EARLY LEARNING COALITION OF OSCEOLA COUNTY, INC.

Financial Statements and Supplemental Information

Year ended June 30, 2023

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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, 2023, 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, 2023, 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 22, 2024 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.'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 Early Learning Coalition of Osceola County, Inc.'s internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
February 22, 2024

Early Learning Coalition of Osceola County, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2023

ASSETS

Cash and equivalents	$	3,524,604
Grants receivable		925,626
Total assets	$	4,450,230

LIABILITIES AND NET ASSETS

Due to related parties	$	3,666,131
Accounts payable and accrued expenses		511,504
Deferred revenue		171,570
Total liabilities		4,349,205
Net assets:		
Without donor restrictions		101,025
Total liabilities and net assets	$	4,450,230

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, 2023

REVENUES AND SUPPORT	
Federal and state grants	$ 47,320,669
Local grants	161,511
Other income	23,587
Total revenues and support	47,505,767
EXPENSES	
Program services:	
School Readiness	34,387,740
Voluntary Pre-Kindergarten	11,198,755
Other	751,695
Total program services	46,338,190
Support services:	
Management and general	1,220,530
Total expenses	47,558,720
CHANGE IN NET ASSETS	(52,953)
NET ASSETS, BEGINNING OF YEAR	153,978
NET ASSETS, END OF YEAR	$ 101,025

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, 2023

	Program Services				Support Services	
	School Readiness	Voluntary Pre-Kindergarten	Other	Total	Management and General	Total
Pass-through payments to sub-recipients	$ 31,986,431	$ 10,910,545	$ -	$ 42,896,976	$ 173,338	$ 43,070,314
Salaries and benefits	1,619,492	226,615	155,939	2,002,046	847,782	2,849,828
Training and development	157,586	1,550	563,762	722,898	-	722,898
Professional fees	167,381	59,137	14,800	241,318	77,676	318,994
Office expenses	148,976	-	6,333	155,309	17,115	172,424
Other expenses	63,540	4	7,518	71,062	62,691	133,753
Program enhancement	123,919	-	-	123,919	-	123,919
Outreach and awareness	67,934	-	-	67,934	-	67,934
Rent expense	34,201	-	-	34,201	25,145	59,346
Repairs and maintenance	11,134	-	971	12,105	7,572	19,677
Travel	7,146	904	2,372	10,422	9,211	19,633
Total expenses	$ 34,387,740	$ 11,198,755	$ 751,695	$ 46,338,190	$ 1,220,530	$ 47,558,720

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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	(52,953)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of property and equipment		800
(Increase) decrease in assets:		
Grants receivable		558,145
Prepaid expenses		6,050
Due from DEL		(413,290)
Increase (decrease) in liabilities:		
Due to related parties		1,602,028
Deferred revenue		(52,833)
Accounts payable and accrued expenses		354,332
Net cash provided by operating activities		2,002,279
NET INCREASE IN CASH AND EQUIVALENTS		2,002,279
CASH AND EQUIVALENTS AT BEGINNING OF YEAR		1,522,325
CASH AND EQUIVALENTS AT END OF YEAR	$	3,524,604

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 Division of 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, 2023. 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, 2023. Revenues from grant proceeds are not recognized until expended.

8. Grants receivable

   Grants receivable at June 30, 2023 consisted of amounts due from a state agency and are recorded when services are provided. The Coalition's receivables as of June 30, 2023 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, 2023, 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, 2021 through June 30, 2023.

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 Coalition adopted the lease standard effective July 1, 2022 as disclosed in Note D.

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 February 22, 2024.

NOTE B – CONCENTRATIONS

1. Economic dependency

The Coalition received approximately 99.6% of its revenue from federal and state contracts during the year ended June 30, 2023. 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, 2023, the Coalition held $3,324,535 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, 2023, $43,070,314 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, 2023, the Coalition had an amount due to 4C, related party, of $3,666,131.

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, 2023 were $55,175. No amounts were due to the leasing company as of June 30, 2023.

NOTE C – RELATED PARTY TRANSACTIONS (continued)

During the year ended June 30, 2023, the Coalition contracted with a family member of the Coalition's management team for website maintenance and development services, making them a related party. Total amounts paid to the family member was $9,049 for the year ended June 30 2023.

NOTE D – COMMITMENTS AND CONTINGENCIES

1. Operating leases

   The Coalition has non-cancelable operating lease agreements with a related party for the rental of office space for one-year terms through 2024. The Coalition has elected to apply the short-term lease exception to all leases with a term of one year or less. Therefore, these leases have been exempt from the adoption of FASB ASU 2016-02 included in Note A. Lease expense for the year ended June 30, 2023 was $59,346.

