Early Learning Coalition of Duval, Inc.

Financial Statements, Reports Required by *Government Auditing Standards*, the Uniform Guidance, the Florida Single Audit Act, and Schedule of Expenditures of Federal Awards and State Financial Assistance Projects

Years Ended June 30, 2021 and 2020

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

Early Learning Coalition of Duval, Inc.

Financial Statements,
Reports Required by *Government Auditing Standards*,
the Uniform Guidance, the Florida Single Audit Act,
and Schedule of Expenditures of Federal Awards
and State Financial Assistance Projects
Years Ended June 30, 2021 and 2020

Early Learning Coalition of Duval, Inc.

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Independent Auditor's Report

The Board of Directors
Early Learning Coalition of Duval, Inc.
Jacksonville, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Early Learning Coalition of Duval, Inc. (the Coalition), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Coalition and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Coalition's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Coalition's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Coalition's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary 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 projects on page 23, 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 Section 215.97, *Florida Statutes*, 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and to 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 to 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 December 13, 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, 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 Coalition's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coalition's internal control over financial reporting and compliance.



Certified Public Accountants
December 13, 2021

Financial Statements

Early Learning Coalition of Duval, Inc.

Statements of Financial Position

June 30,	**2021**	2020
Assets		
Cash	**$ 2,425,055**	$ 3,377,550
Grants and contracts receivable	**8,811,376**	4,893,244
Prepaid expenses	**81,046**	91,997
Property and equipment, net	**6,515**	11,605
Total Assets	**$ 11,323,992**	$ 8,374,396
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 11,021,326**	$ 8,103,849
Grant advances	**79,837**	72,785
Total Liabilities	**11,101,163**	8,176,634
Commitment and Contingencies (Note 6)		
Net Assets		
Without donor restrictions	**222,829**	197,762
Total Liabilities and Net Assets	**$ 11,323,992**	$ 8,374,396

See accompanying notes to financial statements.

Early Learning Coalition of Duval, Inc.

Statements of Activities

Year ended June 30,	**2021**	2020
Revenues and Other Support		
Federal and state grants	**$ 83,206,536**	$ 66,400,620
Other grants	**3,964,507**	4,103,409
Contributions and other income	**22,256**	43,943
Total Revenues and Other Support	**87,193,299**	70,547,972
Expenses		
Program services:		
School Readiness Childcare	**64,703,366**	42,409,725
Voluntary Prekindergarten Education (VPK) Child Payments	**17,121,157**	23,065,776
Early Learning	**2,053,887**	1,602,314
Success by Six	**754,007**	912,588
Navy Exceptional Family Member Program (NEFMP)	**247,778**	259,944
Refugee Assistance	**18,712**	87,406
Other programs	**259,384**	176,744
Total Program Services	**85,158,291**	68,514,497
Supporting services:		
Management and general	**2,009,941**	2,013,400
Total Expenses	**87,168,232**	70,527,897
Change in Net Assets	**25,067**	20,075
Net Assets Without Donor Restrictions, beginning of year	**197,762**	177,687
Net Assets Without Donor Restrictions, end of year	**$ 222,829**	$ 197,762

See accompanying notes to financial statements.

Early Learning Coalition of Duval, Inc.

