EARLY LEARNING COALITION OF SOUTHWEST FLORIDA, INC.

Financial Statements and Supplemental Information

June 30, 2021

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities and Change in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-13
SUPPLEMENTAL INFORMATION	
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*	14-15
Independent Auditor's 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*	16-17
Schedule of Findings and Questioned Costs Federal Awards and State Financial Assistance	18-20
Schedule of Expenditures of Federal Awards and State Financial Assistance	21
Management's Corrective Action Plan	22-23
State of Florida Management Letter	24

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

Winter Park, FL 32789
501 S. New York Ave.
Suite 100
Phone: 407-644-5811
www.mosskrusick.com

N. Palm Beach, FL 33408
631 US Highway One
Suite 405
Phone: 561-848-9300

Miami Lakes, FL 33016
7900 NW 155th Street
Suite 201
Phone: 305-445-7956

American Institute of Certified Public Accountants

Florida Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Early Learning Coalition of Southwest Florida, Inc.
Fort Myers, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Early Learning Coalition of Southwest Florida, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Early Learning Coalition of Southwest Florida, Inc. as of June 30, 2021, and the changes in its net assets and its 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 financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, State of Florida Chapter 10.650, *Rules of the Auditor General,* and special audit guidance provided by Division of Early Learning, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022 on our consideration of Early Learning Coalition of Southwest Florida, 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 Early Learning Coalition of Southwest Florida, 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 Early Learning Coalition of Southwest Florida, Inc.'s internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 28, 2022

Early Learning Coalition of Southwest Florida, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2021

ASSETS

Cash and cash equivalents	$ 3,488,043
Contracts and grants receivable:	
Office of Early Learning	5,018,919
Other	219,362
Prepaid expenses	126,921
Property and equipment, net	32,778
Total assets	$ 8,886,023

LIABILITIES AND NET ASSETS

Accounts payable:	
Office of Early Learning	$ 1,113,617
Redlands Christian Migrant Association, Inc.	454,133
Providers	6,163,716
Accrued payroll and benefits	210,612
Deferred revenue	618,783
Total liabilities	8,560,861
Commitments and contingencies	-
Net assets:	
Without donor restrictions	325,162
Total liabilities and net assets	$ 8,886,023

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

Early Learning Coalition of Southwest Florida, Inc.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2021

REVENUE	
Division of Early Learning	$ 53,273,982
Local match	550,551
Other revenue	15,290
Total revenue	53,839,823
EXPENSES	
Program services	52,933,693
Other programs	80,090
Supporting services	810,512
Total expenses	53,824,295
Change in net assets	15,528
NET ASSETS - BEGINNING OF YEAR	309,634
NET ASSETS - END OF YEAR	$ 325,162

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

Early Learning Coalition of Southwest Florida, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Functional Category			
	School Readiness/ Voluntary Pre-Kindergarten	Other Programs	Administration	Total
Child care payments	$ 47,346,709	$ 14,625	$ -	$ 47,361,334
Salaries and benefits	3,159,131	6,375	626,674	3,792,180
Pass-through payments to sub-recipient	1,339,033	-	34,183	1,373,216
Match	604,629	-	-	604,629
Shared costs	286,782	20,487	94,997	402,266
Program consultants and supplies	72,880	38,603	5,876	117,359
Contract services	63,626	-	8,716	72,342
Utilities and telephone	33,922	-	14,023	47,945
Other expenses	14,159	-	19,840	33,999
Travel expense	6,051	-	2,201	8,252
Depreciation	4,482	-	3,668	8,150
Outreach and advertising	2,289	-	334	2,623
Total expenses	$ 52,933,693	$ 80,090	$ 810,512	$ 53,824,295

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

Early Learning Coalition of Southwest Florida, Inc.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 15,528
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	8,150
(Increase) decrease in assets:	
Contracts and grants receivable	(2,064,102)
Advance payments to providers	300,545
Prepaid expenses	(11,207)
Increase (decrease) in liabilities:	
Accounts payable	3,695,624
Accrued payroll and benefits	(44,387)
Deferred revenue	(1,199,155)
Net cash provided by operating activities	700,996
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(13,754)
Net increase in cash and cash equivalents	687,242
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,800,801
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,488,043

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

NOTE A - ORGANIZATION

Early Learning Coalition of Southwest Florida, Inc. (the "Coalition") was formed exclusively to fulfill the intent of Florida State Statute 411.01 "The School Readiness Act". The Coalition recognizes the role of parents as their children's first teachers and the importance of children entering the education system ready to learn. The Coalition seeks to assist parents by providing opportunities for the birth-to-kindergarten population to enhance their chances for education success by participating in quality school readiness ("SR") and voluntary pre-kindergarten ("VPK") programs that can better prepare them for school. The Coalition performs services in Lee, Collier, Hendry, and Glades Counties, Florida.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Functional allocation of expenses

   The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited as shown in the statement of functional expenses.

