

EARLY LEARNING COALITION OF PALM BEACH COUNTY, INC.

**Financial Statements
and Supplemental
Information**

**Years Ended
June 30, 2022 and 2021**

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Partners

W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
Renee C. Varga
Richard F. Hayes
Frank J. Guida
John J. Rody, Jr.
Shawn M. Marshall

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

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

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

American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Early Learning Coalition of Palm Beach County, Inc.
Boynton Beach, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Early Learning Coalition of Palm Beach County, Inc. (the "Coalition", a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Coalition as of June 30, 2022, and 2021, and the changes in its net assets and its cash flows for the years 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 these 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.

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Coalition's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 2, 2023, on our consideration of the Coalition's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Coalition's internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coalition's internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
February 2, 2023

Early Learning Coalition of Palm Beach County, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 8,377,159	\$ 12,678,150
Grants receivable	8,456,413	7,233,007
Due from providers	1,166,747	2,511,743
Prepaid expenses and other assets	<u>256,395</u>	<u>292,329</u>
Total current assets	18,256,714	22,715,229
Property and equipment, net	<u>3,622</u>	<u>5,432</u>
Total assets	<u><u>\$ 18,260,336</u></u>	<u><u>\$ 22,720,661</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 10,021,318	\$ 14,047,344
Compensated absences	715,724	577,071
Due to providers	367,737	369,114
Due to funders	90,354	56,285
Deferred revenue	<u>6,613,441</u>	<u>6,789,400</u>
Total current liabilities	<u>17,808,574</u>	<u>21,839,214</u>
Net assets:		
Without donor restrictions		
Equity in fixed assets	3,622	5,432
Undesignated	<u>(344,025)</u>	<u>(210,991)</u>
Total net deficit without donor restriction	<u>(340,403)</u>	<u>(205,559)</u>
With donor restriction	<u>792,165</u>	<u>1,087,006</u>
Total net assets	<u>451,762</u>	<u>881,447</u>
Total liabilities and net assets	<u><u>\$ 18,260,336</u></u>	<u><u>\$ 22,720,661</u></u>

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

Early Learning Coalition of Palm Beach County, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Grants and contributions:			
Department of Health and Human Services	\$ 3,574,246	\$ -	\$ 3,574,246
Federal / State grant revenue passed through Florida's Division of Early Learning	140,869,119	-	140,869,119
Children's Services Council of Palm Beach County	31,208,734	-	31,208,734
Other grant revenue	760,034	-	760,034
Contribution of non-financial assets	173,922	-	173,922
Program income	27,382	-	27,382
Contribution	8,635	10,000	18,635
Net assets released from restrictions	<u>304,841</u>	<u>(304,841)</u>	<u>-</u>
 Total revenues and support	 <u>176,926,913</u>	 <u>(294,841)</u>	 <u>176,632,072</u>
EXPENSES			
Program services:			
School Readiness	144,153,605	-	144,153,605
Voluntary Pre-Kindergarten	26,379,182	-	26,379,182
Early Head Start	<u>3,459,846</u>	<u>-</u>	<u>3,459,846</u>
 Total program services	 <u>173,992,633</u>	 <u>-</u>	 <u>173,992,633</u>
Support services:			
General and administrative	<u>3,069,124</u>	<u>-</u>	<u>3,069,124</u>
 Total support services	 <u>3,069,124</u>	 <u>-</u>	 <u>3,069,124</u>
 Total expenses	 <u>177,061,757</u>	 <u>-</u>	 <u>177,061,757</u>
 Decrease in net assets	 (134,844)	 (294,841)	 (429,685)
 NET ASSETS AT BEGINNING OF YEAR	 <u>(205,559)</u>	 <u>1,087,006</u>	 <u>881,447</u>
 NET ASSETS AT END OF YEAR	 <u>\$ (340,403)</u>	 <u>\$ 792,165</u>	 <u>\$ 451,762</u>