Statement of Functional Expenses

Year ended June 30, 2021

	Program Services									
	School Readiness Childcare	VPK Child Payments	Early Learning	Success by Six	NEFMP	Refugee Assistance	Other Programs	Total Program Services	Management and General	Total
Functional Expenses										
Contractual services	$ 56,449	$ 861	$ 1,400,841	$ -	$ 412	$ -	$ 13,000	$ 1,471,563	$ 130,845	$ 1,602,408
Depreciation and amortization	-	-	-	-	-	-	-	-	5,090	5,090
Direct expense - childcare	44,875,393	16,801,127	527,876	711,243	-	18,535	31,007	62,965,181	-	62,965,181
Educational program expense	15,681,948	10,034	86,428	-	1	-	109,839	15,888,250	755	15,889,005
Employee benefits	744,396	65,849	7,301	7,109	41,278	23	13,948	879,904	300,987	1,180,891
Insurance	19,285	1,684	199	211	1,302	1	260	22,942	31,215	54,157
Meals and lodging	1,521	-	219	-	-	-	243	1,983	1,761	3,744
Miscellaneous	30,522	2,832	280	239	1,822	1	34,088	69,784	72,201	141,985
Office expense	169,190	14,012	1,343	1,261	9,136	4	7,299	202,245	130,136	332,381
Personnel expense	2,764,164	211,714	26,401	31,194	173,434	57	37,545	3,244,509	1,253,358	4,497,867
Postage	10,271	733	101	145	967	-	661	12,878	2,840	15,718
Printing and copying	35,412	1,272	278	247	1,748	-	6,140	45,097	14,982	60,079
Professional development	6,413	-	-	-	-	-	714	7,127	2,059	9,186
Rent	246,357	8,429	2,284	2,124	15,315	7	3,650	278,166	47,935	326,101
Supplies	4,041	51	22	20	328	-	339	4,801	2,880	7,681
Telephone	58,004	2,559	314	214	2,035	84	651	63,861	12,897	76,758
Total Functional Expenses	$64,703,366	$17,121,157	$ 2,053,887	$ 754,007	$ 247,778	$ 18,712	$ 259,384	$85,158,291	$ 2,009,941	$87,168,232

See accompanying notes to financial statements.

Early Learning Coalition of Duval, Inc.

Statement of Functional Expenses

Year ended June 30, 2020

	Program Services									
	School Readiness Childcare	VPK Child Payments	Early Learning	Success by Six	NEFMP	Refugee Assistance	Other Programs	Total Program Services	Management and General	Total
Functional Expenses										
Contractual services	$ 105,624	$ 1,130	$ 1,013,177	$ 16	$ 5,578	$ -	$ 15,738	$ 1,141,263	$ 221,452	$ 1,362,715
Depreciation and amortization	-	-	-	-	-	-	-	-	11,391	11,391
Direct expense - childcare	35,111,844	22,739,544	540,823	871,230	-	86,353	13,056	59,362,850	-	59,362,850
Educational program expense	2,952,293	-	8,129	-	3,638	-	45,116	3,009,176	224	3,009,400
Employee benefits	703,636	65,669	6,494	6,745	40,582	226	19,394	842,746	286,394	1,129,140
Insurance	21,131	1,870	198	221	1,482	6	333	25,241	29,715	54,956
Meals and lodging	11,311	31	1,034	-	4,196	-	734	17,306	9,665	26,971
Miscellaneous	181,205	2,395	348	395	2,726	11	13,190	200,270	54,769	255,039
Office expense	205,162	13,932	1,258	1,408	9,268	36	4,621	235,685	109,034	344,719
Personnel expense	2,669,920	217,328	27,517	29,022	169,220	615	53,141	3,166,763	1,197,164	4,363,927
Postage	8,460	771	55	265	560	1	296	10,408	2,249	12,657
Printing and copying	76,153	11,364	366	354	2,510	10	1,615	92,372	18,194	110,566
Professional development	13,337	577	-	-	-	-	-	13,914	9,144	23,058
Rent	283,353	8,854	2,461	2,648	17,382	58	7,590	322,346	41,155	363,501
Supplies	25,215	608	139	42	542	1	950	27,497	10,459	37,956
Telephone	41,081	1,703	315	242	2,260	89	970	46,660	12,391	59,051
Total Functional Expenses	$ 42,409,725	$ 23,065,776	$ 1,602,314	$ 912,588	$ 259,944	$ 87,406	$ 176,744	$ 68,514,497	$ 2,013,400	$ 70,527,897

See accompanying notes to financial statements.

Early Learning Coalition of Duval, Inc.

Statements of Cash Flows

Year ended June 30,	**2021**	2020
Cash Flows from Operating Activities		
Change in net assets	**$ 25,067**	$ 20,075
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	**5,090**	11,391
Net changes in:		
Grants and contracts receivable	**(3,918,132)**	(1,830,913)
Prepaid expenses	**10,951**	(4,141)
Accounts payable and accrued expenses	**2,917,477**	2,891,589
Grant advances	**7,052**	3,864
Net Cash (Used in) Provided by Operating Activities	**(952,495)**	1,091,865
Cash Flows from Investing Activities		
Purchases of property and equipment	**-**	(9,750)
Cash Flows from Financing Activities		
Borrowings on line of credit	**2,400,000**	2,900,000
Repayments on line of credit	**(2,400,000)**	(2,900,000)
Net Cash Provided by Financing Activities	**-**	-
Net (Decrease) Increase in Cash	**(952,495)**	1,082,115
Cash, beginning of year	**3,377,550**	2,295,435
Cash, end of year	**$ 2,425,055**	$ 3,377,550
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	**$ 1,299**	$ 4,995

See accompanying notes to financial statements.

