EARLY LEARNING COALITION OF SOUTHWEST FLORIDA, INC.

Financial Statements and Supplemental Information

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 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 Early Learning Coalition of Southwest Florida, Inc. 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 Early Learning Coalition of Southwest Florida, Inc. 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 Early Learning Coalition of Southwest Florida, Inc.'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

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

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 Early Learning Coalition of Southwest Florida, Inc.'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 Early Learning Coalition of Southwest Florida, Inc.'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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 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 March 22, 2023 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
March 22, 2023

Early Learning Coalition of Southwest Florida, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2022

ASSETS

Cash and cash equivalents	$ 4,390,131
Contracts and grants receivable	3,016,674
Prepaid expenses	132,890
Property and equipment, net	38,741
Total assets	$ 7,578,436

LIABILITIES AND NET ASSETS

Accounts payable:	
Division of Early Learning	$ 339,668
Redlands Christian Migrant Association, Inc.	184,375
Providers	6,016,021
Accrued payroll and benefits	209,701
Deferred revenue	569,255
Total liabilities	7,319,020
Commitments and contingencies	-
Net assets:	
Without donor restrictions	259,416
Total liabilities and net assets	$ 7,578,436

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, 2022

REVENUE	
Division of Early Learning	$ 67,383,959
Local match	930,760
Other revenue	88,928
Contribution of non-financial assets	2,500
Total revenue	68,406,147
EXPENSES	
Program services	66,764,278
Other programs	606,337
Supporting services	1,101,278
Total expenses	68,471,893
Change in net assets	(65,746)
NET ASSETS - BEGINNING OF YEAR	325,162
NET ASSETS - END OF YEAR	$ 259,416

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, 2022

	Functional Category			
	School Readiness/ Voluntary Pre-Kindergarten	Other Programs	Administration	Total
Child care payments	$ 60,881,877	$ 13,250	$ -	$ 60,895,127
Salaries and benefits	2,992,199	10,540	658,602	3,661,341
Pass-through payments to sub-recipient	1,427,470	-	36,589	1,464,059
Match	810,023	-	-	810,023
Shared costs	320,188	117,230	255,736	693,154
Program consultants and supplies	110,485	336,317	37,953	484,755
Other expenses	25,681	81,000	40,834	147,515
Contract services	105,841	-	16,328	122,169
Office expenses	4,155	48,000	23,131	75,286
Utilities and telephone	35,533	-	15,086	50,619
Travel expense	17,407	-	13,335	30,742
Outreach and advertising	26,825	-	334	27,159
Depreciation	4,094	-	3,350	7,444
Non-financial expense	2,500	-	-	2,500
Total expenses	$ 66,764,278	$ 606,337	$ 1,101,278	$ 68,471,893

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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (65,746)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	7,444
Bad debt	13,085
(Increase) decrease in assets:	
Contracts and grants receivable	2,208,522
Advance payments to providers	30,105
Prepaid expenses	(5,969)
Decrease in liabilities:	
Accounts payable	(1,221,507)
Accrued payroll and benefits	(911)
Deferred revenue	(49,528)
Net cash provided by operating activities	915,495
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(13,407)
Net increase in cash and cash equivalents	902,088
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,488,043
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,390,131

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 of Directors (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 and change in net assets as net assets released from restrictions.

Some net assets with donor restrictions may 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, 2022.

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, 2022. 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, 2022 are due in less than one year and management believes all receivables are fully collectible. During 2022, bad debt expense totaled $13,085.

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, 2020 through June 30, 2022.

10. Contributed non-financial assets

    Contributed non-financial assets, which include 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.

11. Recently adopted accounting pronouncements

    In September of 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, *Presentation and Disclosures by Not-for- Profit Entities for Contributed Nonfinancial Assets,* requiring entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The Standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets an entity has received. The adoption had no significant impact on the Coalition's financial statements.

12. 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.

13. 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 March 22, 2023.

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, 2022 were $1,464,059 and accounts payable to RCMA at June 30, 2022 was $184,375.

NOTE D - PROPERTY AND EQUIPMENT

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

Furniture and fixtures	$ 143,778
Less: accumulated depreciation	(105,037)
Property and equipment, net	$ 38,741

Depreciation expense for the year ended June 30, 2022 was $7,444.

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,

2023	$ 340,918
2024	351,146
2025	294,385
	$ 986,449

   Rent expense for the year ended June 30, 2022 was $352,135 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 $138,379 to the plan for the year ended June 30, 2022. 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, 2022, the local matching requirements were met. The Coalition included $563,390 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 - 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	$ 4,390,131
Contracts and grants receivable	3,016,674
Total financial assets available within one year	7,406,805
Less:	
Amounts unavailable for general expenditures within one year:	
Accounts payable	
Division of Early Learning	(339,668)
Redlands Christian Migrant Association Inc.	(184,375)
Providers	(6,016,021)
Accrued payroll and benefits	(209,701)
Deferred revenue	(569,255)
Total amounts unavailable for general expenditures within one year	(7,319,020)
Total financial assets available to management for general expenditure within one year	$ 87,785

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.