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

Early Learning Coalition of Palm Beach County, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Grants and contributions:			
Department of Health and Human Services	\$ 3,477,700	\$ -	\$ 3,477,700
Federal / State grant revenue passed through Florida's Division of Early Learning	108,081,087	-	108,081,087
Children's Services Council of Palm Beach County	31,978,450	-	31,978,450
Other grant revenue	1,639,732	-	1,639,732
Contribution of non-financial assets	173,922	-	173,922
Program income	38,894	-	38,894
Contribution	1,061	654,500	655,561
Net assets released from restrictions	347,729	(347,729)	-
Total revenues and support	145,738,575	306,771	146,045,346
EXPENSES			
Program services:			
School Readiness	117,988,156	-	117,988,156
Voluntary Pre-Kindergarten	21,527,203	-	21,527,203
Early Head Start	3,353,962	-	3,353,962
Total program services	142,869,321	-	142,869,321
Support services:			
General and administrative	2,955,267	-	2,955,267
Total support services	2,955,267	-	2,955,267
Total expenses	145,824,588	-	145,824,588
Increase (decrease) in net assets	(86,013)	306,771	220,758
NET ASSETS AT BEGINNING OF YEAR	(119,546)	780,235	660,689
NET ASSETS AT END OF YEAR	\$ (205,559)	\$ 1,087,006	\$ 881,447

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

Early Learning Coalition of Palm Beach County, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Program Services			Total	General and Administrative	Total
	School Readiness	Voluntary Pre-Kindergarten	Early Head Start			
Personnel and related expenses	\$ 10,232,190	\$ 719,909	\$ 1,375,043	\$ 12,327,142	\$ 2,455,325	\$ 14,782,467
Operating expenses						
Professional development	767,384	4,451	150,326	922,161	8,881	931,042
Professional services	467,559	19,000	57,905	544,464	238,043	782,507
Office equipment and supplies	514,875	41,447	2,551	558,873	85,088	643,961
Occupancy	356,873	20,069	128,847	505,789	61,126	566,915
Technology hosting and support	266,274	18,709	41,065	326,048	115,004	441,052
Communications	145,935	11,049	12,845	169,829	39,505	209,334
Dues and subscriptions	84,753	41	4,114	88,908	24,678	113,586
Insurance	63,380	4,894	3,815	72,089	28,085	100,174
Travel	38,412	859	27,564	66,835	6,422	73,257
Equipment rental	7,325	552	551	8,428	1,988	10,416
Postage	3,810	112	141	4,063	547	4,610
Interest and bank fees	1,184	93	2	1,279	1,628	2,907
Depreciation	-	-	-	-	1,811	1,811
Taxes and licenses	346	26	-	372	552	924
Miscellaneous	205	8	-	213	441	654
Total operating expenses	2,718,315	121,310	429,726	3,269,351	613,799	3,883,150
Direct services (Childcare)	131,203,100	25,537,963	1,655,077	158,396,140	-	158,396,140
Total expenses	\$ 144,153,605	\$ 26,379,182	\$ 3,459,846	\$ 173,992,633	\$ 3,069,124	\$ 177,061,757

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

Early Learning Coalition of Palm Beach County, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Program Services			Total	General and Administrative	Total
	School Readiness	Voluntary Pre-Kindergarten	Early Head Start			
Personnel and related expenses	\$ 8,164,158	\$ 576,254	\$ 1,250,888	\$ 9,991,300	\$ 2,411,412	\$ 12,402,712
Operating expenses						
Professional development	1,063,764	2,193	374,416	1,440,373	13,346	1,453,719
Professional services	314,742	15,440	39,313	369,495	266,802	636,297
Occupancy	396,792	70,188	120,846	587,826	3,797	591,623
Technology hosting and support	208,740	15,894	12,059	236,693	131,018	367,711
Communications	141,791	11,138	1,379	154,308	42,498	196,806
Dues and subscriptions	116,549	19	2,934	119,502	26,707	146,209
Insurance	48,641	3,865	3,833	56,339	29,170	85,509
Office equipment and supplies	35,592	2,805	2,965	41,362	11,778	53,140
Travel	11,397	399	25,499	37,295	3,975	41,270
Equipment rental	17,749	1,400	403	19,552	5,695	25,247
Postage	2,804	213	81	3,098	1,369	4,467
Interest and bank fees	-	-	-	-	3,029	3,029
Depreciation	-	-	-	-	2,883	2,883
Taxes and licenses	-	-	-	-	847	847
Miscellaneous	-	-	-	-	941	941
Total operating expenses	2,358,561	123,554	583,728	3,065,843	543,855	3,609,698
Direct services (Childcare)	107,465,437	20,827,395	1,519,346	129,812,178	-	129,812,178
Total expenses	\$ 117,988,156	\$ 21,527,203	\$ 3,353,962	\$ 142,869,321	\$ 2,955,267	\$ 145,824,588

