

**EARLY LEARNING COALITION OF FLORIDA'S
GATEWAY, INC.**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2023
(With Summarized Financial Information for
the Year Ended June 30, 2022)

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**EARLY LEARNING COALITION OF FLORIDA'S
GATEWAY, INC.**

BOARD MEMBERS

June 30, 2023

| | |
|---------------------|------------------------|
| Connie Anderson | Chair |
| Dr. Pamela Carswell | Vice Chair |
| Mantha Young | Treasurer |
| John Burns | Secretary |
| Janene Fitzpatrick | Member |
| Diane Head | Member |
| Thomas Moffses | Member |
| Carol Milton | Member |
| Michelle Ward | Member |
| Terri Boyette | Member |
| Patricia Brantley | Member |
| Melanie Howard | Member |
| Brandon Fernald | Member |
| Dr. Jimbo Haley | Member |
| Trevor Hickman | Member |
| Eva Jallah | Member |
| Myron McClendon | Member |
| Stacy Rimes | Ex-officio, voting |
| Lisa Newman | Ex-officio, non-voting |
| Dawn Odum | Ex-officio, non-voting |
| Annie Pinello | Ex-officio, non-voting |
| Kerry Waldron | Ex-officio, non-voting |
| Lashone T. Surrency | Executive Director |
| Zackery Hackley | Finance Director |

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**EARLY LEARNING COALITION OF FLORIDA'S
GATEWAY, INC.**

FINANCIAL STATEMENTS

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(With Summarized Financial Information for the Year
Ended June 30, 2022)

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FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Early Learning Coalition of Florida's Gateway, Inc.
Lake City, Florida

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the Early Learning Coalition of Florida's Gateway, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Early Learning Coalition of Florida's Gateway, Inc., 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

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. I am required to be independent of the Early Learning Coalition of Florida's Gateway, Inc., and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Early Learning Coalition of Florida's Gateway, Inc, adopted Accounting Standards Update (ASU) 2016-02 as amended, Leases (Topic 842). My opinion is not modified with respect to this matter.

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 Early Learning Coalition of Florida's Gateway, Inc's, ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

I am 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 I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650 *Rules of the Auditor General* 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 my opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

I was previously engaged to audit the Early Learning Coalition of Florida's Gateway, Inc.'s 2022 financial statements, and I expressed an unmodified audit opinion on those financial statements in my report dated March 10, 2023. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated February 23, 2024, on my consideration of the Early Learning Coalition of Florida's Gateway, Inc.'s, internal control over financial reporting and on my 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 my 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 Early Learning Coalition of Florida's Gateway, 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 Florida's Gateway, Inc.'s, internal control over financial reporting and compliance.



Kenneth M. Daniels
Certified Public Accountant
February 23, 2024

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FINANCIAL STATEMENTS

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EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2023

(With Summarized Financial Information as of June 30, 2022)

Assets

| | | |
|--------------------------------------|---------------------|---------------------|
| Current assets | <u>2023</u> | <u>2022</u> |
| Cash | \$ 1,644,877 | \$ 506,077 |
| Due from providers | 67,268 | 67,268 |
| Due from State of Florida | <u>18,798</u> | <u>783,596</u> |
| Total current assets | <u>1,730,943</u> | <u>1,356,941</u> |
| Fixed assets | | |
| Computer equipment and software | 103,467 | 103,467 |
| Office equipment and furniture | 6,086 | 6,086 |
| Leasehold improvements | 34,076 | 34,076 |
| Vehicles | <u>84,447</u> | <u>84,447</u> |
| Total depreciable assets | 228,076 | 228,076 |
| Accumulated depreciation | <u>(213,966)</u> | <u>(207,627)</u> |
| Total net fixed assets | <u>14,110</u> | <u>20,449</u> |
| Right of use asset - operating lease | <u>-</u> | <u>-</u> |
| Total assets | <u>\$ 1,745,053</u> | <u>\$ 1,377,390</u> |