1. Nature of Organization

Early Learning Coalition of Duval, Inc. (the Coalition) was organized in Jacksonville, Florida pursuant to the purposes of Chapter 411.01 of the Florida Statutes for the following purposes: to design, operate, and manage the Office of Early Learning programs to increase opportunities for the children of Duval County to achieve future educational success with the prospect of becoming productive members of society; to operate in conjunction with the district school systems, but not be construed as a part of the system of free public schools; to build upon existing services and work in cooperation with other programs for young children; and finally, to incorporate fully all other provisions of Chapter 1002.411 of the Florida Statutes, as prescribed by law.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Coalition is presented to assist in understanding the financial statements.

Basis of Accounting

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

Basis of Presentation

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

Net Assets Without Donor Restrictions – This class consists of assets that are available for use in carrying out the supporting activities of the Coalition and are not subject to donor-imposed stipulations. At June 30, 2021 and 2020, the Coalition had $222,829 and $197,762, respectively, of net assets without donor restrictions.

Net Assets with Donor Restrictions – This class consists of assets whose use are limited by donor-imposed time and/or purpose restrictions. When a restriction is satisfied—that is, when a stipulated time restriction ends or the restricted purpose is accomplished—the associated amount is reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. At June 30, 2021 and 2020, there were no net assets with donor restrictions.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update, along with ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal Versus Agent Considerations (Reporting Gross Versus Net)*; ASU 2016-10, *Revenue from Contracts with Customers* (Topic 606): *Identifying Performance Obligations and Licensing*; and ASU 2016-12, *Revenue from Contracts with* Customers (Topic 606): *Narrow-Scope Improvements and Practical Expedients,* establishes a comprehensive revenue recognition standard. The Coalition adopted these updates (collectively, Accounting Standards Codification (ASC) 606) on July 1, 2019 under the modified

retrospective method. This initial application was applied to all contracts as of June 30, 2020. There were no changes to opening net assets as a result of the adoption.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). The Coalition adopted the new standard on a modified prospective basis as of July 1, 2019. There were no changes to opening net assets as a result of the adoption.

The Coalition reviewed all funds received that are classified as federal, state, and other grant revenue and contributions and other income on the statements of activities to determine if the funds are exchange transactions or contributions under ASU 2018-08.

Management concluded that all revenue generated by the Coalition is from agreements where the resource provider does not receive direct commensurate value in return for the contributions made and, therefore, the Coalition accounts for revenues under FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Grants

Grants represent revenue from federal, state, and local governments. Most federal and state funding is passed through the Florida Office of Early Learning. Grant revenues are recognized as allowable costs are incurred. When the Coalition receives funding before expenses are incurred, the Coalition records a grant advance. When costs are incurred before reimbursement is made, the Coalition records grants receivable.

Contributions and Donor-Imposed Restrictions

The Coalition reports gifts of cash and other assets when received as restricted support if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted contributions, whose restrictions are met in the same reporting period, are reported as net assets without donor restrictions.

The Coalition reports gifts of land, buildings, and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Coalition reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give are recognized as support in the period received and recorded as assets, reductions of liabilities, or expenses depending on the form of the benefits received.

Conditional promises to give—that is, those with a measurable performance barrier or other barrier, and a right of return—are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. There were no conditional promises to give as of June 30, 2021 and 2020.

Contribution of Services

A number of unpaid volunteers have donated amounts of their time to the Coalition. No amounts have been reflected in the financial statements for the contributed services since the contribution of these services did not create or enhance non-financial assets or require specialized skills.

Grants and Contracts Receivable

Grants and contracts receivable are due within one year and are stated net of an allowance for doubtful accounts. Management evaluates total receivables and includes in the allowance for doubtful accounts an estimate of losses to be sustained. Uncollectible amounts are charged against the allowance account when management determines the possibility of collection is remote. The allowance for doubtful accounts was zero at June 30, 2021 and 2020. Management does not charge interest on past-due accounts.