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

Early Learning Coalition of Palm Beach County, Inc.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (429,685)	\$ 220,758
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,811	2,883
Decrease (increase) in assets:		
Contracts and grants receivable	(1,223,406)	6,297,989
Prepaid expenses and other assets	35,934	238,407
Due from providers	1,344,996	1,320,331
Increase (decrease) in liabilities:		
Accounts payable	(4,026,026)	141,762
Compensated absences	138,653	89,624
Due to providers	(1,377)	(13,637)
Due to funders	34,069	(27,151)
Deferred revenue	<u>(175,960)</u>	<u>(4,881,914)</u>
Net cash provided by (used in) operating activities	<u>(4,300,991)</u>	<u>3,389,052</u>
Net increase (decrease) in cash and cash equivalents	(4,300,991)	3,389,052
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>12,678,150</u>	<u>9,289,098</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 8,377,159</u></u>	<u><u>\$ 12,678,150</u></u>

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

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Early Learning Coalition of Palm Beach County, Inc. (the "Coalition") was organized as a not-for-profit corporation under the laws of the State of Florida on December 31, 1999, for the purpose of implementing School Readiness Programs in Palm Beach County, Florida. The Coalition accomplishes its purpose through implementation of comprehensive programs and services that enhance the cognitive, social, and physical development of children. On March 7, 2005, the Coalition changed its name from the Palm Beach County School Readiness Coalition, Inc. to the Early Learning Coalition of Palm Beach County, Inc. to more accurately reflect the Coalition's expanded responsibilities regarding the Voluntary Pre-Kindergarten (VPK) program.

Although the Coalition has a variety of goals and objectives, all of its goals and objectives relate to the Coalition's two primary programs, School Readiness and VPK. Both of these programs share the following goals: preparation of children for kindergarten, provision of child care to meet the needs of children and parents, and development and training of child care providers.

Basis of Accounting

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. The Coalition reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed restrictions, time and/or purpose restrictions.

The Coalition reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities 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.

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Coalition's cash and cash equivalents include amounts on deposit in checking, money market and sweep accounts with financial institutions. For purposes of the cash flows statements, the Coalition considers all highly-liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Coalition maintains its cash in high quality financial institutions which at times, may exceed federally insured limits. The Coalition has not experienced any losses in such accounts and does not believe its cash accounts are exposed to any significant credit risk. Deposits with financial institutions exceeded federal deposit insurance by \$9,077,873 and \$14,148,262 at June 30, 2022 and 2021, respectively.

Grants Receivable

Grants receivable represent uncollected reimbursement requests presented to Florida's Division of Early Learning ("FDEL"), Children's Services Council of Palm Beach County, Inc. ("CSC"), and other funding sources for payment. Management believes the entire balance is collectible based on amounts collected to date and prior collection history. Therefore, no allowance for potentially uncollectible grants receivable is provided.

Prepaid Expense and Other Assets

Payments for expenses extending over more than one accounting period are accounted for as prepaid expenses and allocated between accounting periods.

Property and Equipment

Property and equipment over \$5,000 is capitalized and stated at cost if purchased. Donations of property and equipment are recorded as support at their estimated fair value when received. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Coalition reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Coalition received no donations of property and equipment in 2022 and 2021. Property and equipment is depreciated using the straight-line method over the estimated useful life of the asset, generally three to seven years.

