' Commission for Children - funds family support resources of thirteen neighborhood centers.

The 4C Foundation, Inc. (Foundation) is a separate not-for-profit corporation that was formed for the purpose of acquiring property and leasing to, and fund-raising for 4C.

2. Principles of combination

The accompanying financial statements include the accounts of 4C and the Foundation (collectively, the Organization) on a combined basis. All significant intercompany accounts and transactions have been eliminated in the preparation of the combined financial statements. At December 31, 2020, total net assets of 4C and the Foundation were \$4,330,349 and \$2,119,890, respectively.

3. Basis of accounting and financial statement presentation

The accompanying financial statements and accompanying schedules have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. For example, the Board has designated a portion of net assets without donor restrictions as set aside for capital expenditures for the purpose of securing the Organization's long-term financial viability.

See Note L for more information on the composition of net assets without donor restrictions.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2020

NOTE A – NATURE OF ORGANIZATION, PRINCIPLES OF COMBINATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Basis of accounting and financial statement presentation (continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed restrictions, time and/or purpose restrictions.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

See Note M for more information on the composition of net assets with donor restrictions.

4. Use of estimates

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

5. Cash and cash equivalents

For purposes of the combined statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents. Cash excludes cash designated for capital expenditures.

6. Receivables

Receivables primarily consist of grant and contract receivables from federal, state and local governmental agencies, and not-for-profit organizations, and are stated at estimated net realizable value. The Organization uses the allowance method to determine uncollectible receivables. The allowance is based upon management estimates of current economic factors and analysis of specific accounts. In the opinion of management, no allowance for uncollectible accounts was considered necessary at December 31, 2020.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2020

NOTE A – NATURE OF ORGANIZATION, PRINCIPLES OF COMBINATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Property and equipment

Property and equipment are recorded at cost when purchased or at fair value at the date of gift, if contributed. Depreciation of property and equipment is computed using the straight-line method of accounting over the estimated useful lives of the depreciable assets. Routine maintenance and repair costs are charged to expense as incurred, while major replacements and improvements are capitalized as additions to the related assets.

When assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and gains or losses from dispositions are credited or charged to income.

The Foundation capitalized a donated art collection which is stated at the estimated fair value of the collection at the time of the donation. The Foundation has no purchased collectibles.

8. Impairment of long-lived assets

The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to future net cash flows expected to be generated by the asset or asset group. If such assets or asset groups are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets or asset group. Assets or asset groups to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment of the Organization's long-lived assets or asset groups have been recognized during the year ended December 31, 2020.

9. Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the Combined Statement of Financial Position. Unrealized gains and losses are included in the Combined Statement of Activities and Changes in Net Assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2020

NOTE A – NATURE OF ORGANIZATION, PRINCIPLES OF COMBINATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Assets held in trust for the deferred compensation plan

Assets held in trust for the deferred compensation plan are investments and are reported at fair value (see Note D). These investments represent contributions to a 457(b) plan for the benefit of "key employees." See Note I for additional information about the terms of this plan.

11. Revenue recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09, "*Revenue from Contracts with Customers*" (ASC 606), which prescribes a single, common revenue standard to replace most existing revenue recognition guidance, including most industry-specific requirements. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The Organization adopted ASC 606 and all related amendments effective January 1, 2019.

In June 2018, the FASB issued ASU No. 2018-08, "*Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*" (ASC 958), which clarifies how transactions should be accounted for as contributions (nonreciprocal transactions) or exchange transactions and whether a contribution is conditional.

The Organization is principally funded by grants and contracts from federal, state and local governmental agencies, and not-for-profit organizations. Grants and contracts generally provide reimbursement for allowable costs incurred. Revenue from cost reimbursement grants and contracts is recognized as eligible costs are incurred.

Receivables are recorded to the extent costs have been incurred but not reimbursed by the granting agencies. Conversely, refundable advances are recorded when grant and contract advances exceed eligible costs incurred. Refundable advances will either be offset against subsequent allowable costs incurred or refunded to the granting agencies upon grant termination.