Property and Equipment

Property and equipment are recorded at historical cost and any purchases in excess of $5,000 are capitalized. Donations of property and equipment are recorded as contributions at their estimated fair market value. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation amounts are eliminated, and any gain or loss is included in operations.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements recorded at the inception of the lease are amortized over the life of the lease, or the useful life of the improvement, whichever is shorter; for improvements made during the lease term, the amortization period is the shorter of the useful life or the remaining lease term (including any renewal periods that are deemed to be reasonably assured).

Asset lives for financial statement reporting of depreciation and amortization are:

	Years
Furniture and equipment	2-10
Leasehold improvements	5-7

Impairment of Long-lived Assets

The Coalition reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the assets or asset group to the undiscounted cash flows that the assets or asset group are expected to generate. If the undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount, if any, exceeds its fair value. No impairments were deemed to exist at June 30, 2021 or 2020.

Income Taxes

The Coalition has received a tax determination letter from the Internal Revenue Service (IRS) and is exempt from federal and state income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively. As such, only unrelated business income is subject to income tax.

The Coalition files informational returns for the fiscal year-end each year. As required by taxing authorities, the Coalition filed the last informational returns for the fiscal year ended June 30, 2020 and will file the June 30, 2021 return in accordance with the applicable deadlines imposed by the IRS. The Coalition evaluates its tax positions for any uncertainties based on the technical merits of the positions taken. The Coalition recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be upheld on examination by taxing authorities. The Coalition has analyzed the tax positions taken and has concluded that as of June 30, 2021 and 2020, there were no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements.

Management is required to analyze all open tax years, as defined by the Statute of Limitations for all major jurisdictions, including federal and certain state taxing authorities. With few exceptions, at June 30, 2021, the Coalition is no longer subject to U.S. federal, state, or local income tax examinations by taxing authorities for years before 2017. As of and for the years ended June 30, 2021 and 2020, the Coalition did not have a liability for any unrecognized taxes. The Coalition has no examinations in progress and is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax liabilities will significantly change in the next 12 months.

Functional Expense Allocation

The costs of providing program and management activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The 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 rent, personnel expenses, employee benefits, office expenses, and insurance, which are allocated on the basis of time and effort hours recorded bi-weekly.

Following is a description of the Coalition's program and supporting services:

School Readiness Childcare – This includes federal and state matching dollars given to the Coalition to help families with childcare payments and to increase the quality of childcare centers. This includes the enrollment of families and childcare providers.

Voluntary Prekindergarten Education (VPK) Child Payments – These include state dollars given to the Coalition to enroll children into the VPK program, which includes the enrollment of families and childcare providers.

Early Learning – This includes city dollars to help with family engagement, to help families pay for the cost of quality childcare, and to increase the quality of care in childcare providers.

Success by Six – This includes United Way of Northeast Florida dollars to help families pay for the cost of quality childcare.

Navy Exceptional Family Member Program (NEFMP) – This includes funding from Child Care Aware to enroll Navy families into the respite care program. Funding covers the enrollment of the families.

Refugee Assistance – This includes funding from the Florida Department of Children and Families to provide childcare to refugee families.

Other Programs – These include funding for Family Engagement Activities, Duval Early Learning Directors Network, and Baptist Options Childcare vouchers.

Management and General - This includes administrative costs for running all Coalition programs. This includes human resources, fiscal, information technology, executive staff, and the associated expenses.

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy as described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Coalition has the ability to access.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in the active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If that asset or liability has a specified (contractual) term, the Level 2 inputs must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As of June 30, 2021 and 2020, the fair value of the Coalition's financial instruments, including cash, grants and contracts receivable, and accounts payable and accrued expenses, approximated book value due to the short maturity of these instruments.

As of June 30, 2021 and 2020, the Coalition does not have assets or liabilities required to be measured at fair value in accordance with FASB ASC Topic 820, *Fair Value Measurements*.