Liabilities and Net Assets

| | | |
|--------------------------------------|---------------------|---------------------|
| Current liabilities | | |
| Accounts payable | \$ 925,943 | \$ 931,636 |
| Accrued wages, taxes and withholding | 55,948 | 112,433 |
| Due to State of Florida | <u>556,914</u> | <u>113,325</u> |
| Total current liabilities | <u>1,538,805</u> | <u>1,157,394</u> |
| Net assets | | |
| Without donor restrictions | <u>206,248</u> | <u>219,996</u> |
| Total liabilities and net assets | <u>\$ 1,745,053</u> | <u>\$ 1,377,390</u> |

EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

(With Summarized Financial Information for the Year Ended June 30, 2022)

| | | |
|--|-------------------|-------------------|
| Revenues, Gains, and Other Support | | |
| School Readiness Funding | <u>2023</u> | <u>2022</u> |
| Federal grants | \$ 19,329,504 | \$ 10,947,309 |
| State grants | 3,149,033 | 2,360,505 |
| Other contractual | 8,425 | 2,855 |
| Contributions | 6,832 | 4,625 |
| Miscellaneous | <u>24,845</u> | <u>3,476</u> |
| Total revenues, gains, and other support | <u>22,518,639</u> | <u>13,318,770</u> |
| Expenses | | |
| Program Services | | |
| School readiness programs | 1,468,346 | 1,585,040 |
| ARPA Funding | 7,705,739 | 1,060,051 |
| CRRSA Funding | 277,565 | 1,633,177 |
| Direct services | <u>12,588,768</u> | <u>8,986,068</u> |
| Total program services | <u>22,040,418</u> | <u>13,264,336</u> |
| Supporting Services | | |
| Management and general | <u>491,969</u> | <u>504,937</u> |
| Total operating expenses | 22,532,387 | 13,769,273 |
| Change - increase (decrease) - in net assets | (13,748) | (450,503) |
| Net assets at beginning of year | <u>219,996</u> | <u>670,499</u> |
| Net assets at end of year | <u>\$ 206,248</u> | <u>\$ 219,996</u> |

EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2023

(With Summarized Financial Information for the Year Ended June 30, 2022)

| Expenses | <u>Program Services</u> | | | | <u>Management and General</u> | <u>Totals</u> | |
|--------------------------------|-------------------------|------------------------|---------------------|-------------------|-----------------------------------|----------------------|----------------------|
| | <u>School Readiness</u> | <u>Direct Services</u> | <u>ARPA</u> | <u>CRRSA</u> | | <u>2023</u> | <u>2022</u> |
| Salaries | \$ 804,225 | \$ - | \$ 46,677 | \$ - | \$ 336,180 | \$ 1,187,081 | \$ 1,038,005 |
| Payroll taxes | 55,954 | - | 2,589 | - | 39,974 | 98,516 | 76,409 |
| Benefits reemployment | - | - | - | - | - | - | 1 |
| Health Insurance | 169,659 | - | 8,479 | - | (29,192) | 148,947 | 90,712 |
| Retirement | 23,658 | - | 1,912 | - | 16,381 | 41,951 | 40,389 |
| Other benefits | (542) | - | 25 | - | 517 | - | - |
| Staff development | 4,368 | - | 195 | - | 844 | 5,407 | 674 |
| Professional fees | 3,168 | - | 56 | - | 15,437 | 18,661 | 18,261 |
| Repairs and maintenance | 4,959 | - | 251 | - | 1,928 | 7,137 | 10,279 |
| Direct services | - | 12,588,768 | - | - | - | 12,588,768 | 9,294,888 |
| Occupancy | 96,447 | - | 3,555 | - | 33,863 | 133,865 | 112,281 |
| Postage, freight and delivery | 815 | - | 13 | - | 278 | 1,106 | 1,888 |
| Office supplies/expense | 9,513 | - | 501 | - | 4,314 | 14,329 | 9,801 |
| Communications | 16,980 | - | 570 | - | 6,031 | 23,581 | 21,329 |
| Insurance | 13,015 | - | 387 | - | 4,083 | 17,485 | 11,522 |
| Equipment <\$1000 | 40,222 | - | 62 | - | 195 | 40,480 | 112,948 |
| Quality and classroom supplies | 53,173 | - | 1 | - | 21,656 | 74,830 | 115,404 |
| Training materials/space | 2,703 | - | 203,914 | - | 2 | 206,619 | 5,345 |
| Consumer education | 36,712 | - | 64 | - | 14,860 | 51,635 | 37,362 |
| Grants to providers | 21,253 | - | 7,336,726 | 118,635 | - | 7,476,613 | 2,661,748 |
| Scholarships & other ed opps | 7,256 | - | - | - | 10 | 7,266 | 13,386 |
| Wage incentives | 26,420 | - | 96,900 | 158,930 | 8,800 | 291,050 | 4,125 |
| Travel and training | 33,564 | - | 572 | - | (5,598) | 28,538 | 17,013 |
| Bank fees | - | - | - | - | 518 | 518 | 51 |
| Application software licensing | 19,099 | - | 1,053 | - | 5,351 | 25,503 | 24,575 |
| Web service/hosting | 8,820 | - | 935 | - | 3,144 | 12,899 | 8,380 |
| Other employee expenses | 4,253 | - | 76 | - | 1,230 | 5,559 | 7,023 |
| Dues and subscriptions | 3,598 | - | 67 | - | 951 | 4,616 | 6,324 |
| Taxes, licenses, fees | 9,054 | - | 161 | - | 3,874 | 13,089 | 17,604 |
| Depreciation | - | - | - | - | 6,339 | 6,339 | 11,546 |
| Total expenses | <u>\$ 1,468,346</u> | <u>\$ 12,588,768</u> | <u>\$ 7,705,739</u> | <u>\$ 277,565</u> | <u>\$ 491,969</u> | <u>\$ 22,532,387</u> | <u>\$ 13,769,273</u> |

EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2023

(With Summarized Financial Information for the Year Ended June 30, 2022)

| | | |
|--|---------------------|---------------------|
| Cash flows from operating activities | <u>2023</u> | <u>2022</u> |
| Cash received from federal and state grants | \$ 23,243,335 | \$ 13,384,994 |
| Cash received from contractual services | 8,425 | 2,855 |
| Cash received from contributions and miscellaneous | 6,832 | 8,101 |
| Cash received from miscellaneous | 24,845 | - |
| Cash paid to employees | (1,243,566) | (942,230) |
| Cash paid for employee taxes and benefits | (289,414) | (208,185) |
| Cash paid for supplies and provider assistance | (8,460,785) | (3,685,301) |
| Cash paid for childcare | <u>(12,150,872)</u> | <u>(9,012,102)</u> |
| Net cash provided (used) by operating activities | 1,138,800 | (451,868) |
| | | |
| Cash - beginning | <u>506,077</u> | <u>957,945</u> |
| Cash - ending | <u>\$ 1,644,877</u> | <u>\$ 506,077</u> |
| | | |
| Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities | | |
| | | |
| Increase (decrease) in net assets | <u>\$ (13,748)</u> | <u>\$ (450,503)</u> |
| | | |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities | | |
| | | |
| Depreciation | 6,339 | 11,546 |
| Decrease (increase) in operating assets | | |
| Grant funds receivable | 764,798 | 77,180 |
| Due from providers | - | 65,822 |
| Increase (decrease) in operating liabilities | | |
| Accounts payable | (5,693) | 216,964 |
| Accrued payroll, taxes and withholding | (56,485) | 95,774 |
| Due to the State | <u>443,589</u> | <u>(468,651)</u> |
| Total adjustments | <u>1,152,548</u> | <u>(1,365)</u> |
| Net cash provided (used) by operating activities | <u>\$ 1,138,800</u> | <u>\$ (451,868)</u> |
| | | |
| Noncash transactions | | |
| Right of use asset - operating lease | \$ 331,401 | \$ - |
| Operating lease liability | (331,401) | - |
| Equipment disposal | - | 45,949 |

**EARLY LEARNING COALITION OF FLORIDA'S
GATEWAY, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose - The Early Learning Coalition of Florida's Gateway, Inc. (Coalition), is a nonprofit corporation organized on May 2, 2000, for the purpose of providing opportunities for at risk, birth to kindergarten children and enhancing their chances for educational success. The Coalition was specifically formed to implement the provisions of the "Florida School Readiness Act" in the counties of Columbia, Hamilton, Lafayette, Suwannee, and Union.

