EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC. D/B/A OF EARLY LEARNING COALITION THE EMERALD COAST

Financial Statements

June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Early Learning Coalition of Okaloosa and Walton Counties, Inc.
d/b/a Early Learning Coalition of the Emerald Coast

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Early Learning Coalition of Okaloosa and Walton Counties, Inc. (the Coalition), which comprise the statement of financial position as of June 30, 2022, 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Coalition as of June 30, 2022, 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

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of the Coalition as of June 30, 2021 were audited by other auditors whose report dated July 5, 2022 expressed an unmodified opinion on those statements.

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 available to be issued.

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 generally accepted auditing standards 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 generally accepted auditing standards 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.

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 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 Chapter 10.650, *Rules of the State of Florida Auditor General*, is presented for purposes of additional analysis and is not a required part of the financial statements. The 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 other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and states financial assistance 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 January 27, 2023 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.

Moss, Krusick & Associates, LLC

Winter Park, Florida
January 27, 2023

Early Learning Coalition of Okaloosa and Walton Counties, Inc.
d/b/a Early Learning Coalition of the Emerald Coast

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

ASSETS

	2022	2021
Current assets:		
Cash	$ 1,212,087	$ 1,140,567
Due from the State of Florida	168,416	343,356
Other receivables	4,200	4,200
Prepaid expenses	160,606	51,504
Total current assets	1,545,309	1,539,627
Property and equipment, net	13,286	20,015
Total assets	$ 1,558,595	$ 1,559,642

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	137,346	$ 68,623
Due to service providers	1,017,144	964,086
Due to Division of Early Learning	83,711	26,128
Accrued payroll	97,810	56,115
Other accrued liabilities	1,793	49,205
Refundable advances	11,502	250,021
Total liabilities	1,349,306	1,414,178
Net assets:		
With donor restrictions	71,156	190,101
Without donor restriction	138,133	(44,637)
Total net assets	209,289	145,464
Total liabilities and net assets	$ 1,558,595	$ 1,559,642

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

Early Learning Coalition of Okaloosa and Walton Counties, Inc.
d/b/a Early Learning Coalition of the Emerald Coast

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND OTHER REVENUES			
Public support			
Federal funding	$ 11,988,113	$ -	$ 11,988,113
State funding	5,204,484	-	5,204,484
Total public support	17,192,597	-	17,192,597
Other revenues			
Local match contributions	80,664	-	80,664
Teenage parent program	8,546	-	8,546
Other support	245,790	-	245,790
Net assets released from donor restrictions	118,945	(118,945)	-
Total other revenues	453,945	(118,945)	335,000
TOTAL PUBLIC SUPPORT AND OTHER REVENUE	17,646,542	(118,945)	17,527,597
EXPENSES			
Program services:			
Direct child care	15,625,096	-	15,625,096
Non-direct child care	556,318	-	556,318
Quality initiatives	718,714	-	718,714
Total program services	16,900,128	-	16,900,128
Support services			
Management and general	563,644		563,644
TOTAL EXPENSES	17,463,772	-	17,463,772
CHANGE IN NET ASSETS	182,770	(118,945)	63,825
NET ASSETS AT BEGINNING OF YEAR	(44,637)	190,101	145,464
NET ASSETS AT END OF YEAR	$ 138,133	$ 71,156	$ 209,289

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

Early Learning Coalition of Okaloosa and Walton Counties, Inc.
d/b/a Early Learning Coalition of the Emerald Coast

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND OTHER REVENUES			
Public support			
Federal funding	$ 11,446,539	$ -	$ 11,446,539
State funding	4,560,970	-	4,560,970
Total public support	16,007,509	-	16,007,509
Other revenues			
Interest	25	-	25
Local match contributions	93,523	-	93,523
Teenage parent program	6,961	-	6,961
Other support	43,377	-	43,377
Total other revenues	143,886	-	143,886
TOTAL PUBLIC SUPPORT AND OTHER REVENUE	16,151,395	-	16,151,395
EXPENSES			
Program services:			
Direct Child Care	12,374,323	-	12,374,323
Non-direct child care	420,570	-	420,570
Quality initiatives	2,696,091	-	2,696,091
Total program services	15,490,984	-	15,490,984
Support services			
Management and general	611,416	-	611,416
TOTAL EXPENSES	16,102,400	-	16,102,400
CHANGE IN NET ASSETS	48,995	-	48,995
NET ASSETS AT BEGINNING OF YEAR	(93,632)	190,101	96,469
NET ASSETS AT END OF YEAR	$ (44,637)	$ 190,101	$ 145,464