Deferred Revenue

Deferred revenue represents grant funds received from FDEL and CSC in advance of allowable expenditures being incurred.

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

The Coalition accrues unused vacation and sick time when earned by employees in accordance with Coalition policy. Employees of the Coalition may accumulate up to 120 hours of unused vacation leave. Hours in excess of the 120 hour limit at the end of the fiscal year are forfeited. Accumulated vacation is payable to employees with six months or more of continuous employment at the employee's regular rate of pay at the time of separation. A portion of accumulated sick leave is payable to an employee in good standing upon separation using a payout percentage of 25-50% based on the number of years in service.

Due to Funders

Due to funders consists of School Readiness restitution payments received from fraudulent cases, direct service (slot) credit adjustments and other adjustments which are owed back to grant funders. Amounts due to FDEL and CSC were \$90,354 and \$56,285 at June 30, 2022 and 2021, respectively.

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

The Coalition's support consists primarily of funds received from the Federal and State governments, which are passed through FDEL. Revenues are earned as allowable grant costs are incurred. The continued existence of the programs administered by the Coalition is dependent upon the continued support received from these grants.

Government grants are subject to annual renewal and periodic amendment and require the fulfillment of certain conditions as set forth in each agreement. Amounts received or receivable from grantor agencies are subject to audit by those agencies and any disallowed expenses, including amounts already received, might constitute a liability of the Coalition for return of those funds. Management believes that the Coalition has met all requirements and objectives of the grantor agencies and considers it unlikely that any material amount of funds would be returned.

Contributions of Non-Financial Assets

Contributions of non-financial assets are recognized as revenue in the period received at their fair value. During the fiscal years ended June 30, 2022 and 2021, contributions of non-financial assets totaled \$173,922, of which CSC contributed \$173,922 for office space to the Coalition for each year.

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

All expenses are directly identified with the program or supporting service to which they relate and are charged accordingly. The functional expense classifications are identified in the statement of activities as program or support services.

Fair Value of Financial Instruments

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The fair value measurement of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Coalition had no financial assets or liabilities at June 30, 2022 and 2021 that were measured at fair value on a recurring basis under FASB ASC 820.

Income Taxes

The Coalition is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Coalition is classified as a publicly supported organization other than a private foundation under Section 509(a) of the Code.

The Coalition evaluates its uncertain tax positions in accordance with FASB ASC 740, *Income Taxes*, which states that management's determination of the taxable status of an entity, including its status as a tax exempt entity, is a tax position subject to the standards required for accounting for uncertainty in income taxes. Management does not believe that the Coalition has any significant uncertain tax positions that would be material to the financial statements.

The Coalition's tax returns for tax years 2019 to 2022 are subject to examination by the Internal Revenue Service, generally for a period of three years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from the estimates that were used.

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Pronouncements Implemented

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.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The new guidance is effective for fiscal years beginning after December 15, 2021.

Subsequent Events

The Coalition has evaluated subsequent events through February 2, 2023, which is the date the financial statements were available to be issued.

NOTE B – GRANTS RECEIVABLE

Grants receivable consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Florida's Division of Early Learning	\$ 3,608,774	\$ 4,255,573
Children's Services Council of Palm Beach County	3,648,830	1,922,174
Department of Health and Human Services	1,151,158	858,649
School District of Palm Beach County	29,116	130,949
Other	<u>18,535</u>	<u>65,662</u>
Total	<u>\$ 8,456,413</u>	<u>\$ 7,233,007</u>

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Computer and office equipment	\$ 18,519	\$ 18,519
Less: accumulated depreciation	<u>(14,897)</u>	<u>(13,087)</u>
Total	<u>\$ 3,622</u>	<u>\$ 5,432</u>

Depreciation expense was \$1,811 and \$2,883 for the years ended June 30, 2022 and 2021, respectively.