Contributions, including unconditional promises to give, are recognized as support and revenue in the period received at fair value as without donor restrictions or with donor restricted support depending on the existence or nature of any donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2020

NOTE A – NATURE OF ORGANIZATION, PRINCIPLES OF COMBINATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Revenue recognition (continued)

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are met in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible unconditional promises to give receivables. The allowance is based upon management estimates of current economic factors and analysis of specific unconditional promises to give. In the opinion of management, no allowance for uncollectible accounts was considered necessary at December 31, 2020.

Contributed services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution.

The estimated fair value of contributed materials, facilities, services and other program services are necessary to support the Head Start and Early Head Start program. These contributions are reflected as support and expenses in the accompanying combined statement of activities and combined statement of functional expenses in the period in which the materials, facilities, services and other program services are utilized. Contributed materials, facilities, services and other program services consist of the following:

	<u>Head Start</u>	<u>Early Head Start</u>	<u>Early Head Start CCP</u>	<u>Early Head Start EXP</u>	<u>Total</u>
Program Services	<u>\$ 29,320</u>	<u>\$ 2,406</u>	<u>\$ 1,457</u>	<u>\$ 139,994</u>	<u>\$ 173,177</u>

The adoption of ASC 606 and ASC 958 had no significant impact on the Organization's financial statements.

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2020

NOTE A – NATURE OF ORGANIZATION, PRINCIPLES OF COMBINATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Functional allocation of expenses

The cost of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

13. Income taxes

4C and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Statutes. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying combined financial statements.

The Organization follows accounting standards relating to accounting for uncertainty in income taxes. Management assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying combined financial statements. The Organization files income tax returns in the U.S. federal jurisdiction. Generally, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before December 31, 2017.

14. Concentrations of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, cash designated for capital expenditures, and various unsecured receivables. The Organization placed its cash and cash designated for capital expenditures with federally insured financial institutions and limits its exposure to any potential loss in excess of federally insured limits; however, at times, the Organization is exposed to loss to the extent that these balances exceed the federally insured limits.

Concentrations of credit risk with respect to unsecured receivables are limited as the receivables are primarily grant and contract receivables from governmental agencies; other receivables are primarily due from entities located in Central Florida. The Early Learning Coalition of Orange County, Early Learning Coalition of Osceola County and the State of Florida Department of Health accounts for 32%, 10% and 8%, respectively, of total receivables at December 31, 2020.

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2020

NOTE A – NATURE OF ORGANIZATION, PRINCIPLES OF COMBINATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

15. Recent accounting pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases, that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The new guidance is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization is evaluating the potential effects ASU 2016-02 will have on its financial statements.

16. Statement of cash flows

During fiscal 2019, the Organization adopted ASU 2016-18, "Statement of Cash Flows", which requires that restricted cash be included in total cash in the statement of cash flows. Cash, cash equivalents, and restricted cash in the statement of cash flows includes cash and cash equivalents, and cash designated for capital expenditures.

17. Subsequent events

Management has assessed subsequent events through June 9, 2021, which is the date these combined financial statements were available to be issued.

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020, consisted of the following:

Land	\$ 720,000
Buildings and improvements	1,818,818
Equipment, vehicles and other	1,041,330
Donated art collection	<u>178,055</u>
	3,758,203
Less accumulated depreciation	<u>2,710,363</u>
	<u>\$ 1,047,840</u>

During the year ended December 31, 2020, depreciation expense was \$72,358.

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2020

NOTE C – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization has a beneficial interest in assets held by the Community Foundation of Central Florida, Inc. (the Community Foundation) in a permanent Agency Endowment Fund known as the "Caring for Kids Fund." The Community Foundation was granted no variance power to redirect the use of the assets to another beneficiary. On an annual basis, the Community Foundation distributes a percentage of the principal balance from this fund to the Organization as determined by the Community Foundation's spending policy. As of December 31, 2020, the endowment fund has a fair value of \$156,207, which is included in the accompanying combined statement of financial position as beneficial interest in assets held by others.