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

Early Learning Coalition of Okaloosa and Walton Counties, Inc.
d/b/a Early Learning Coalition of the Emerald Coast

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Program Services			Support Services	
	Direct Child care	Non-Direct Child Care	Quality Initiatives	Management and General	Total
Operating expenses					
Communications	$ -	$ 8,503	$ 6,586	$ 7,034	$ 22,123
Direct services - child care	10,561,695	15,672	109,303	-	10,686,670
Direct services - grants to providers	5,063,401	-	19,057	-	5,082,458
Depreciation	-	-	-	6,728	6,728
Dues	-	242	219	5,327	5,788
Insurance	-	4,595	3,204	11,358	19,157
Leased equipment	-	537	512	563	1,612
Other administrative costs	-	16,066	172,466	48,858	237,390
Postage, freight and delivery	-	46	52	473	571
Professional services	-	19,281	28,502	14,440	62,223
Occupancy	-	83,895	66,535	74,837	225,267
Salaries and benefits	-	401,190	302,127	373,859	1,077,176
Software and support	-	2,965	2,344	12,645	17,954
Staff development	-	-	413	688	1,101
Supplies	-	1,471	2,462	2,014	5,947
Travel	-	1,855	4,932	4,820	11,607
Total expenses	$ 15,625,096	$ 556,318	$ 718,714	$ 563,644	$ 17,463,772

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

Early Learning Coalition of Okaloosa and Walton Counties, Inc.
d/b/a Early Learning Coalition of the Emerald Coast

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Program Services			Support Services	
	Direct Child care	Non-Direct Child Care	Quality Initiatives	Management and General	Total
Operating expenses					
Communications	$ -	$ 7,210	$ 7,767	$ 10,363	$ 25,340
Direct services - child care	12,363,073	-	172,164	3,790	12,539,027
Direct services - grants to providers	-	-	1,945,199	-	1,945,199
Depreciation	-	-	-	5,794	5,794
Dues	-	-	1,915	5,829	7,744
Insurance	-	2,743	2,635	9,779	15,157
Leased equipment	-	629	709	876	2,214
Other administrative costs	-	1,126	-	6,040	7,166
Postage, freight and delivery	-	69	482	510	1,061
Professional services	-	12,685	47,293	90,197	150,175
Quality	11,250	-	130,351	584	142,185
Occupancy	-	67,241	59,241	97,768	224,250
Salaries and benefits	-	321,159	316,350	359,020	996,529
Software and support	-	3,008	4,385	14,219	21,612
Staff development	-	214	2,063	1,514	3,791
Supplies	-	4,430	5,098	3,811	13,339
Travel	-	56	439	1,322	1,817
Total expenses	$ 12,374,323	$ 420,570	$ 2,696,091	$ 611,416	$ 16,102,400

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

Early Learning Coalition of Okaloosa and Walton Counties, Inc.
d/b/a Early Learning Coalition of the Emerald Coast

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 63,825	$ 48,995
Adjustments to reconcile change in net assets to net cash provided (used in) by operating activities:		
Forgiveness of Paycheck Protection Program loan	(230,257)	-
Depreciation	6,728	5,794
Contributions of property and equipment	-	(1,700)
Changes in assets and liabilities:		
Due from the State Florida	174,940	1,531,785
Other receivable	-	(4,200)
Prepaid expenses	(109,101)	(13,728)
Account payable	1,085,867	(196,407)
Accrued payroll	41,695	(39,916)
Other accrued liabilities	(47,412)	49,205
Refundable advances	(8,262)	(1,178,786)
Due to Division of Early Learning	57,583	(141,199)
Due to service providers	(964,086)	(424,705)
Net cash flows provided by (used in) operating activities:	71,520	(364,862)
NET CHANGE IN CASH	71,520	(364,862)
CASH - BEGINNING OF YEAR	1,140,567	1,505,429
CASH - END OF YEAR	$ 1,212,087	$ 1,140,567