NOTE K - CONTRIBUTED NON-FINANCIAL ASSETS

Contributed non-financial assets that are measurable are recorded as support at their fair values at the date of receipt by the Coalition. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Upon receipt of contributions of non-financial assets, a corresponding amount is recorded as an expense or is capitalized as property and equipment.

For the year ended June 30, 2022, contributed non-financial assets recognized as revenue and expense within the Statement of Activities and Change in Net Assets and Statement of Functional Expenses included $2,500 of donated professional accounting fees.

SUPPLEMENTAL INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Early Learning Coalition of Southwest Florida, 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 changes 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 March 22, 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

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*.

Coalition's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Coalition's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Coalition's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
March 22, 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 Southwest Florida, Inc.
Fort Myers, Florida

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited the Coalition's 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 the Coalition's major federal programs and state projects for the year ended June 30, 2022. The Coalition's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Coalition complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs 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 audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance 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 that 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 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 compliance requirements referred to above occurred, whether due to fraud or error, and 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*, and the Uniform Guidance will always detect material noncompliance when it exists.

Auditor's Responsibilities for the Audit of Compliance (continued)

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 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 each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, 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 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, 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on The Coalition's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Coalition's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Report on Internal Control Over Compliance (continued)

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, State of Florida Chapter 10.650, *Rules of the Auditor General,* and special audit guidance provided by Division of Early Learning. Accordingly, this report is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 22, 2023

Early Learning Coalition of Southwest Florida, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

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?	Yes
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 the Uniform Guidance?	No
4. Dollar threshold used to distinguish between Type A and Type B programs	$1,453,762
5. Auditee qualified as low-risk auditee?	Yes

Identifications of major programs:

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

Early Learning Coalition of Southwest Florida, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

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 programs:	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 Projects	CSFA Number
Voluntary Pre-Kindergarten	48.108

Section II - Enhanced Fields System (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

Early Learning Coalition of Southwest Florida, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

June 30, 2022

Section III - Financial Statement Findings

Finding 2022-001: Revenue and Accounts Receivable Reconciliations

Criteria: Accounts receivable and revenue are recognized as earned in accordance with revenue recognition standards. Subsequent clearing of accounts receivable should occur upon receipt of funds from the customer or grantor. Revenue and accounts receivable should be reconciled on a monthly basis to ensure collection of revenues are properly recorded.

Condition: As a result of our audit procedures, we noted incorrect recognition and clearing of accounts receivable at the beginning of the engagement causing improper account balances related to contracts and grants receivable, deferred revenue, and net assets without donor restrictions.

Cause: Lack of effective controls surrounding accounts receivable and revenue.

Effect: Misstatement, errors, and irregularities in the financial statements.

Recommendation: We recommend the Coalition implement procedures to ensure that all accounts receivable, revenue, and deferred revenue accounts are reconciled on a monthly basis and the use of the accounting software is correctly utilized for accounts receivable reporting.

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: Revenue and Accounts Receivable Reconciliations

Criteria: Accounts receivable and revenue are recognized as earned in accordance with revenue recognition standards. Subsequent clearing of accounts receivable should occur upon receipt of funds from the customer or grantor. Revenue and accounts receivable should be reconciled on a monthly basis to ensure collection of revenues are properly recorded.

Condition: As a result of our audit procedures, we noted incorrect recognition and clearing of accounts receivable at the beginning of the engagement causing improper account balances related to contracts and grants receivable, deferred revenue, and net assets without donor restrictions.

Cause: Lack of effective controls surrounding accounts receivable and revenue.

Effect: Misstatement, errors, and irregularities in the financial statements.

Recommendation: We recommend the Coalition implement procedures to ensure that all accounts receivable, revenue, and deferred revenue accounts are reconciled on a monthly basis and the use of the accounting software is correctly utilized for accounts receivable reporting.

Resolution: Unresolved. Due to the timing of the June 30, 2021 audit, the Coalition did not have ample time to implement the previous corrective action plan. See current year finding 2022-001.