NOTE D – FAIR VALUE MEASUREMENTS

The Organization follows accounting standards relating to fair value measurements which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expand disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards relating to fair value measurement establish a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Level inputs, as defined by this guidance, are as follows:

- | | |
|---------|--|
| Level 1 | Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date. |
| Level 2 | Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date. |
| Level 3 | Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. |

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2020

NOTE D – FAIR VALUE MEASUREMENTS (continued)

The following table summarizes fair value measurements by level at December 31, 2020, for financial assets measured at fair value on a recurring basis:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Assets				
Assets held in trust for the deferred compensation plan (investments):				
Pooled separate accounts with Principal Life Insurance Co.	\$ -	\$ 201,791	\$ -	\$ 201,791
Mutual funds	1,260,341	-	-	1,260,341
Beneficial interest in assets held by others	-	-	156,207	156,207
	<u>\$ 1,260,341</u>	<u>\$ 201,791</u>	<u>\$ 156,207</u>	<u>\$ 1,618,339</u>

The fair value of the Organization's beneficial interest in assets held by others is determined based on the Organization's allocated share of the Community Foundation's investment pool. Information is provided to the Organization by Community Foundation management in the form of an annual investment report and through the Community Foundation's annual audit.

The pooled separate accounts with Principle Life Insurance Co. are valued using the fair market value of the underlying assets.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2020

NOTE D – FAIR VALUE MEASUREMENTS (continued)

The table below sets forth a summary of the changes in the fair value of the Organization's Level 3 financial assets during the year ended December 31, 2020:

	<u>Beneficial Interest in Assets Held by Others</u>
Balance, beginning of year	\$ 144,499
Net realized and unrealized gain (loss)	15,889
Interest and dividend income	2,606
Investment manager and administrative fees, and distributions	<u>(6,787)</u>
Balance, end of year	<u>\$ 156,207</u>

The Organization's investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment account balance.

NOTE E – INVESTMENTS

The fair value of the investments is reflected in the Combined Statement of Net Position at December 31, 2020. A summary of investments at December 31, 2020, is as follows:

	<u>Original Cost</u>	<u>Level I Fair Value</u>	<u>Unrealized Gain</u>
Mutual Funds	<u>\$ 1,006,766</u>	<u>\$ 1,260,341</u>	<u>\$ 253,575</u>

Investment income is reported in the Combined Statement of Activities and Changes in Net Assets for the year ended December 31, 2020 and is summarized as follows:

Interest and dividends	\$ 32,554
Change in beneficial interest in assets held by others	11,708
Change in unrealized gain	<u>14,811</u>
	<u>\$ 59,073</u>

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2020

NOTE F – RECONCILIATION OF CHANGES IN NET ASSETS TO NET OPERATING INCOME (NON-GAAP)

The following table presents a reconciliation of the change in net assets to the Organization's internal net operating income for the year ending December 31, 2020:

Change in net assets	\$	261,117
Plus: depreciation		72,358
Less: unrealized gain on investments		<u>59,073</u>
Net operating income excluding		
Depreciation and unrealized gain on investments	\$	<u>274,402</u>

NOTE G – LINE OF CREDIT

The Organization entered into a \$2,000,000 line of credit agreement with a bank. The line of credit bears interest at a variable rate based on the Wall Street Journal Prime rate plus 1.00% with a minimum of 4.50%, and is collateralized by certain receivables. The line of credit requires monthly interest only payments and matures on demand. All advances on the line of credit are required to be repaid within six months of the advance.

NOTE H – RETIREMENT PLAN

All employees are eligible to participate in a defined contribution 401(k) plan (the "401(k) Plan") upon completion of 12 consecutive months of the required service and attainment of age 21. The annual contribution to the 401(k) Plan is determined on an annual basis by the Board of Directors (5% of eligible compensation for 2020) plus a match provision of 25% of voluntary contributions by the eligible employee up to a maximum of 1% of eligible compensation. Accordingly, the Organization's maximum contribution is 6% of eligible compensation up to the federal limit according to the Internal Revenue Code. Contributions to the 401(k) Plan for the year ended December 31, 2020, were \$524,123 and are included in payroll taxes and employee benefits in the accompanying combined statement of functional expenses.

NOTE I – DEFERRED COMPENSATION PLAN

The Organization has established a deferred compensation plan (the "Plan") for the benefit of "key employees", which provide that a certain percentage of the key employee's salary be accrued for the benefit of the participant. The Organization recognizes the related expense and liability under this Plan as benefits become vested. At December 31, 2020, the amounts due under the deferred compensation plan which totaled \$201,791, were accrued and included in deferred compensation payable and the related investments are included in assets held in trust for the deferred compensation plan in the accompanying combined statement of financial position. Contributions to the Plan for the year ended December 31, 2020, was \$7,212 and are included in payroll taxes and employee benefits in the accompanying combined statement of functional expenses.