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The Okaloosa County School Readiness Coalition, Inc. was organized as a not-for-profit corporation under the laws of the State of Florida in 2000. In 2004, the Okaloosa County School Readiness Coalition, Inc. merged with the Walton County School Readiness Coalition, Inc. forming the School Readiness Coalition serving Okaloosa and Walton Counties, Inc. In 2016, the Organization changed its name to the Early Learning Coalition of Okaloosa and Walton Counties, Inc. (the Coalition). During 2018, the Coalition began doing business as the Early Learning Coalition of the Emerald Coast. The Coalition maintains an office in Shalimar, Florida. The satellite office in Crestview, Florida was closed during the fiscal year ended June 30, 2021.

The Coalition is primarily funded by support from federal and state agencies contracted through the Florida Division of Early Learning (DEL). The purpose of the Coalition is to provide a coordinated delivery system of school readiness programs that will prepare children to enter the Okaloosa and Walton County kindergarten school systems. In addition, part of the Coalition's mission is to increase the availability, affordability and quality of childcare services to children. The children who qualify for these programs are at-risk and/or from low-income families.

The Coalition operates three major programs:

- *Direct Child Care* – includes both School Readiness/Subsidized Child Care Program (SR) and Voluntary Pre-Kindergarten (VPK) – The SR program provides for early education and care for children of families with limited incomes and enables parents to gain and/or sustain their economic self-sufficiency through maintenance of employment or participation in job skill/vocational training leading to employment. The program provides for the needs of children from low-income families that are working, children from families that are transitioning from welfare to self-sufficiency, and children that are under protective supervision or in foster care placement. Program participants have access to health, developmental and educational screenings and other support services. Caregivers are held accountable for providing safe learning environments that nurture and cultivate the child's cognitive, language, motor, social and self-help skills. The VPK program consists of state mandated dollars used to support a voluntary pre-kindergarten program for all four-year-old children. Funding is based on a base student allocation per full-time equivalent student in the Voluntary Pre-Kindergarten Education Program and is determined at the state level.

- *Non-Direct Child Care* – payments for directly incurred support costs for childcare services such as eligibility determination, training for providers and resource and referral services.

- *Quality Initiatives* – payments for directly incurred costs designed to enhance experiences for children, staff and other early childhood professionals.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting and in accordance with the accounting principles generally accepted in the United States of America (US GAAP), which requires that the Coalition report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets therein are classified as follows:

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

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met either by passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash

The Coalition classifies as cash all checking, saving and money market accounts and all highly liquid investments maturing within 90 days of purchase.

Due from the State of Florida

Funds due from the State of Florida as reimbursement for contact services are considered past due if not received in accordance with contract terms. Management believes an allowance for doubtful accounts is not necessary based on terms of the service contracts.

Property and Equipment

The coalition capitalizes property and equipment with an original cost in excess of $1,000 and a useful life greater than one year. If donated, assets are recorded at fair market value at the date of the donation. Depreciation of property and equipment is computed using straight-line depreciation over the estimated useful lives of the assets, which is five 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 is subject to applicable regulations.

Due to Service Providers

Due to service providers represents amounts owed to contract providers for program services performed.

Due to the Division of Early Learning

Due to Division of Early Learning represents unspent grant advances owed back to the DEL.

Revenue Recognition

In May 2014, the Financial Accounting Standards board (FASB) issued Accounting Standards 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

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 Coalition adopted ASC 606 and ASC 958 and all related amendments effective July 1, 2019. The adoption of the new standards had no significant impact on the Coalition's financial statements.