   Administration: This designation includes the functions necessary to maintain the Coalition's programs and activities; to provide coordination and articulation of the Coalition's program strategy through the office of the executive director; to secure the proper administrative functioning of the board of directors (the "Board"); and to manage the financial and budgetary responsibilities of the Coalition.

   Programs: The following programs are included in the accompanying financial statements: School Readiness ("SR") - programs to empower parents as a child's first teacher and help them prepare their children to be ready for school. Voluntary Pre-Kindergarten ("VPK") - program available for every four-year old in Florida for 540 hours of care in either a traditional school year or 300 hours for a summer program.

2. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Basis of accounting and financial statement presentation

   The accompanying financial statements and accompanying schedules have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Coalition 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.

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 Coalition 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 and change in net assets 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 Coalition to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

4. Revenue recognition

The Coalition follows Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC 606), which outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

The Coalition also follows ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASC 958-605), which clarifies how transactions should be accounted for as contributions (nonreciprocal transactions) or exchange transactions and whether a contribution is conditional.

Revenue from government grants are recorded when earned, which is generally when the allowable costs of the specific grant provisions have been incurred or the performance of services rendered. Such revenue is subject to audit by the grantor and, if the examination results in a deficiency of allowable expenses, the Coalition will be required to refund any deficiencies. Management is of the opinion that all monies recognized as revenue have been earned as of June 30, 2021.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Revenue recognition (continued)

   These amounts are reflected as without donor restricted revenue if received and expended in the same year. Revenue from program fees are recognized when the earnings process is substantially complete, and goods have been delivered or services performed. Revenues from program fees are recognized in the year to which they relate. As part of the Voluntary Pre-Kindergarten grants, the Coalition receives advances on revenue which are to be repaid to the state.

   Deferred revenue represents grant revenues collected but not yet earned as of June 30, 2021. Revenues from grant proceeds are not recognized until expended.

5. Cash and cash equivalents

   For purposes of the statement of cash flows, the Coalition considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

6. Contracts and grants receivable

   Contracts and grants receivable, which consists principally of grants due from federal and state governmental agencies, are recorded when services are provided. The Coalition's receivables as of June 30, 2021 are due in less than one year and management believes all receivables are fully collectible.

7. Concentration of credit risk

   Financial instruments, which potentially expose the Coalition to concentrations of credit risk, consist principally of cash bank deposits. The Coalition's policy is to place its cash investments in accounts with high quality financial institutions which are insured by Federal Deposit Insurance Corporation, which provides coverage on balances up to $250,000 per depositor per institution.

   The Coalition's bank deposit account balances which, at times, may exceed federally insured limits. The Coalition has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

8. Property and equipment

   The Coalition's policy is to capitalize property and equipment with a cost in excess of $5,000. Depreciation is provided on a straight-line basis over the estimated useful life of ten years.

   Property acquired with governmental funds is considered to be owned by the Coalition while used in the program for which it was purchased or in future authorized programs; however, its disposition as well as the ownership of any proceeds from the sale of assets there from is subject to applicable regulations.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Income taxes

   The Coalition is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code; therefore, no income tax provision is required in the accompanying financial statements. The Coalition is not classified as a private foundation. Contributions to the Coalition are qualified as deductions for charitable contributions.

   Management has analyzed the Coalition's various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported and that no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded. The Coalition remains subject to examination by the U.S. Internal Revenue Service for the years ended June 30, 2019 through June 30, 2021.

10. Donated services, materials, and facilities

    Donated services, materials, and facilities that are measurable are recorded as support at their fair market values at the date of receipt by the Coalition. A corresponding amount is recorded as expense or property and equipment. Donated services, materials or facilities for the year ended June 30, 2021 totaled $2,500.

11. Recent accounting pronouncements

    In February 2016, the Financial Accounting Standards Board (FASB) issued 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. The guidance also eliminates today's real estate specific provisions for all entities. 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. The Coalition is evaluating the potential effects ASU 2016-02 will have on its financial statements.

12. Subsequent events

    Management has evaluated the effect subsequent events would have on the financial statements through the date these financial statements were available to be issued on September 28, 2022.