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2020

NOTE J – CONTINGENCIES

By terms of the Organization's grants and contracts, certain funding agencies reserve the right to examine records relating to cost reimbursements. In the event there is a determination of non-qualifying expenditures for which a reimbursement has been made, the funding agency may demand a refund. Management of the Organization does not anticipate any material refunds will have to be made for grants or contracts terminated or in process as of December 31, 2020. Accordingly, no provision for liability has been made in the accompanying combined financial statements.

NOTE K – COMMITMENTS

The Organization leases facilities and equipment under various operating lease agreements. These lease agreements are generally on a year-to-year basis with options to renew. Rent expense was \$1,080,720 for the year ended December 31, 2020.

Future minimum lease payments under noncancelable operating leases as of December 31, 2020, are as follows:

Years Ending December 31,	
2021	\$ 881,560
2022	599,579
2023	54,698
2024	<u>3,121</u>
	<u>\$ 1,538,958</u>

NOTE L – NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's net assets without donor restrictions are comprised of undesignated and Board designated amounts for the following purposes as follows:

Undesignated	\$ 5,017,192
Net investment in property and equipment	1,047,840
Board designated for capital expenditures	<u>114,000</u>
Total net assets without donor restrictions	<u>\$ 6,179,032</u>

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2020

NOTE L – NET ASSETS WITHOUT DONOR RESTRICTIONS (continued)

Board designated for capital expenditures

The Board has designated funds to be set aside for capital expenditures for the purpose of the Organization's mission for child care activities and other support services for families with young children. The amount set for the year is \$114,000 and no additional amounts were set aside during 2020.

The Organization has funds set aside related to the acquisition of capital assets in prior years which help Organization's mission for child care activities and other support services for families with young children.

NOTE M – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as follows:

Subject to expenditure for specified purpose:	
School Readiness Program	\$ 115,000
Endowments subject to the Organization's spending policy and appropriation:	
Investment in perpetuity, which once appropriated, is expendable to support:	
Any activities of the Organization	<u>156,207</u>
Total net assets with donor restrictions	<u>\$ 271,207</u>

NOTE N – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follows:

Purpose restrictions accomplished:	
School Readiness Program	<u>\$ 115,000</u>
Net assets released from restrictions	<u>\$ 115,000</u>

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2020

NOTE O – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization’s financial assets available within one year of the consolidated statements of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 1,750,175
Cash designated for capital expenditures	114,000
Short-term investments	1,260,341
Receivables	10,798,019
Due from early learning providers	3,455,112
Unconditional promise to give	<u>115,000</u>
 Total financial assets available within one year	 17,492,647
Less:	
Liabilities	
Accounts payable and accrued expenses	2,300,232
Due to early learning providers	6,179,632
Due to Early Learning Coalition of Orange County	2,905,285
Due to Early Learning Coalition of Osceola County	399,281
Refundable advances	1,673,210
Deferred compensation payable	<u>201,791</u>
 Total financial liabilities available within one year	 <u>13,659,431</u>
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	<u>271,207</u>
Total amounts unavailable for general expenditures within one year	<u>271,207</u>
Amounts unavailable to management without Board's approval:	
Board designated for capital expenditures	<u>114,000</u>
Total amounts unavailable to management without Board's approval	<u>114,000</u>
Total financial assets available within one year after board designations and restricted by donors	<u>\$ 3,448,009</u>

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of \$2,000,000, which it could draw upon. Additionally, the Organization has Board Designated net assets without donor restrictions that, while the Organization does not intend to spend for these purposes other than those identified, the amounts could be made available for current operations, if necessary.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2020

NOTE P – FUNCTIONAL EXPENSES

The combined financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, and insurance, which are allocated on the basis of time and effort, children served and/or number of personnel.