Public support revenue from federal and state grants is recorded based upon the terms of the grantor agreement, which generally provides that revenue is earned when the allowable costs of the specific grant provisions have been incurred. The majority of public support is received on a reimbursement basis for costs already incurred.

Expense Allocation

The costs of providing the various programs and other activities have been detailed in the statements of functional expenses and summarized on a functional basis in the statements of activities. Expenses directly related to a program or supporting service are charged to the individual program or supporting service. Indirect expenses are allocated between non-direct childcare, quality initiative program services, management and general expenses based on an allocation to the program's total direct costs less federal and state funded capital asset purchases.

Income Taxes

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

The Coalition's tax returns are subject to possible examination by taxing authorities. For federal income tax purposes, the tax returns remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

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.

Contributed Non-Financial Assets

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-financial Assets*, which requires the monitoring and tracking of gifts in kind by asset category, while also noting any donor-imposed restrictions. The Coalition adopted ASU No. 2020-07 effective July 1, 2021. The adoption has no significant impact on the Coalition's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Subsequent Events

The Coalition has evaluated events and transactions that occurred between June 30, 2022 and January 27, 2023, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Coalition regularly monitors liquidity to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Coalition considers all expenditures related to its ongoing activities of its mission as well as the conduct of services undertaken to support those activities to be general expenditures.

As of June 30, 2022 and 2021 the following tables show the total financial assets held by the Coalition and the amounts of those financial assets available within one year of the date of the statement of net position to meet general expenditures.

	2022	2021
Cash and cash equivalents	$ 1,212,087	$ 1,140,567
Grants receivable	168,416	343,356
Other receivables	4,200	4,200
Total financial assets available within one year	1,384,703	1,488,123
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:		
Matching contributions	(11,502)	(19,764)
Amounts due back to Florida DEL	(83,711)	(26,128)
Restricted by donor with time or purpose restrictions	(71,156)	(190,101)
Total financial assets available to meet general expenditures over the next 12 months	$ 1,229,836	$ 1,252,130

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2022	2021
Furniture and equipment	$ 58,950	$ 58,950
Less: accumulated depreciation	(45,664)	(38,935)
Total property and equipment, net	$ 13,286	$ 20,015

Depreciation expense was $6,728 and $5,794 for the years ended June 30, 2022 and 2021, respectively.

NOTE 4 – REFUNDABLE ADVANCES AND SUBSEQUENT EVENT

In response to the COVID-19 pandemic, the Coalition received funds in advance in the form of grants and related matching contributions and the Payroll Protection Program (PPP) loan. Refundable advances consisted of the following:

	2022	2021
Unspent local grant matching contributions	$ 11,502	$ 19,764
Paycheck Protection Program (PPP) loan	-	230,257
	$ 11,502	$ 250,021

Paycheck Protection Program (PPP) Loan

The Coalition received a Paycheck Protection Program (PPP) loan in the amount of $230,257 granted by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are classified as conditional contributions, with a right-of-return in the form of an obligation to be repaid to the lender if a barrier to entitlement is not overcome. The PPP loan funds must be used to maintain compensation costs and employee headcounts, as well as for other qualifying expenses (mortgage interest, rent, and utilities) incurred following the receipt of the funds. As of June 30, 2021, the PPP loan was recorded as a refundable advance on the statement of financial position. In July 2021, the Coalition's PPP loan was officially forgiven and recognized as income during the year ended June 30, 2022.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTION

As of June 30, 2022 and 2021, the Coalition's net assets with donor restrictions, as restricted by the Florida DEL are comprised as follows:

	2022	2021
Net proceeds from sale of Coalition land and building	$ 68,565	$ 187,510
Net contribution from dissolved related party Okaloosa-Walton Childcare Services	2,591	2,591
	$ 71,156	$ 190,101

The net proceeds from the Coalition's sale of land and buildings in 2018 are required to be restricted as directed by the DEL. The Coalition may use these proceeds for School Readiness expenditures as allowed by the DEL. The funds are to be expended no later than June 30, 2023.