Recent Accounting Pronouncements Not Yet Adopted

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This guidance amends the existing accounting standards for lease accounting, including requiring lessees to recognize most

leases on their balance sheet. It also makes targeted changes to lessor accounting, including a change to the treatment of initial direct leasing costs, which no longer considers fixed internal leasing salaries as capitalizable costs. In June 2020, FASB issued ASU 2021-05, *Revenue from Contracts with Customers (Topic 606)*, and *Leases (Topic 842),* that allows entities to elect to postpone adoption until fiscal years beginning after December 15, 2021. The standard is effective for the Coalition's fiscal year ending June 30, 2023. The Coalition is currently evaluating the impact of adopting this guidance on its financial statements.

Credit Losses

In June 2016, the FASB issued ASU 2016-16, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new standard requires entities to use a financial instrument impairment model based on expected losses, known as the current expected credit loss (CECL) model, rather than incurred losses. Under the new standard, an entity will recognize an allowance for estimated credit losses upon recognition of the financial instrument.

As amended in ASU 2020-02 to defer the effective date, the new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those years. Entities may adopt the new standard through a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the new standard is effective. The Coalition is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

Subsequent Events

Events occurring after June 30, 2021, the date of the most recent financial statements, have been evaluated for possible adjustments to the financial statements or disclosures through December 13, 2021, which is the date the financial statements were available to be issued. No material subsequent events have occurred through that date that require recognition or disclosure in the financial statements.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform to the current-year financial presentation.

3. Property and Equipment

Property and equipment consist of the following:

June 30,	**2021**	2020
Furniture and equipment	**$ 298,330**	$ 298,330
Leasehold improvements	**9,200**	9,200
Total Property and Equipment, Gross	**307,530**	307,530
Less: accumulated depreciation and amortization	**(301,015)**	(295,925)
Total Property and Equipment, Net	**$ 6,515**	$ 11,605

Depreciation and amortization expense was $5,090 and $11,391 for the years ended June 30, 2021 and 2020, respectively.

4. Line of Credit

On April 17, 2017, the Coalition entered into a $500,000 line of credit, which is due on demand and bears interest at the LIBOR Daily Floating rate plus 3% (3.1% at June 30, 2021). The line of credit had an outstanding balance of zero at June 30, 2021 and 2020. The line is secured by substantially all assets of the Coalition. The line of credit renews each December 31 until such time when the bank elects to terminate. The line of credit agreement requires the Coalition to comply with certain covenants and reporting requirements. The Coalition was in compliance with those covenants for the years ended June 30, 2021 and 2020.

5. Retirement Plan

The Coalition sponsors a Savings Incentive Match Plan, or SIMPLE IRA. All employees can participate in the plan by salary deduction. The plan provides for matching contributions up to 3% of salary. The Coalition contributed $106,219 and $101,975 for the years ended June 30, 2021 and 2020, respectively.

6. Commitments and Contingencies

Concentrations of Credit Risk

The Coalition maintains cash balances in several bank accounts. Each account is insured by the Federal Deposit Insurance Corporation up to $250,000. Management continually reviews the bank institutions for deposit risk and believes the risk associated with the current banking institutions is minimal.

Concentrations of Receivables

At June 30, 2021 and 2020, amounts owed to the Coalition from governmental sources totaled 98% and 94% of total grants and contracts receivable, respectively.

Concentration of Revenue

The Coalition receives a substantial amount of support from federal, state, and local government agencies. A reduction in the level of future support from the federal, state, or local governmental agencies could have a substantial effect on the Coalition's programs and activities. The percentage of revenue that was derived from governmental sources was 99% for both years ended June 30, 2021 and 2020.

Operating Leases

The Coalition leases certain equipment and facilities under non-cancelable operating lease agreements that expire at various dates through May 2025. Rent expense for these operating leases was $316,062 and $302,501 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments under non-cancelable leases with initial or remaining lease terms in excess of one year consisted of the following at June 30, 2021:

Year ending June 30,		
2022	$	326,074
2023		292,420
2024		284,101
2025		61,094
Total Minimum Lease Payments	$	963,689

Litigation

In the ordinary course of business, the Coalition is involved in various legal proceedings. Based upon the Coalition's evaluation of the information presently available, management believes that the ultimate resolution of any such proceedings will not have a material adverse effect on the Coalition's financial position, liquidity, or results of operations.