The Organization is governed by a voluntary board of directors selected from the five-county area.

The Organization is primarily funded by grant contracts with the State of Florida Division of Early Learning, which includes State and Federal grant funding for childcare and school readiness programs. The Organization primarily provides its school readiness and VPK services through contractual arrangements with area childcare providers and school boards.

Revenues supporting the Organization are primarily federal and state grants, contractual services, and contributions.

Basis of Accounting - The Coalition follows standards of accounting and financial reporting prescribed for voluntary health and welfare agencies. It uses the accrual basis of accounting, which recognizes revenues when earned and expenses as incurred. Federal, state, and local government and other public grants are recorded as support when performance occurs under the terms of the grant agreement.

The costs of providing the various programs and other activities have been detailed in the Statement of Functional Expenses and summarized on a functional basis in the Statement of Activities. Salaries and other expenses which are associated with a specific program are charged directly to that program. Salaries which benefit more than one program are allocated to the various programs based on employee time spent in each functional area. Other expenses which benefit more than one area are allocated based on the averaged employee time spent in the various cost centers.

Financial Statement Presentation - The financial statement presentation is presented as required by the Section 958, Not for Profit Entities, in the Financial Accounting Standards Board (FASB) Accounting Standards Codification.

Under the Codification, the Early Learning Coalition of Florida's Gateway, Inc., is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction, which represents the expendable resources that are

available for operations at management's discretion and net assets with donor restrictions which are restricted by the donor as to purpose or time.

In accordance with the above referenced Codification, contributions received are recorded as without donor restrictions or with donor restrictions.

During the year ending June 30, 2023, all net assets were classified as net assets without donor restrictions.

Promises to Give – Based on FASB Codification 958-605-25, contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in donor restricted net assets depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

During the year ending June 30, 2023, all contributions were recorded as net assets without donor restrictions.

Cash Equivalents - As applicable, cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase. At June 30, 2023, the Organization had no investments, which it considered cash equivalents.

Property and Depreciation - The Organization follows the practice of capitalizing all property and equipment expenditures in excess of \$5,000, at cost, or, if donated, at fair market value. The Organization utilizes straight line depreciation with useful lives ranging from 5-10 years.

Property and equipment are valued at historical cost. Donated property and equipment are valued at estimated fair value at the date of donation. Such donations are reported as contributions without donor restrictions 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 contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and Equipment Acquired by Grants - All property and equipment purchased with funds provided by federal or state funded programs is the property of the federal government or State of Florida. The Coalition uses the property and equipment in its operations and is required to maintain physical control over these assets. The titles to the assets are held by the Organization. Disposition of fixed assets exceeding established amounts requires prior approval by the federal pass-through agency, the State of Florida, Division of Early Learning.

Revenue Recognition - The Organization's primary revenue is derived from annual grants awarded

by the State of Florida, Division of Early Learning. These grant revenues, which are susceptible to accrual, are recognized when they become measurable and available. Other revenues, if any, are recorded on the accrual basis of accounting.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions without donor restrictions - The Organization reports contributions with donor restrictions as contributions without donor restrictions when any donor-imposed restrictions are met within the same reporting period in which the contribution is received.

Uncertain Tax Positions – The Organization considered FASB Codification 740-10-50-15. As a result, it determined that the primary tax position of the Organization is its filing status as a tax-exempt entity. In addition, the Organization determined that it is more likely than not that its tax positions would be sustained upon examination by the Internal Revenue Service (IRS).

Prior Year Summarized Comparative Information – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30 of the prior year, from which the summarized information was derived.

Adoption of ASU No. 2016-02 – On July 1, 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The ASU was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The adoption resulted in the following changes to the financial statement line items in the current period:

| | | |
|---|----|-----------|
| Right of use asset | \$ | 331,401 |
| Accumulated depreciation - right of use asset | | (261,266) |
| Lease liability | | (70,135) |
| Net assets | | - |

NOTE 2. CASH

Cash includes amounts in demand deposits as well as short-term money market investment accounts. Cash in demand deposits is secured by federal depository insurance. There were no restrictions on the cash balances at June 30, 2023.