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE D – LINE OF CREDIT

The Coalition had a \$1,500,000 line of credit at June 30, 2014 which was increased to \$4,500,000 in November 2018 and increased to \$5,500,000 in January 2020. The line of credit has a variable interest rate equal to the Wall Street Journal Prime Rate Index (4.75% at June 30, 2022). The line of credit had a \$0 balance for the fiscal years ending June 30, 2022 and 2021. The Coalition has pledged its inventory, equipment, chattel paper, instruments, deposits, and other assets as defined in the collateral agreement. The pledged equipment does not include equipment purchased with Federal or State grant funds. The line of credit is payable immediately upon the Lender's demand.

NOTE E – NET ASSETS

Without Donor Restrictions

The Coalition's net assets without donor restrictions is comprised of undesignated and equity in fixed assets at June 30:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ (344,025)	\$ (210,991)
Equity in fixed assets	<u>3,622</u>	<u>5,432</u>
Total net assets without donor restrictions	<u>\$ (340,403)</u>	<u>\$ (205,559)</u>

Undesignated

Net assets without donor restrictions are considered as undesignated and used at the discretion of the Board and/or management for general operating purposes. Expenditures from the years ended June 30, 2022 and 2021, are included in the statement of functional expenses.

With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30:

	<u>2022</u>	<u>2021</u>
Quality Programs	\$ 757,732	\$ 962,244
Emergency/Pandemic Support	<u>34,433</u>	<u>124,762</u>
Total net assets with donor restrictions	<u>\$ 792,165</u>	<u>\$ 1,087,006</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors during the year ended June 30 as follows:

	<u>2022</u>	<u>2021</u>
Purpose	\$ 304,841	\$ 347,729
Net assets released from restrictions	<u>\$ 304,841</u>	<u>\$ 347,729</u>

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE F – FEDERAL AND STATE GRANT REVENUE

The Coalition enters into an annual grant agreement with Florida's Division of Early Learning ("FDEL") for implementation of early learning programs including Voluntary Pre-Kindergarten Education Programs ("VPK") and School Readiness ("SR") Programs. The grant agreement with FDEL is for the fiscal year July 1st through June 30th and may be renewed on an annual basis at FDEL's discretion. The Coalition received approximately 80% and 74% of its total support for the years ended June 30, 2022 and 2021, respectively, from Federal and State grant funding through the annual contracts with FDEL.

For the fiscal year ended June 30, 2022, the FDEL allocation to the VPK Program was approximately \$26.6 million and the SR Program was approximately \$114.3 million and required a local match of \$8,988,011 which was provided by the Coalition from local funding sources. For the fiscal year ended June 30, 2021, the allocation to the VPK Program was approximately \$21.7 million and the SR Program was approximately \$86.4 million and required a local match of \$8,523,552, which was provided by the Coalition from local funding sources.

NOTE G – OTHER GRANT REVENUE

Other grant revenue consisted of the following for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Other local matching funds	\$ 320,578	\$ 377,104
School District of Palm Beach County	226,443	134,597
Other local funding	213,013	228,031
Palm Beach County	<u>-</u>	<u>900,000</u>
Total	<u>\$ 760,034</u>	<u>\$ 1,639,732</u>

NOTE H – RELATED PARTY TRANSACTIONS

The Coalition's Board of Directors is required by Florida statutes to include individuals representing certain public and private organizations. Consequently, the Coalition's Board of Directors includes representatives from funding organizations and organizations that receive funds directly and indirectly through the Coalition.

The Coalition's Board, pursuant to enabling legislation, includes one voting representative from CSC and the School District of Palm Beach County (the "District"), both of which provided funding to the Coalition. For the years ended June 30, 2022 and 2021, the Coalition received revenue of \$31,208,734 and \$31,978,450, respectively, from CSC and \$226,443 and \$134,597, respectively, from the District. Grants receivable from related parties are summarized in Note B.

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE H – RELATED PARTY TRANSACTIONS (continued)

The Coalition's Board also includes one voting representative from the Head Start Program and two child care providers. Coalition Board members are prohibited by Florida Statutes and Board policy from voting on any matter that affects the Coalition's funding of their respective organization or otherwise presents a conflict of their respective organization or otherwise present a conflict of interest.