7. Related Party Transactions

The Coalition does business with organizations whose directors are also members of the Coalition's Board of Directors. The Coalition incurred $6,192,868 and $5,290,657 in related-party expenses for the years ended June 30, 2021 and 2020, respectively. Related-party expenses consist of bank fees and childcare provider payments, included in miscellaneous and direct expense - childcare on the statements of functional expenses. The Coalition had $724,209 and $201,800 in related-party payables as of June 30, 2021 and 2020, respectively. This is included in accounts payable and accrued expenses on the statements of financial position.

8. Matching Requirements

For the years ended June 30, 2021 and 2020, the Coalition has a grant with the state of Florida that allows the Coalition to draw down a one-to-one match up to the awarded match amount. The Coalition received its matching dollars from United Way of Northeast Florida and the city of Jacksonville. Income was recognized based on services provided by the Coalition. Local match revenue was $3,128,876 and $3,194,086 for the years ended June 30, 2021 and 2020, respectively.

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9. Liquidity and Availability of Resources

Financial assets and liquidity resources available within one year of the statements of financial position date for general expenditures are as follows:

June 30,	**2021**	2020
Financial assets:		
Cash	**$ 2,425,055**	$ 3,377,550
Grants and contracts receivable	**8,811,376**	4,893,244
Total Financial Assets Available Within One Year	**11,236,431**	8,270,794
Liquidity resources:		
Line of credit available borrowings	**500,000**	500,000
Net Financial Assets and Liquidity Resources Available Within One Year	**$ 11,736,431**	$ 8,770,794

The Coalition's liquidity management includes a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

10. COVID-19 Global Pandemic and CARES Act

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 global exposure.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer-side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by the COVID-19 outbreak.

As a result of the CARES Act, the Coalition was granted additional funding of $13,174,108. The amounts were recognized as the conditions of the agreement with the funding agency, which required the Coalition to review and approve childcare provider requests for reimbursement to earn the additional funding, were met. The Coalition recognized $11,359,389 and $1,814,719 for the years ended June 30, 2021 and 2020, respectively.

On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) was signed into law. The state of Florida received $635 million to help support child care providers, families, and help children.

As a result of CRRSA, the Coalition was awarded additional funding of $7,095,000. The amount was recognized as the conditions of the agreement with the funding agency required the Coalition to review and approve childcare provider requests for reimbursement to earn the additional funding, were met. The Coalition expensed and was reimbursed $5,035,163 for the year ended June 30, 2021 and anticipates the balance to be expended and received in fiscal year 2021-2022.

Management did not apply for any other benefits under the CARES Act or CRRSA and does not note any impact on the current financial statements, nor expected impact on future financial statements.

Other Financial Information

Early Learning Coalition of Duval, Inc.

Schedule of Expenditures of Federal Awards and State Financial Assistance Projects

Year ended June 30, 2021

Federal/State Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	State CFSA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal/State Expenditures
U.S. Department of Health and Human Services					
Passed through Florida's Office of Early Learning:					
Child Care and Development – Cluster:					
Child Care and Development Block Grant	93.575		EL160	$ -	$ 20,218,248
Child Care Mandatory and Matching Fund of the Child Care and Development Fund	93.596		EL160	-	14,584,765
COVID-19 Emergency Fund	93.575		EL160	-	11,359,389
Coronavirus Response and Relief Supplemental Appropriations Funds	93.575		EL160	-	5,035,163
Subtotal Care and Development Cluster				-	51,197,565
Temporary Assistance for Needy Families (TANF)	93.558		EL160	-	14,367,463
ESSA Preschool Development Grants Birth Through Five	93.434		EL160	-	80,944
Social Services Block Grant	93.667		EL160	-	34,548
Subtotal Passed Through Florida's Office of Early Learning				-	65,680,520
Passed through Florida Department of Children and Families:					
Refugee Cash and Medical Assistance Program and Refugee Social Services Program	93.566		LK201 & DK001	-	19,162
Subtotal U.S. Department of Health and Human Services Programs					65,699,682
Total Expenditure of Federal Awards				-	65,699,682
Florida's Office of Early Learning					
Voluntary Pre-Kindergarten Education Program		48.108	EL160	-	17,428,612
Outreach and Awareness and Monitoring Initiative		48.108	OA160	-	31,121
Passed Through Children's Forum, Inc.					
Help Me Grow Florida Network		48.111	20-523-HMGFA13	-	47,121
Total Expenditures of State Financial Assistance Projects				-	17,506,854
Total Expenditures of Federal Awards and State Financial Assistance Projects				$ -	$ 83,206,536

Early Learning Coalition of Duval, Inc.