NOTE C - RELATED PARTY TRANSACTIONS

Certain voting members of the Board are required by the "School Readiness Act" to be board members. These members include Redland Christian Migrant Association, Inc. ("RCMA") (subrecipient administrators of SR and VPK services to the Coalition), and other representatives from private and public sector industries. Total payments to RCMA during the year ended June 30, 2021 were $1,373,216 and accounts payable to RCMA at June 30, 2021 was $454,133.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at June 30, 2021 is summarized as follows:

Furniture and fixtures	$ 130,371
Less: accumulated depreciation	(97,593)
Property and equipment, net	$ 32,778

Depreciation expense for the year ended June 30, 2021 was $8,150.

NOTE E - COMMITMENTS AND CONTINGENCIES

1. Federal and state appropriated funds

   The Coalition receives substantially all of its support from the federal and state governments in the form of grants. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Coalition's programs and activities.

   Government grants require the fulfillment of certain conditions as set forth in applicable laws, rules and regulations and in the grant agreements. Failure to fulfill the conditions could result in the return of the funds to the grantor. Management believes such disallowances, if any, would not be material.

2. Operating lease

   The Coalition has entered into a non-cancelable operating lease agreement for its administrative office. Future minimum annual rentals under the non-cancelable operating lease are as follows for the fiscal years ending June 30,

2022	$ 330,989
2023	340,918
2024	351,146
2025	294,385
	$1,317,438

   Rent expense for the year ended June 30, 2021 was $336,421 and is included in shared costs on the statement of functional expenses.

NOTE F - 401K Plan

The Coalition established a 401K Plan effective January 1, 2008 for all qualifying employees. All employees with one full year of service and at least 21 years of age are eligible to participate in the plan. The Coalition's plan includes a 401(k) match fund for participating employees in an amount equal to 100% of their elective deferrals that does not exceed 6% of the employees' compensation. Contributions to the profit sharing component of the plan are at the discretion of the Coalition and are determined on an annual basis. The Coalition provided for matching contributions of $136,248 to the plan for the year ended June 30, 2021. There were no discretionary profit sharing contributions. Employees are immediately vested in their contributions and the matching contributions.

NOTE G - FUNCTIONAL EXPENSES

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 Coalition utilizes other cost accumulators codes ("OCA") to allocate expenses to appropriate program and support service categories. These OCA codes are extracted from payroll reports for actual time and effort incurred by Coalition employees.

NOTE H - MATCHING FUNDS

From the funds in General Appropriations Act, Specific Appropriation 85, $30,000,000 is provided to expand the provision of services to low income families at or below 200 percent of the federal poverty level as long as the income does not exceed 85 percent of the state median income. To be eligible for funding, the Coalition must match the state funds on a dollar-for-dollar basis and the local match must comply with federal Child Care and Development Block Grant matching requirements. During the year ended June 30, 2021, the local matching requirements were met. The Coalition included $550,551 of matching funds collected as both revenue and expense in the statement of activities and change in net assets.

NOTE I - RISK AND UNCERTAINTY

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 Coalition's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation.

NOTE J - SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

The schedule of expenditures of federal awards and state financial assistance follows the accrual basis of accounting. Accounting principles generally accepted in the United States of America require recognition of the expenditures in the period incurred and recognition of the corresponding reimbursement once the amount is earned and collection is certain. Reconciliations of the schedule of expenditures of federal awards and state financial assistance to federal and state expenditures included in the statement of activities and change in net assets is as follows:

Federal and state expenditures – schedule of federal awards and state financial assistance	$ 53,652,546
Refunds and adjustments due to DEL	(378,564)
Division of Early learning – statement of activities and change in net assets	$ 53,273,982

NOTE K - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Coalition's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	$ 3,488,043
Contracts and grants receivable:	
Office of Early Learning	5,018,919
Other	219,362
Total financial assets available within one year	8,726,324
Less:	
Amounts unavailable for general expenditures within one year:	
Accounts payable	
Office of Early Learning	(1,113,617)
Redlands Christian Migrant Association Inc.	(454,133)
Providers	(6,163,716)
Accrued payroll and benefits	(210,612)
Deferred revenue	(618,783)
Total amounts unavailable for general expenditures within one year	(8,560,861)
Total financial assets available to management for general expenditure within one year	$ 165,463

As part of the Coalition's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations as they come due. The Coalition receives approximately 99% of funding from federal and state grants passed through DEL which are on a reimbursable basis. Throughout the year, the Coalition receives advances and reimbursements each month to cover incurred expenses.