EARLY LEARNING COALITION OF OSCEOLA COUNTY, INC.

Financial Statements and Supplemental Information

Year ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Early Learning Coalition of Osceola County, Inc.
Kissimmee, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Early Learning Coalition of Osceola County, Inc. (the "Coalition") (a nonprofit organization), which comprise 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.

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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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,* State of Florida Chapter 10.650, *Rules of the Auditor General,* and special audit guidance provided by the 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 schedule of expenditures of federal awards and state 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 February 23, 2023 on our consideration of Early Learning Coalition of Osceola County, 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 Early Learning Coalition of Osceola County, Inc. 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 Early Learning Coalition of Osceola County, Inc. internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
February 23, 2023

Early Learning Coalition of Osceola County, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2022

ASSETS

Cash and equivalents	$	1,522,325
Grants receivable		1,483,771
Prepaid expenses		6,050
Property and equipment, net		800
Total assets	$	3,012,946

LIABILITIES AND NET ASSETS

Due to related parties	$	2,064,103
Due to DEL		413,290
Other liabilities		157,172
Deferred revenue		224,403
Total liabilities		2,858,968
Net assets:		
Without donor restrictions		153,978
Total liabilities and net assets	$	3,012,946

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

Early Learning Coalition of Osceola County, Inc.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2022

REVENUES AND SUPPORT	
Federal and state grants	$ 27,885,231
Local grants	13,662
Other income	6,508
Total revenues and support	27,905,401
EXPENSES	
Program services:	
School Readiness	19,172,056
Voluntary Pre-Kindergarten	7,845,880
Other	51,995
Total program services	27,069,931
Support services:	
Management and general	822,131
Total expenses	27,892,062
CHANGE IN NET ASSETS	13,339
NET ASSETS, BEGINNING OF YEAR	140,639
NET ASSETS, END OF YEAR	$ 153,978

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

Early Learning Coalition of Osceola County, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Program Services				Support Services	
	School Readiness	Voluntary Pre-Kindergarten	Other	Total	Management and General	Total
Pass-through payments to sub-recipients	$ 18,244,334	$ 7,798,598	$ -	$ 26,042,932	$ 259,155	$ 26,302,087
Salaries and benefits	463,826	4,568	15,241	483,635	436,812	920,447
Office expenses	154,611	42,714	25,357	222,682	16,360	239,042
Professional fees	111,644	-	5,334	116,978	10,442	127,420
Training and development	86,963	-	1,500	88,463	12,817	101,280
Repairs and maintenance	28,210	-	-	28,210	60,735	88,945
Outreach and awareness	37,455	-	-	37,455	1,635	39,090
Other expenses	11,753	-	3,446	15,199	12,320	27,519
Rent expense	25,596	-	-	25,596	-	25,596
Travel	7,267	-	467	7,734	10,217	17,951
Depreciation	-	-	-	-	1,638	1,638
Program enhancement	397	-	650	1,047	-	1,047
Total expenses	$ 19,172,056	$ 7,845,880	$ 51,995	$ 27,069,931	$ 822,131	$ 27,892,062

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

Early Learning Coalition of Osceola County, Inc.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	13,339
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		1,638
(Increase) decrease in assets:		
Grants receivable		2,128,004
Due from 4C		188,207
Prepaid expenses		8,144
Due from DEL		(96,245)
Increase (decrease) in liabilities:		
Due to related parties		(2,209,350)
Deferred revenue		199,403
Other liabilities		71,898
Net cash provided by operating activities		305,038
NET INCREASE IN CASH AND EQUIVALENTS		305,038
CASH AND EQUIVALENTS AT BEGINNING OF YEAR		1,217,287
CASH AND EQUIVALENTS AT END OF YEAR	$	1,522,325

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

NOTE A – ORGANIZATION, NATURE OF ACTIVITIES, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization and nature of activities

Early Learning Coalition of Osceola County, Inc. (the "Coalition"), previously known as Osceola County Coalition for School Readiness, Inc., was organized on September 6, 2000, as a Florida not-for-profit corporate 501(c)(3) entity. The Coalition was created by Florida Legislators, with the enactment of Section 411.01, Florida Statutes. The Coalition receives funding from federal and state grants through the Office of the Early Learning, Florida Department of Education and local funding sources. The Coalition's mission is to promote high quality school readiness services and after school care through community-responsive policy guidance and program outcome oversight. Led by a board of community leaders (the "Board"), the Coalition's priority is to ensure that all eligible children, birth through twelve years of age, with a strong emphasis on birth through five, in Osceola County are afforded the opportunity for developmentally appropriate learning experiences leading to enhanced academic success, as funding permits, and to support the economic self-sufficiency of low income families in need of before and after school care.

The Coalition contracts with Community Coordinated Care for Children, Inc. (4C) to assist in providing eligible children and families' access to Coalition funded services.

2. Basis of accounting and financial statement presentation

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

NOTE A – ORGANIZATION, NATURE OF ACTIVITIES, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. 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.

4. Cash and equivalents

   The Coalition considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

5. Property and equipment

   Property and equipment are carried at their historical cost if purchased, or at estimated market value if acquired by gift. The Coalition capitalizes expenditures in excess of $1,000 and an estimated useful life greater than one year. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, which range from three to 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 and the ownership of any proceeds are subject to applicable regulations.

6. Revenue recognition

   The Coalition follows Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC 606), which is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when contract performance obligations are met.

   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, 2022. 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.