At June 30, 2023, the total bank balances were \$4,199,961, of which \$271,789, was covered by the Federal Deposit Insurance Corporation (FDIC). The remaining balance is insured by the Bureau of Collateral Management, Florida Department of Financial Services.

NOTE 3. DUE FROM STATE OF FLORIDA

Due from the State of Florida, consists of amounts owed to the Coalition for child care services provided prior to June 30, 2023. Management considers the amounts fully collectible.

No provision for uncollectible amounts is provided for in the financial statements. All amounts were collected post year end.

Due from the State of Florida consisted of the following:

Federal grants - School Readiness \$ 18,798

NOTE 4. DUE FROM SCHOOL READINESS PROVIDERS

Due to a software upgrade, estimated amounts were paid to school readiness providers throughout the 2018-19 fiscal year. During the 2019-20 fiscal year, the Coalition corrected the estimated amounts and determined the balances that were owed to/by the Coalition and to/by various providers due to the under/overpayments (estimated vs. actual).

The balances were also subjected to review and approval by the Providers.

Upon the documentation, review, and approval of the amounts; the Providers with balances owed to the Coalition agreed to the following terms: 1. a one-time payment 2. six-month repayment plan or 3. coalition approved plan, agreeing to monthly payment amounts.

The amount that remains due from providers at June 30, 2023, is \$67,268.

The Coalition expects the amounts to be repaid and has not recorded an allowance for doubtful provider amounts.

NOTE 5. FIXED ASSETS AND DEPRECIATION

Depreciation of furniture and fixtures, and machinery and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. In accordance with the Organization's policy, assets costing less than \$5,000 are generally fully expensed in their year of acquisition.

Depreciation expense for the period ended June 30, 2023, was \$6,339.

| Fixed asset type | <u>Cost</u> | <u>Life</u> |
|--------------------------------|------------------|-------------|
| Computer hardware/software | \$ 103,467 | 5 |
| Office equipment and furniture | 6,086 | 5 |
| Leasehold improvements | 34,076 | 5-10 |
| Vehicles | <u>84,447</u> | 5 |
| Total fixed assets | 228,076 | |
| Accumulated depreciation | <u>(213,966)</u> | |
| Net fixed assets | <u>\$ 14,110</u> | |

NOTE 6. REVENUE FROM CONTRACTS

The Organization provides educational related services to the University of Florida under Contract SR974. Revenue from the contract is generated in hourly rates of \$125 and \$35 based on online and administrative fees. Revenues are earned upon the provision of the service.

The monthly revenue amounts were as follows:

| <u>Month</u> | | <u>Revenues</u> |
|--------------|----|-----------------|
| Jul-22 | \$ | 300 |
| Jul-22 | | 1,385 |
| Jan-23 | | 770 |
| Jan-23 | | 1,240 |
| Feb-23 | | 2,420 |
| Mar-23 | | 1,100 |
| Mar-23 | | 110 |
| May-23 | | 1,100 |
| | \$ | <u>8,425</u> |

No amounts were owed under the above contract at June 30, 2023.

NOTE 7. RETIREMENT

In 2015, the Organization adopted a Safe Harbor 401(k) Plan. Under the plan, the Organization makes an employer matching contribution of up to six percent of an employee's wages. The individual accounts are one-hundred percent vested and are funded on a per-pay-period basis.

For the year ending June 30, 2023, the Organization incurred \$41,951 in retirement expense.

NOTE 8. OPERATING LEASE - FACILITY

The Organization rents administrative offices at 1104 SW Main Street Lake City, Florida, from Cat Properties of Lake City, LLC. In October 2017, the Organization executed a lease which continues for a five-year period with an option to extend for an additional five-year period under the same terms.

The Organization does not consider any additional renewal periods to be reasonably certain of being exercised, as comparable locations could generally be identified within the same area for comparable lease rates.