Early Learning Coalition of Southwest Florida, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2022

Grantor/Program Title	ALN CSFA #	Award Number	Expenditures	Transfers to Subrecipient
Federal Awards:				
U.S. Department of Health and Human Services				
Passed through Division of Early Learning				
Child Care and Development Block Grant	93.575	EL152	$ 14,264,149	$ 14,456
Child Care and Development Block Grant	93.575	EL153	130,632	-
Coronavirus Response and Relief Supplemental Appropriations Funds	93.575	EL152	9,858,160	2,564
Coronavirus Response and Relief Supplemental Appropriations Funds	93.575	EL153	28,742	-
American Rescue Plan	93.575	EL152	9,763,500	-
American Rescue Plan	93.575	EL153	12,367	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL152	8,812,176	-
Total Child Care and Development Fund Cluster			42,869,726	17,020
Temporary Assistance for Needy Families	93.558	EL152	5,219,120	-
Preschool Development Grant	93.434	EL152	342,777	-
Preschool Development Grant	93.434	EL153	9,605	-
Social Services Block Grant	93.667	EL152	17,496	-
Total Expenditures of Federal Awards			$ 48,458,724	$ 17,020
State Financial Assistance:				
State of Florida Department of Education				
Passed through Division of Early Learning				
Voluntary Pre-Kindergarten Services	48.108	EL152	$ 18,912,939	$ 1,447,039
Voluntary Pre-Kindergarten Services	48.108	EL153	12,296	-
Total Expenditures of State Financial Assistance			$ 18,925,235	$ 1,447,039
Total Expenditures of Federal Awards and State Financial Assistance			$ 67,383,959	$ 1,464,059

Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), State of Florida Chapter 10.650, *Rules of the Auditor General*, and the Department of Financial Services' *State Projects Compliance Supplement*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Indirect Cost Rates

The Coalition has elected to not use the 10% de minimis indirect cost rate for its federal programs and state projects for the year ended June 30, 2022. The indirect costs rates used on the Coalition's federal programs and state projects are determined by the relevant federal or state agency.

See Independent Auditor's Report

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Finding 2022-001: Revenue and Accounts Receivable Reconciliations
Responsible Official's Response and Corrective Action Plan

The context for this finding is detailed here:

1. Transition to Enhanced Field System Modernization (EFSM) in 2018 to track revenue and accounts receivable occurred:
    a. EFSM, when implemented, was underdeveloped. Payment calculations and invoices were prepared in a parallel system. Corrections to transactions recorded in the parallel system after the fact were not fully completed in EFSM.
    b. Actions to fully operational reimbursement functionality occurred in small, incremental changes over time. Often, those changes occurred without accompanying guidance or training for ELC staff.
    c. The Chief Financial Officer (CFO) of record in 2018 proceeded, to the best of her ability, during the early implementation of EFSM. A failure to recognize and correct reconciliation errors originated during this period.
2. Change in leadership in the accounting department:
    a. The identified errors began prior to the current CFO assuming responsibilities for all accounting functions in March 2021.
    b. Since March 2021, ELC responsibilities for millions of dollars for COVID relief shifted attention away from regular duties.
3. Understaffing in Business Services, including accounting staff:
    a. Since March 2021, the Business Services area has been chronically understaffed.
    b. Where staff have been hired, the CFO has engaged in focused training and onboarding to complete all contractual obligations for the Florida Division of Early Learning (DEL).
    c. The CFO has been responsible for supervision of Accounting, Reimbursement, Information Technology and Risk Management.
    d. The necessary Policies and Procedures are now in place to manage the corrective action plan. The staff shortfall continues however, is moving toward filling vacancies.
4. Correction and Response Finding 2022-001
    a. FY21 findings were delayed until the fiscal audit was finalized on September 27, 2022, The later than usual completion of the fiscal audit was expected with an approved filing extension.
    b. FY22 fiscal year was closed when findings were reported. Therefore, corrective actions weren't initiated until FY23.
    c. Further complicating the fiscal operating environment, Hurricane Ian made landfall in SWFL on September 28, 2022, The massive Category 4 Hurricane impacted which impacted the ELC functionality. This added to the delay of

corrective actions by the ELC.

d. The Account Receivable module was purchased and added in the current accounting software (MIP). Training and implementation were completed in November 2022. This will strengthen the efficiencies of the accounting system.
e. The ELC hired a Fiscal Specialist who will focused on AR for the ELC in September 2022.
f. Focused efforts to fill staff vacancies in accounting, and Reimbursement and to distribute roles and responsibilities continue. The Chief Administrative Officer was hired on March 1, 2023.

Responsible Party: Lugeenya Blackstock, Chief Financial Officer

Signature: _____

Title: Chief Executive Officer

Date: March 22, 2023

Partners
W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
Renee C. Varga
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American Institute of Certified Public Accountants

Florida Institute of Certified Public Accountants

MANAGEMENT LETTER

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 financial statements of the Early Learning Coalition of Southwest Florida, Inc., as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated March 22, 2023.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained *Government Auditing Standards*, issued by the Comptroller General of the United States; 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*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 22, 2023, should be considered in conjunction with this management letter.

Additional Matters

Section 10.654(1)(e), Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but warrants the attention of those charged with governance. In connection with our audit, we disclosed a significant deficiency which is disclosed in Section III of the Schedule of Findings and Questioned Costs.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 22, 2023