NOTE 6 – CONCENTRATIONS

For each of the years ended June 30, 2022 and 2021, the Coalition received substantially all of its public support from the DEL. The funding received from the DEL is derived from both federal and state sources. The schedule below shows the allocation of funds received from the DEL.

	Fiscal year ended June 30,	
	2022	2021
Source		
Federal	70%	72%
State	30%	28%
	100%	100%

NOTE 7 – OPERATING LEASE

The Coalition leases office space in a commercial office park. The lease commenced in March 2018 and has a 60-month lease term that expires in February 2023. The lease requires $12,000, monthly base payments for the first 12 months of the lease with the monthly payment escalating 3% annually for each of the next four, 12-month periods of the lease term. The lease has been extended through February 2026. Rent expense incurred under this lease agreement for the years ended June 30, 2022 and 2021, was $158,926 and $195,823, respectively. Future estimated noncancelable lease payments as of June 30, 2022, are as follows:

2023	$ 135,869
2024	91,255
2025	86,840
2026	59,040
	$ 373,004

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Concentrations of Credit Risk

The Coalition's cash balances held at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At June 30, 2022 and 2021, the Coalition exceeded the FDIC insured limits at financial institutions by approximately $650,000 and $950,000, respectively, which is the amount of the Coalition's exposure to credit loss. The Coalition has not experienced any losses in such accounts and believes there is little or no exposure to any significant credit risk.

NOTE 9 – 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 Company's financial condition, liquidity, and future results of operations. Management is actively monitoring the global pandemic situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

SUPPLEMENTAL INFORMATION

Early Learning Coalition of Okaloosa and Walton Counties, Inc.
D/B/A Early Learning Coalition of the Emerald Coast, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2022

Federal/State Agency Pass-Through Entity Federal Program/State Project	Assistance Listing Number	Contract/ Grant Number	Expenditures	Passed through to Subrecipients
Total U.S. Department of Health and Human Services				
Indirect programs				
Pass-through from Florida's Division of Early Learning				
Child Care and Development Fund Cluster				
Child Care and Development Block Grant	93.575	EL352	$ 3,192,188	$ -
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL352	1,993,046	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL353	6,874	-
Coronavirus Response and Relief Supplemental Appropriations Funds	93.575	EL352	3,397,118	-
Coronavirus Response and Relief Supplemental Appropriations Funds	93.575	EL353	1,359	-
American Rescue Plan Act	93.575	EL352	1,708,545	-
American Rescue Plan Act	93.575	EL353	465	-
Total Child Care and Development Fund Cluster			10,299,595	-
ESSA Preschool Development Grants Birth through Five	93.434	EL352	76,154	-
Temporary Assistance for Needy Families	93.558	EL352	1,606,300	-
Social Services Block Grant (SSBG)	93.667	EL352	6,064	-
Total Expenditures of Federal Awards			$ 11,988,113	$ -
Florida Division of Early Learning				
Direct Programs				
Passed through State of Floridas Division of Early Learning				
Voluntary Pre-Kindergarten Education Program	48.108	EL352	5,204,354	-
Voluntary Pre-Kindergarten Education Program	48.108	EL353	18	-
Total Expenditures of State Financial Assistance			$ 5,204,372	$ -
Total Expenditures of Federal Awards and State Financial Awards			$ 17,192,485	$ -

Early Learning Coalition of Okaloosa and Walton Counties, Inc.
d/b/a Early Learning Coalition of The Emerald Coast

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

Year Ended June 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state award activity of Early Learning Coalition of The Okaloosa and Walton Counties, Inc. (the Coalition) under programs of the federal government and the state of Florida for the year ended June 30, 2022. 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*, and Chapter 10,.650, *Rules of the State of Florida Auditor General.* 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.

NOTE 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles*, and *Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

Indirect expenses are allocated between non-direct childcare, quality initiative program services, management and general expenses based on an allocation to the program's total direct costs less federal and state funded capital asset purchases. Accordingly, the Coalition has elected not to use the 10% de minimis indirect cost rate.