NOTE A – ORGANIZATION, NATURE OF ACTIVITIES, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Deferred revenue

   Deferred revenue represents grant revenues collected but not yet earned as of June 30, 2022. Revenues from grant proceeds are not recognized until expended.

8. Grants receivable

   Grants receivable at June 30, 2022 consisted of amounts due from a state agency and are recorded when services are provided. The Coalition's receivables as of June 30, 2022 are due in less than one year and management considers them to be fully collectible.

9. Functional allocation of expenses

   The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the program and supporting services benefited. Support services include Other Cost Accumulators (OCA) codes 97BBA for School Readiness, VPADM for Voluntary Pre-Kindergarten and other administrative expenses. OCA codes are used by the Coalition as directed by grantor agencies.

10. 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.

    Donated services, materials and facilities that are measurable are recorded as support at their fair values at the date of receipt by the Coalition. A corresponding amount is recorded as expense or property and equipment. As of June 30, 2022, the Coalition did not receive any donated services, materials, and facilities.

11. Income taxes

    The Coalition is exempt from Federal 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 Internal Revenue Service for the years ended June 30, 2020 through June 30, 2022.

NOTE A – ORGANIZATION, NATURE OF ACTIVITIES, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Recent accounting pronouncements

In February 2016, the 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. 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.

13. Subsequent event

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 February 23, 2023.

NOTE B – CONCENTRATIONS

1. Economic dependency

The Coalition received approximately 99.9% of its revenue from federal and state contracts during the year ended June 30, 2022. The continuance of state and federal funding is subject to annual legislative budgetary review.

2. Concentration of credit risks

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 with high quality financial institutions that are Federal Deposit Insurance Corporation insured, and which provide coverage on balances up to $250,000 per depositor, per institution. 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 equivalents. At June 30, 2022, the Coalition held $1,519,401 in excess of federally insured limits.

NOTE C – RELATED PARTY TRANSACTIONS

Certain non-voting members of the Board are mandated in the "Early Learning Act." For the year ended June 30, 2022, $26,302,087 was incurred for services provided by 4C, whose Central Agency Administrator and Head Start Director are members of the Coalition's Board. At June 30, 2022, the Coalition had an amount due to 4C, related party, of $2,064,103.

The Coalition contracts with State Housing & Development, Inc., a leasing company, for its primary office location in Kissimmee, Florida. A member of the Coalition's Board is the Property Manager for the building. Payments to the leasing company for the year ended June 30, 2022 were $35,239.

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at June 30, 2022, are summarized as follows:

Vehicles	$	7,000
Computers and equipment		2,691
Furniture and fixtures		2,138
		11,829
Less: accumulated depreciation		(11,029)
Property and equipment, net	$	800

Depreciation expense for the year ended June 30, 2022 was $1,638.

NOTE E – COMMITMENTS AND CONTINGENCIES

1. Operating leases

The Coalition has non-cancelable operating lease agreements for the rental of office space and copier with terms expiring through fiscal year 2024. The future minimum lease payments as of June 30 are as follows:

2023	$	61,880
2024		2,832
2025		2,832
2026		2,832
2027		2,832
Thereafter		708
	$	73,916

Lease expenses for the year ended June 30, 2022 was $34,491.

2. Federal and state appropriated funds

Amounts received from federal and state agencies are subject to audit and adjustment at the discretion of those entities. If expenditures are disallowed as a result of these audits, the claims for reimbursement to the agency would be a liability of the Coalition.

NOTE F – INDIVIDUAL RETIREMENT ACCOUNTS

The Coalition established a 401(k) plan (the “Plan”) effective March 23, 2006 for all qualifying employees. All employees after 90 days of employment and over 21 years of age are eligible to participate in the Plan. The Coalition’s Plan includes a 401(k) match fund for participating employees at a rate of up to 3% of the employee’s salary, as funding permits.

NOTE F – INDIVIDUAL RETIREMENT ACCOUNTS (continued)

The Coalition's contributions to employee retirement plans are not guaranteed from fiscal year to fiscal year and contribution percentages may vary based on availability of funds. The Coalition contributed a total of $14,974 to the Plan for the year ended June 30, 2022.

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. Salaries are allocated based on actual time spent in these activities or administration of programs. Other expenses are allocated based on direct usage or management's estimates of the benefit derived by each activity.

NOTE H – CALCULATION OF MAXIMUM ADMINISTRATIVE EXPENSES

The following table compares administrative expenses incurred to the maximum 5% and 4% administrative expenses for the School Readiness program and Voluntary Pre-Kindergarten program, respectively, allowed by the Division of Early Learning ("DEL"):

	School Readiness	Voluntary Pre-Kindergarten	Total
Total administrative expenses subject to 5% and 4% maximum	$ 496,604	$ 301,002	$ 797,606
Maximum 5% and 4% administrative expenses allowable per DEL	599,643	306,863	906,506
Administrative expenses (under) maximum	$ (103,039)	$ (5,862)	$ (108,901)

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 – 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 equivalents	$	1,522,325
Grants receivable		1,483,771
Total assets available for general expenditure within one year		3,006,096
Less:		
Amounts unavailable for general expenditures within one year:		
Due to related parties		(2,064,103)
Due to DEL		(413,290)
Other liabilities		(157,172)
Deferred revenue		(224,403)
Total amount unavailable for general expenditures within one year		2,858,968
Total financial assets available to management for general expenditure within one year	$	147,128

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 99.9% 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.