   As of the date of the financial statements, the Coalition is in progress of execution of a new lease agreement for their headquarters on Main Street in Kissimmee, Florida totaling 6,400 square feet.

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 E – 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.

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 $33,556 to the Plan for the year ended June 30, 2023.

NOTE F – 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 G – 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	$ 1,062,725	$ 361,614	$ 1,424,339
Maximum 5% and 4% administrative expenses allowable per DEL	1,796,494	363,183	2,159,677
Administrative expenses (under) maximum	$ (733,769)	$ (1,569)	$ (735,338)

NOTE H – 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	$3,524,604
Grants receivable	925,626
Total assets available for general expenditure within one year	4,450,230
Less:	
Amounts unavailable for general expenditures within one year:	
Due to related parties	(3,666,131)
Accounts payable and accrued expenses	(511,504)
Deferred revenue	(171,570)
Total amount unavailable for general expenditures within one year	(4,349,205)
Total financial assets available to management for general expenditure within one year	$ 101,025

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 99.6% 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.

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
Early Learning Coalition of Osceola County, Inc.
Kissimmee, 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 Osceola County, Inc. (the "Coalition") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 February 22, 2024.

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 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
February 22, 2024

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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
Early Learning Coalition of Osceola County, Inc.
Kissimmee, 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 Early Learning Coalition of Osceola County, Inc.'s (the "Coalition") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the requirements described in the *Department of Financial Services'* State Projects Compliance Supplement, and special audit guidance provided by the Division of Early Learning 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, 2023. The Coalition's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Coalition complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2023.

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); Chapter 10.650, *Rules of the Auditor General*, and special audit guidance provided by the Division of Early Learning. 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,* the Uniform Guidance, and Chapter 10.650, *Rules of the Auditor General,* 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 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 and state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650, *Rules of the Auditor General*, 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 and Chapter 10.650, *Rules of the Auditor General*, 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 and 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 and 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 and 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, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida
February 22, 2024

Early Learning Coalition of Osceola County, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

June 30, 2023

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 the Uniform Guidance?	No
4. Dollar threshold used to distinguish between Type A and Type B programs	$1,110,855
5. Auditee qualified as low-risk auditee?	Yes

Identifications of major programs:

Name of Federal Program	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 Osceola County, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

June 30, 2023

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 Education Program	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, 2023	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

There were no prior year audit findings

Early Learning Coalition of Osceola County, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year ended June 30, 2023

Grantor/Program Title	ALN CSFA	Award Number	Expenditures	Transfer to Sub-recipient
Federal Awards:				
U.S. Department of Health and Human Services				
Passed through Division of Early Learning				
Child Care and Development Block Grant	93.575	EL383	$ 7,125,859	$ 6,685,491
Child Care and Development Block Grant - CARES	93.575	EL383	169,328	158,864
Total Child Care and Development Block Grant			7,295,187	6,844,355
Coronavirus Response and Relief Supplemental Appropriations Funds	93.575	EL383	1,243,438	924,660
Coronavirus Response and Relief Supplemental Appropriations Funds	93.575	EL384	101,306	4,496
Total Coronavirus Response and Relief Supplemental Appropriations Funds			1,344,744	929,156
American Rescue Plan Act	93.575	EL383	19,210,080	16,673,903
American Rescue Plan Act	93.575	EL384	89,194	77,169
Total American Rescue Plan Act			19,299,274	16,751,072
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL383	5,261,159	4,936,026
Total Child Care Cluster			33,200,364	29,460,609
Temporary Assistance for Needy Families	93.558	EL383	3,771,201	3,538,145
Preschool Development Grant	93.434	EL383	452	-
Social Services Block Grant	93.667	EL383	6,859	6,435
Total U.S Department of Health and Human Services			36,978,876	33,005,189
U.S. Department of Education				
Passed through Division of Early Learning				
Education Stabilization Fund	84.425D	EL383	49,608	-
Total U.S. Department of Education			49,608	-
Total Expenditures of Federal Awards			$ 37,028,484	$ 33,005,189
State Financial Assistance:				
State of Florida Department of Education				
Passed through Division of Early Learning				
Voluntary Pre-Kindergarten Education Program	48.108	EL383	$ 9,498,999	$ 9,271,939
Voluntary Pre-Kindergarten Education Program State General Revenue Unrestricted 2022-2023	-	2022-23 SGU	793,186	793,186
Total State of Florida Department of Education			10,292,185	10,065,125
Total Expenditures of State Financial Assistance			$ 10,292,185	$ 10,065,125
Total Expenditures of Federal Awards and State Financial Assistance			$ 47,320,669	$ 43,070,314

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, 2023. The indirect cost rates used on the Coalition's federal programs and state projects are determined by the relevant federal or state agency.