NOTE Q – RISK AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

SUPPLEMENTAL INFORMATION

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended December 31, 2020

Grantor/Program Title	CFDA CSFA	Award Number	Expenditures
Federal Awards			
U.S. Department of Agriculture			
<i>Passed through the State of Florida</i>			
<i>Department of Health:</i>			
Child and Adult Care Food Program - Centers	10.558	U51	\$ 4,582,778
Child and Adult Care Food Program - Homes	10.558	D-702	301,206
Child and Adult Care Food Program - Head Start	10.558	S3	<u>99,518</u>
Total U.S. Department of Agriculture			<u>4,983,502</u>
U.S. Department of Housing and Urban Development			
<i>Passed through Orange County, Florida:</i>			
Community Development Block Grants	14.218	93-34	<u>241,844</u>
U.S. Department of Health and Human Services			
<i>Passed through the Florida Office of Early Learning</i>			
<i>and the Early Learning Coalition of Orange County:</i>			
Temporary Assistance for Needy Families	93.558	1217-19/20	4,942,686
Temporary Assistance for Needy Families	93.558	1217-20/21	6,649,243
<i>Passed through the Office of Early Learning</i>			
<i>and the Early Learning Coalition of Osceola County:</i>			
Temporary Assistance for Needy Families	93.558	CA-19/20	965,598
Temporary Assistance for Needy Families	93.558	CA-20/21	<u>1,208,804</u>
Program Total			<u>13,766,331</u>
<i>Passed through the Florida Office of Early Learning</i>			
<i>and the Early Learning Coalition of Orange County:</i>			
Child Care and Development Block Grant	93.575	1217-19/20	11,380,563
Child Care and Development Block Grant	93.575	1217-20/21	10,989,386
CARES	93.575	1217-20/21	8,072,537
<i>Passed through the Office of Early Learning</i>			
<i>and the Early Learning Coalition of Osceola County:</i>			
Child Care and Development Block Grant	93.575	CA-19/20	2,223,299
Child Care and Development Block Grant	93.575	CA-20/21	1,997,824
CARES	93.575	CA-20/21	2,164,741
<i>Passed through the State of Florida</i>			
<i>Department of Children and Families:</i>			
Child Care and Development Block Grant	93.575	LC905	<u>38,186</u>
			<u>36,866,536</u>

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended December 31, 2020

Grantor/Program Title	CFDA CSFA	Award Number	Expenditures
<i>Federal Awards (continued)</i>			
U.S. Department of Health and Human Services			
<i>Passed through the Florida Office of Early Learning and the Early Learning Coalition of Orange County:</i>			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	1217-19/20	6,178,920
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	1217-20/21	6,523,512
<i>Passed through the Florida Office of Early Learning and the Early Learning Coalition of Osceola County:</i>			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CA-19/20	1,207,108
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CA-20/21	<u>1,185,947</u>
			<u>15,095,487</u>
Program Total (Child Care and Development Fund Cluster)			<u>51,962,023</u>
Direct Program:			
Head Start and Early Head Start	93.600	04CH011019-02-00	7,319,903
Early Head Start Child Care Partnership	93.600	04HP000234-02-00	4,151,097
Early Head Start - EXP	93.600	04HP000129-02-00	<u>2,548,106</u>
Program Total			<u>14,019,106</u>
Passed-through the Catholic Charities of Central Florida, Inc.:			
Refugee and Entrant Assistance - State Administered Programs	93.566	4C2019	157,107
Refugee and Entrant Assistance - State Administered Programs	93.566	4C2020	<u>11,391</u>
Program Total			<u>168,498</u>
<i>Passed through the Florida Office of Early Learning and the Early Learning Coalition of Orange County:</i>			
Social Services Block Grant	93.667	1217-19/20	15,763
Social Services Block Grant	93.667	1217-20/21	16,925
<i>Passed through the Florida Office of Early Learning and the Early Learning Coalition of Osceola County:</i>			
Social Services Block Grant	93.667	CA-19/20	3,078
Social Services Block Grant	93.667	CA-20/21	<u>3,076</u>
Program Total			<u>38,842</u>
Total U.S. Department of Health and Human Services			<u>79,954,800</u>
Total Expenditures of Federal Awards			<u>85,180,146</u>