NOTE I – DEFERRED COMPENSATION PLAN

Coalition employees may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 403(b) (a tax deferred annuity plan for tax-exempt organizations). The deferred compensation plan is available to all employees of the Coalition. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or an unforeseeable emergency. Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) administers the deferred compensation plan. The Coalition does not contribute to the plan.

NOTE J – DEFINED CONTRIBUTION PENSION PLAN

The Coalition's Retirement Plan (the "Plan") is a single employer defined contribution pension plan established by the Coalition to provide retirement and death benefits to employees. The Plan is administered by TIAA-CREF. In a defined contribution plan, the pension benefits a participant will receive depend only on the amount contributed to the participant's account and earnings on investments. Under the terms of the Plan agreement, all forfeitures are used to reduce the employer's contributions. Employees are eligible to participate in the Plan after attaining age 21 and completing one year of service. Employees vest 20% per year in employer contributions and are fully vested after five years of credited services.

For employees eligible for the Plan before August 1, 2014, the Coalition contributes 13% of compensation during year one through ten, after which the contribution percentage increases to 15%. For employees eligible for the plan after August 1, 2014, the Coalition contributes 5%, plus an additional discretionary matching contribution. For the fiscal years ended June 30, 2022 and 2021, the discretionary matching contribution percentage was an additional 5%. Plan provisions and contribution requirements are established by and may be amended by the Coalition's Board of Directors. The employer contributions for the years ended June 30, 2022 and 2021, were \$844,600 and \$743,901, respectively, which was equal to the required contribution amount.

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE K – 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 expenses that are allocated on the basis of time and effort recorded bi-weekly include personnel and related expenses, professional services, office equipment and supplies, occupancy, professional development, technology hosting and support, communications, dues and subscriptions, travel, insurance, equipment, postage, miscellaneous. Direct Services (childcare) are directly identified by client eligibility.

NOTE L – COMMITMENTS

Operating Leases

The Coalition has various non-cancelable operating leases for office space, equipment and service contracts with varying terms ranging from three to five years payable through March 2029. Rental, service contracts and related commitments total approximately \$43,000 monthly. Expense under these non-cancellable leases was approximately \$546,000 and \$573,000 for the years ended June 30, 2022 and 2021, respectively.

The remaining payments due under these leases are as follows at June 30, 2022:

<u>Years Ending</u> <u>June 30,</u>	<u>Amount</u>
2023	\$ 513,600
2024	422,400
2025	203,900
2026	148,300
2027	151,100
Thereafter	<u>276,700</u>
Total	<u>\$ 1,716,000</u>

Early Learning Coalition of Palm Beach County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE M – LIQUIDITY AND AVAILABILITY OF RESOURCES

As of June 30, 2022 and 2021, financial assets and liquidity resources available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 8,377,159	\$ 12,678,150
Grant receivables	8,456,413	7,233,007
Due from providers	<u>1,166,747</u>	<u>2,511,743</u>
Total financial assets available within one year	18,000,319	22,422,900
Liquidity resources:		
Line of credit available borrowings	<u>5,500,000</u>	<u>5,500,000</u>
Net financial assets and liquidity resources available within one year	<u>\$ 23,500,319</u>	<u>\$ 27,922,900</u>

NOTE N – RISKS AND UNCERTAINTY

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (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 pandemic.

SUPPLEMENTAL INFORMATION



Partners

W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
Renee C. Varga
Richard F. Hayes
Frank J. Guida
John J. Rody, Jr.
Shawn M. Marshall

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

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

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

American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

**INDEPENDENT AUDITOR'S REPORT 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 Palm Beach County, Inc.
Boynton Beach, 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 Palm Beach County, Inc. (the "Coalition", a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and change in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 2, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Coalition's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control. Accordingly, we do not express an opinion on the effectiveness of the Coalition's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not 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 2, 2023

Early Learning Coalition of Palm Beach County, Inc.