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance Projects Year Ended June 30, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance projects (the Schedule) includes the federal and state award activity of Early Learning Coalition of Duval, Inc. (the Coalition) under programs of the federal government and the state of Florida for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Section 215.97, *Florida Statutes*. Because the Schedule presents only a selected portion of the operations of the Coalition, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Coalition.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and Section 215.97, *Florida Statutes*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Coalition has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

4. Pass-Through Awards

The Coalition receives certain federal awards and state financial assistance from pass-through awards of the state, local government, and other entities. The total amount of such pass-through awards is included in the Schedule.

5. Transfers to Subrecipients

The Coalition did not transfer any federal awards or state financial assistance to subrecipients.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Early Learning Coalition of Duval, Inc.
Jacksonville, 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 financial statements of Early Learning Coalition of Duval, Inc. (the Coalition), which is comprised of the statement of financial position as of June 30, 2021, and the related statements of activities, 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 December 13, 2021.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coalition's 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coalition's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Certified Public Accountants
December 13, 2021

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Independent Auditor's Report on Compliance for Each Major Federal Program and State Financial Assistance Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General of the State of Florida*

The Board of Directors
Early Learning Coalition of Duval, Inc.
Jacksonville, Florida

Report on Compliance

Opinion on Compliance for Each Major Federal Program and State Project

We have audited Early Learning Coalition of Duval, Inc.'s (the Coalition) 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*, that could have a direct and material effect on each of the Coalition's major federal programs and state projects for the year ended June 30, 2021. The Coalition's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Coalition complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2021.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 of the State of Florida* (Chapter 10.650). Our responsibilities under those standards and the Uniform Guidance and Chapter 10.650 are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Coalition and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Coalition's compliance with the types of compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Coalition's federal programs and state projects.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the types of compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on the Coalition's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the types of compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Coalition's compliance with the requirements of the federal programs or state projects as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650 we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Coalition's compliance with the types of compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Coalition's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650 but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Certified Public Accountants
December 13, 2021

Early Learning Coalition of Duval, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	☐ Yes	☒ No
• Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Noncompliance material to financial statements noted?	☐ Yes	☒ No

Federal Awards and State Projects

Internal control over major federal programs:		
• Material weakness(es) identified?	☐ Yes	☒ No
• Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Type of auditor's report issued on compliance for major federal programs and state projects:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or Chapter 10.650, *Rules of the Florida Auditor General*?	☐ Yes	☒ No

Identification of major federal programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
93.575/93.596	Child Care and Development Cluster

Identification of major state projects:

CFSA Number	Name of State Program or Cluster
48.108	Voluntary Pre-Kindergarten Education Program

Dollar threshold used to distinguish between Type A and Type B programs:	Federal Programs/State Projects $1,970,990/$750,000
Auditee qualified as low-risk auditee?	☒ Yes ☐ No

Early Learning Coalition of Duval, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section II – Financial Statement Findings

There were no findings that were required to be reported to those charged with governance.

Section III – Federal Award Findings and Questioned Costs – Federal Awards and State Financial Assistance Projects

There were no findings identified that were required to be reported to those charged with governance in accordance with 2 CFR 200.516(a) or Chapter 10.650, *Rules of the Florida Auditor General*, during the year ended June 30, 2021.

Section IV – State of Florida, Department of Education – Office of Early Learning (OEL) Reporting Requirements

1.	Enhanced Field System Modernization (EFS Mod) reconciled monthly to the Coalition's financial records.	Yes
2.	Processes in place to identify and correct errors during monthly reconciliations to EFS Mod.	Yes
3.	The Coalition's financial records reconcile and agree to EFS Mod as of June 30, 2021.	Yes
4.	Audit work papers documenting verification of reconciliations available to OEL Staff.	Yes

Section V – State of Florida Management Letter

No items related to state financial assistance were required to be reported in a management letter pursuant to Section 215.97, *Florida Statutes*, for the current year.