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended December 31, 2020

<u>Grantor/Program Title</u>	<u>CFDA CSFA</u>	<u>Award Number</u>	<u>Expenditures</u>
State Financial Assistance			
Florida Department of Education and Commissioner of Education:			
<i>Passed through the Florida Office of Early Learning and the Early Learning Coalition of Orange County:</i>			
Voluntary Pre-Kindergarten Education Program	48.108	1217-19/20	16,026,724
Voluntary Pre-Kindergarten Education Program	48.108	1217-20/21	9,510,365
<i>Passed through the Florida Office of Early Learning and the Early Learning Coalition of Osceola County:</i>			
Voluntary Pre-Kindergarten Education Program	48.108	CA-19/20	4,622,366
Voluntary Pre-Kindergarten Education Program	48.108	CA-20/21	<u>2,421,284</u>
Program Total			<u>32,580,739</u>
Total Expenditures of State Financial Assistance			<u>32,580,739</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u><u>\$ 117,760,885</u></u>

See Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

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

December 31, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal grant and state financial assistance project activity of the Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc. (collectively the “Organization”) under programs of the federal government and the State of Florida for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Florida Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only a selected 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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and cost principles established by the State of Florida Department of Financial Services, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers (contract or grant number) are presented where available.

NOTE C – CONTRACT MATCHING CONTRIBUTIONS

The Organization has received support from government agencies, under grant contracts, which have match requirements. Management of the Organization has determined that the Organization has met the match requirement or received a waiver from the match requirement of their grant contracts as of December 31, 2020.

Volunteer services of \$878,763, \$428,528, \$658,458, and \$139,063 were provided to the Head Start, Early Head Start program, Early Head Start Child Care Partnership, and Early Head Start Expansion respectively, and are used to satisfy match requirements but are not included in the combined financial statements because they do not meet the criteria for recognition.

NOTE D – INDIRECT COST RATES

The Organization has elected to not use the 10% de minimis indirect cost rate for its federal programs and state projects for the year ended December 31, 2020. The indirect cost rates used on the Organization’s federal programs and state projects are determined by the relevant federal or state agency.



Partners

W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
Thomas F. Regan
Ernie R. Janvrin
Richard F. Hayes
Renee C. Varga
Shawn M. Marshall

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 of
Community Coordinated Care for Children, Inc.
and The 4C Foundation, Inc.
Orlando, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc. (collectively the "Organization") (a nonprofit organization), which comprise the combined statement of financial position as of December 31, 2020, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated June 9, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organization'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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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.

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Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the combined 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.

Moss, Krusick & Associates, LLC

Winter Park, Florida
June 9, 2021



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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 STATE OF FLORIDA CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

To the Board of Directors of
Community Coordinated Care for Children, Inc.
and The 4C Foundation, Inc.
Orlando, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.'s (collectively the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, and special audit guidance provided by the Office of Early Learning that could have a direct and material effect on each of the Organization's major federal programs and state projects for the year ended December 31, 2020. The Organization's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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*, and special audit guidance provided by the Office of Early Learning. Those standards and the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program and State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the Organization 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 Organization'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 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 Organization'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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.

Moss, Krusick & Associates, LLC

Winter Park, Florida
June 9, 2021

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

December 31, 2020

Section I – Summary of Auditors’ Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditors’ report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Type of auditors’ report issued on compliance for major programs: | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | No |
| 4. Dollar threshold used to distinguish between Type A and Type B programs | \$2,555,404 |
| 5. Auditee qualified as low-risk auditee? | Yes |

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Child Care and Development Fund Cluster	93.575 & 93.596
Head Start	93.600

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

December 31, 2020

Section I – Summary of Auditors’ Results (continued)

State Financial Assistance

- | | |
|--|---------------|
| 1. Type of auditors’ report issued on compliance for major projects: | Unmodified |
| 2. Internal control over major projects: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Audit findings disclosed that are required to be reported in accordance with the Florida Single Audit Act and Chapter 10.650, <i>Rules of the Auditor General</i> | No |
| 4. Dollar threshold used to distinguish between Type A and Type B projects | \$977,422 |

Identification of major projects:

<u>Name of State Projects</u>	<u>CSFA Number</u>
Voluntary Pre-Kindergarten Education Program	48.108

Section II – Financial Statement Findings

No current year findings (no corrective action plan or management letter required)

Section III – Federal Award and State Projects Findings and Questioned Costs

None (there are no items related to Federal Awards and State financial assistance required to be reported in the management letter, therefore no management letter issued)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

December 31, 2020

Section IV – Status of Prior Year Audit Findings

Major Federal Programs

2019-001 – Office of Early Learning’s (OEL) Statewide Reporting System Failure

Federal Programs: CFDA 93.575/93.596 and 93.558

Criteria: In accordance with the grant agreement, the Organization shall ensure that its financial records for provider payments are reconciled to OEL’s mandated use of Statewide Information System known as “EFS Mod” on a monthly basis.