STATEMENT OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2022

Grantor/Program Title	ALN/ CSFA	Award Number	Expenditures
Federal Awards:			
U.S. Department of Health and Human Services			
Direct Award			
Head Start	93.600	04HP000217-03	\$ 1,771,944
Head Start	93.600	04HP000149-03	1,393,185
Head Start	93.600	04HP000149-04	379,766
Head Start	93.600	04HP000159-01	29,350
Total Direct Award			<u>3,574,245</u>
Pass-through from Florida's Division of Early Learning			
Temporary Assistance for Needy Families	93.558	EL392	7,798,324
Social Services Block Grant	93.667	EL392	34,596
Preschool Development Grant	93.434	EL392	416,033
Preschool Development Grant	93.434	EL393	98,416
Child Care Development Fund (CCDF) Cluster			
Child Care and Development Block Grant	93.575	EL392	36,818,019
Child Care and Development Block Grant	93.575	EL393	576,927
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL392	19,654,348
American Rescue Plan Act	93.575	EL392	19,761,049
American Rescue Plan Act	93.575	EL393	1,308,599
Coronavirus Response and Relief Supplemental Appropriations Funds	93.575	EL392	17,092,375
Coronavirus Response and Relief Supplemental Appropriations Funds	93.575	EL393	198,310
Total Child Care Development Fund (CCDF) Cluster			<u>95,409,627</u>
Total U.S. Department of Health and Human Services			<u>107,331,241</u>
U.S. Department of Education			
Pass-through from Florida's Division of Early Learning			
Education Stabilization Fund	84.425D	EL392	8,879
Total U.S. Department of Education			<u>8,879</u>
Pass-through from Career Source Palm Beach County			
WIA/WIOA Adult Program	17.258		95,208
WIA/WIOA Youth Activities	17.259		10,890
WIA/WIOA Dislocated Worker Formula Program	17.278		7,690
Total Pass-through from Career Source Palm Beach County			<u>113,788</u>
Total Expenditures of Federal Awards			<u>\$ 107,453,908</u>
State Financial Assistance:			
Florida Department of Education			
Pass-through from Florida's Division of Early Learning			
Voluntary Pre-Kindergarten Education Program	48.108	EL392	\$ 26,570,767
Voluntary Pre-Kindergarten Education Program - GR	SGU	EL392	2,244
Total Pass-through from Florida's Division of Early Learning			<u>26,573,011</u>
Total Florida Department of Education			<u>26,573,011</u>
Total Expenditures of State Financial Assistance			<u>\$ 26,573,011</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 134,026,919</u>

Early Learning Coalition of Palm Beach County, Inc.

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

June 30, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes the Federal grant and State financial assistance project activity of Early Learning Coalition of Palm Beach County, Inc. (the "Coalition") under programs of the federal government and the State of Florida for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Florida Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of the Coalition, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Coalition.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and cost principles established by the State of Florida Department of Financial Services, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers (contract or grant number) are presented where available.

NOTE C – MATCHING REQUIREMENTS

Contract EL392 with Florida's Division of Early Learning ("FDEL") includes \$10,637,564 of State funding that is designated as matching funds for certain Federal awards. The FDEL matching funds are not reported as Federal awards in the accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance, nor are the FDEL matching funds subject to the Florida Single Audit Act since they are not considered State Financial Assistance under the Florida Single Audit Act. For audit testing purposes, the funds are included with the Federal award programs for which they are designated as matching. The amounts designated as matching funds for Federal award programs are summarized as follows:

<u>ALN Number</u>	<u>Amount</u>
93.596	\$ 6,395,429
93.558	4,242,135
Total	<u>\$ 10,637,564</u>

The Coalition is required to provide a local match for certain Federal and State funds received through FDEL. For the year ended June 30, 2022, the Coalition's total required local match was \$8,988,011 and the local matching funds provided by the Coalition totaled \$8,988,011.

Early Learning Coalition of Palm Beach County, Inc.