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Bob P. Marchewka
Ric Perez
Renee C. Varga
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American Institute of Certified Public Accountants

Florida Institute of Certified Public Accountants

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*

To the Board of Directors of
Early Learning Coalition of Okaloosa and Walton Counties, Inc.
d/b/a Early Learning Coalition of the Emerald Coast

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 The Okaloosa and Walton Counties, Inc. (the Coalition), which is comprised of the statement of financial position as of June 30, 2022, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit 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 audit 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 were not been identified.

Report on 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 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 Coalition'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.

Moss, Krusick & Associates, LLC

Winter Park, Florida
January 27, 2023

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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*

To the Board of Directors of
Early Learning Coalition of Okaloosa and Walton Counties, Inc.
d/b/a Early Learning Coalition of the Emerald Coast

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited Early Learning Coalition of Okaloosa and Walton Counties, Inc. (the Coalition) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Coalition's major federal programs and state projects for the year ended June 30, 2022. 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, 2022.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit 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 on compliance for each major federal program and state project. Our audit does not provide a legal determination of the Coalition's compliance with the types of compliance requirements referred to above.

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 generally accepted auditing standards, *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 generally accepted auditing standards, *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 were not 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.

Moss, Krusick & Associates, LLC

Winter Park, Florida
January 27, 2023

Early Learning Coalition of Okaloosa and Walton Counties, Inc.
D/B/A Early Learning Coalition of the Emerald Coast, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

Section I – Summary of Auditor's Results

Financial Statements

1. Type of Auditor's 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 Auditor's 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	$750,000
5. Auditee qualified as low-risk auditee?	No

Identification of Major Programs

Name of Federal Programs	ALN
Temporary Assistance for Needy Families	93.558
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596

Early Learning Coalition of Okaloosa and Walton Counties, Inc.
D/B/A Early Learning Coalition of the Emerald Coast, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

Section I – Summary of Auditor's Results (continued)

State Financial Assistance

1. Type of Auditor's 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, *Rules of the Auditor General*	No
4. Dollar threshold used to distinguish between Type A and Type B projects	$750,000

Identification of major projects:

Name of State Project	CSFA Number
Voluntary Pre-Kindergarten	48.108

Section II – 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. Coalition's financial records reconcile and agree to EFS Mod records as of program year ended June 30, 2022	Yes
4. Audit work papers documenting verification of reconciliations available to DEL staff	Yes

Section III – Financial Statement Findings

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

Section IV – 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)

Section V – Status of Prior Year Audit Findings

FINDING 2021-001 – *DOCUMENTATION FOR MATCHING CONTRIBUTIONS*

Criteria
Section 440.10, *Match Reporting*, of the Florida Division of Early Learning's (DEL) Program Guidance states that matching contributions shall be verifiable from the Coalition's records and must not be paid by the federal government under another award, except where authorized by federal statute to be used for matching.

Condition
The Coalition's documentation of the activities performed to verify that matching contributions were derived from non-federal sources was incomplete.

Cause
There was inadequate management oversight regarding match-raising activities and the related reporting and documentation requirements.

Effect
The Coalition was not in compliance with the match reporting requirements of the grant agreement.

Resolution
Resolved: The new management team has implemented policies and procedures to document the source of all match contributions with the donor agencies.

FINDING 2021-002 – *EMPLOYEE TRAVEL POLICIES AND PROCEDURES*

Criteria
Section 240.10, *Travel*, of DEL's Program Guidance states that all Coalitions are required to follow the Florida Department of Education's (FDOE) Travel Policy, which sets forth the policies and procedures for employees traveling on Coalition business.

Condition
During testing of travel expenses, we note multiple instances in which travel authorization request forms for a certain employee's travel were not properly completed and approved prior to incurring the related travel expenses, as mandated in the FDOE's Travel Policy.

Cause
The employee did not complete and submit travel authorization request forms to the appropriate supervisor in a timely manner.

Effect
The Coalition made multiple travel reimbursement payments to an employee that were not in compliance with the grant agreement.

Resolution
Resolved: The new management team has implemented policies and procedures to ensure that all travel expenses incurred for Coalition business are reviewed and approved prior to the travel taking place.