Condition: During our audit, we found that the Organization was not able to reconcile its School Readiness monthly financial records for provider payments to the Statewide Information System (EFS Mod) on a monthly basis. This condition affected not only this Organization, but all other Early Learning Coalitions (and their subrecipients, as applicable) mandated to use EFS Mod.

Cause: The OEL transitioned from their prior statewide reporting system (EFS Legacy) to the EFS Mod system effective July 1, 2018, for mandated use by all grant recipients and subrecipients. The Legacy system was no longer supported and the EFS Mod system was not fully functional. See page 39 for additional information.

Effect: The Organization implemented a contingency operation in lieu of the EFS Mod system, by estimating the amounts to be paid to the providers monthly, based on prior payments, and/or client and provider data downloaded from EFS Mod into Excel spreadsheets. The actual amounts paid were not reconciled to the EFS Mod system until after the end of the fiscal year, due to the lack of functionality and accuracy of the EFS Mod system during the fiscal year.

Recommendation: The Organization continues its internal accounting process to calculate the amounts earned by each provider and reconcile with EFS Mod system identifying and correcting differences on a monthly basis.

Status: The Organization utilized the EFS Mod system for all amounts earned by providers during Fiscal 2020, as instructed by OEL. Provider over and under payments manually calculated during Fiscal 2019 were reconciled with the EFS Mod system. The provider under payments were paid to each provider and any over payments are in the process of being collected under payment plans.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

December 31, 2020

Section IV – Status of Prior Year Audit Findings (continued)

Major State Projects

2019-002 – Office of Early Learning’s (OEL) Statewide Reporting System Failure

Criteria: In accordance with the grant agreement, the Organization shall ensure that its financial records for provider payments are reconciled to OEL’s mandated use of Statewide Information System known as “EFS Mod” on a monthly basis.

Condition: During our audit, we found that the Organization was not able to reconcile its monthly financial records for Voluntary Pre-Kindergarten provider payments to the Statewide Information System (EFS Mod) on a monthly basis.

Cause: The OEL transitioned from their prior statewide reporting system (EFS Legacy) to the EFS Mod system effective July 1, 2018 mandated for use by all grant recipients and subrecipients. The Legacy system was no longer supported and the EFS Mod system was not fully functional.

Effect: The Organization implemented a contingency operation in lieu of the EFS Mod system, by estimating the amounts to be paid to the providers monthly, based on ad hoc reports received from OEL as attendance and bill codes were not available from the EFS Mod system. The actual amounts paid were not reconciled to the EFS Mod system until after the end of the fiscal year, due to the lack of functionality and accuracy of the EFS Mod system during the fiscal year.

Recommendation: The Organization continues its internal accounting process to calculate the amounts earned by each provider and reconcile with EFS Mod system identifying and correcting differences on a monthly basis.

Status: The Organization utilized the EFS Mod system for all amounts earned by providers during Fiscal 2020, as instructed by OEL. Provider over and under payments manually calculated during Fiscal 2019 were reconciled with the EFS Mod system. The provider under payments were paid to each provider and any over payments are in the process of being collected under payment plans.

Community Coordinated Care for Children, Inc. and The 4C Foundation, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

December 31, 2020

Section V – Enhanced Fields System Modernization (EFS Mod) monthly reconciliation

- | | |
|---|-----|
| 1. EFS Mod reconciled monthly | Yes |
| 2. Processes in place to identify and correct errors during monthly reconciliations to EFS Mod | Yes |
| 3. Organization’s financial records reconcile and agree to EFS Mod records as of program year ended December 31, 2020 | Yes |
| 4. Audit work papers documenting verification of reconciliations available to OEL staff | Yes |