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

June 30, 2022

NOTE D – CONTINGENCY

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the Federal government and the State of Florida. Any disallowed claims, including amounts already received, might constitute a liability of the Coalition for the return of those funds. In the opinion of management, all grant expenditures were in compliance with the terms of the grant agreements and applicable Federal and State laws and regulations.

NOTE E – 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.



Partners

W. Ed Moss, Jr.
Joe M. Krusick
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Ric Perez
Renee C. Varga
Richard F. Hayes
Frank J. Guida
John J. Rody, Jr.
Shawn M. Marshall

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

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

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

American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT 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 Palm Beach County, Inc.
Boynton Beach, Florida

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited Early Learning Coalition of Palm Beach 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*, 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's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial 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) and State of Florida Chapter 10.650, *Rules of the Auditor General* (Chapter 10.650). Our responsibilities under those standards and the Uniform Guidance and Chapter 10.650 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Coalition's 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 and Chapter 10.650 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the 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*, and the Uniform Guidance and Chapter 10.650, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Coalition's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Coalition's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida
February 2, 2023

Early Learning Coalition of Palm Beach County, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

- | | |
|---|--------------------|
| 1. Type of auditor’s report issued: | Unmodified Opinion |
| 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 Programs and State Financial Assistance Projects

- | | |
|---|--------------------|
| 1. Internal control over major Federal Award Programs and State Financial Assistance Projects: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 2. Type of auditor’s report issued on compliance for major Federal Award Programs and State Financial Assistance Projects programs: | Unmodified Opinion |
| 3. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | No |
| 4. Any audit findings disclosed that are required to be Reported in accordance with Chapter 10.650, Rules of the Audit General? | No |

Identification of Major Programs

- | <u>Major Federal Award Programs and Clusters</u> | <u>ALN Number</u> |
|--|--------------------------|
| 1. U.S. Department of Health and Human Services
Pass-through from Florida’s Division of Early Learning
Temporary Assistance or Needy Families (TANF)
Child Care Development Fund (CCDF) Cluster | 93.558
93.575, 93.596 |
| 2. Dollar threshold used to distinguish between Type A and Type B programs: | \$ 3,223,617 |
| 3. Auditee qualified as low-risk auditee? | Yes |

Early Learning Coalition of Palm Beach County, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS (continued)

<u>Major State Financial Assistance Project</u>	<u>State CSFA Number</u>
1. Florida Department of Education Pass-through from Florida’s Division of Early Learning Voluntary Pre-Kindergarten Education Program	48.108
2. Dollar threshold used to distinguish between Type A and Type B programs:	\$ 797,190

SECTION II – ENHANCED FIELDS SYSTEM MODERNIZATION (EFS MOD) MONTHLY RECONCILIATION

1. EFS Mod reconciled monthly	Yes
2. Processes in place to identify and correct errors during monthly reconciliations to EFS Mod	Yes
3. Coalition’s financial records reconcile and agree to EFS Mod records as of program year ended June 30, 2022	Yes
4. Audit work papers documenting verification of reconciliations available to DEL staff	Yes

SECTION III – FINANCIAL STATEMENT FINDINGS

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

**SECTION IV – FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FINDINGS AND QUESTIONED COSTS**

There were no current year audit findings.

SECTION V – STATUS OF PRIOR YEAR AUDIT FINDINGS

There were no prior year audit findings.



Partners

W. Ed Moss, Jr.
Joe M. Krusick
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Winter Park, FL 32789
501 S. New York Ave.
Suite 100
Phone: 407-644-5811
www.mosskrusick.com

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

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

American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

MANAGEMENT LETTER

To the Board of Directors of
Early Learning Coalition of Palm Beach County, Inc.
Boynton Beach, Florida

Report on the Financial Statements

We have audited the financial statements of Early Learning Coalition of Palm Beach County, Inc. (the "Coalition") as of and for the fiscal year ended June 30, 2022 and have issued our report thereon February 2, 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 in *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 February 2, 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 did not note any such findings.

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
February 2, 2023