The lease agreement calls for fixed monthly rental payments of \$5,940 (annual total \$71,280). A monthly reimbursement for utility fees is paid in an amount of \$75.

During the year ending June 30, 2023, the Organization recognized rent (occupancy) expense associated with the above lease as follows:

| | |
|-------------------------------------|------------------|
| Operating lease cost | |
| Fixed rent expense (net lease cost) | <u>\$ 71,280</u> |

| | |
|---------------------------|------------------|
| Lease cost | |
| Lease cost - depreciation | \$ 70,135 |
| Lease cost - interest | <u>1,145</u> |
| Net lease cost | <u>\$ 71,280</u> |

Amounts recognized as right-of-use assets related to the operating lease is included in the accompanying statement of financial position. The right-of-use lease liability is included in the current and long-term liabilities section. At June 30, 2023, the right-of-use assets and lease liabilities were as follows:

| | |
|--|------------------|
| Right of use asset - operating lease | 331,401 |
| Right of use asset - operating lease accumulated depreciation | <u>(331,401)</u> |
| Operating lease ROU assets (net) | <u>\$ -</u> |
| Operating lease liabilities | |
| Current portion | \$ - |
| Long-term portion | <u>-</u> |
| Total operating lease liabilities | <u>\$ -</u> |

During the year ended June 30, 2023, the Organization had the following cash and non-cash activities associated with the operating lease:

| | |
|--|-------------------|
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows from operating leases | <u>\$ 71,280</u> |
| Non-cash investing and financing activities | |
| New operating lease liabilities (adoption) | <u>\$ 331,401</u> |

There were no future payments due under the above operating lease and no remaining lease term for the operating lease at June 30, 2023.

Because the Organization does not have access to the rate implicit in the lease, it uses an incremental borrowing rate as the discount rate. The weighted average discount rate associated with the operating lease as of June 30, 2023 was 3%.

NOTE 9. INCOME TAXES

The Organization has been granted an exemption from income taxes under Internal Revenue Code, Section 501(c)(3), as a nonprofit corporation. As required by Internal Revenue Service regulations, the Organization annually files a Form 990, "Return of Organization Exempt from Income Tax".

No taxes were owed by the Organization for the year ended June 30, 2023.

NOTE 10. CONTINGENCIES

There is a contingent liability because all audits/monitoring's have not been completed for the fiscal year ended June 30, 2023. Under provisions of the funding agreements, any expenditure determined not in compliance with grant regulations would be subject to repayment by the Organization.

The Organization's administration believes that all expenditures were significantly in compliance with grant regulations.

NOTE 11. CONCENTRATION OF CREDIT RISK

Financial instruments which subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents in a local bank which at times may exceed the FDIC limits. However, because of classification as public funds, any amounts that exceed FDIC coverage are insured through the Bureau of Collateral Management, Division of Treasury, and Department of Financial Services.

The Organization has no policy requiring collateral or other security to support its receivables.

NOTE 12. EXPENSES BY FUNCTION

Expenses by function have been allocated among program and supporting services classifications on the basis of employee time records based on personal activity reports (PARs). Hours by function are entered on a spreadsheet and an average by department (Administrative/finance, Provider Support, and Family Support) is computed. The average by department is totaled by function and multiplied by the total number of employees. The average by employee is used to allocate those costs that are not directly charged. The process is updated on a monthly basis.

The plan was approved by the Florida Division of Early Learning.

NOTE 13. CONCENTRATION OF REVENUE SOURCES

Approximately 99% of the Organization's revenues are derived from one state grant contract which must be renewed annually.

NOTE 14. DONATED SERVICES

The Organization also receives contributed services from various individuals. Volunteer services are recorded in accordance with FASB Codification 958-605-25-16 if they: 1 create or enhance nonfinancial assets or 2 require specialized skills and are provided by the individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The contributed services provided to the Organization during the year ending June 30, 2023, did not meet the revenue recognition criteria above and were not recorded.

In addition, the fair market value of the unrecorded donated services has not been estimated.

Volunteer services were provided to all programs.

NOTE 15. LIQUIDITY AND AVAILABILITY

Liquidity

The Organization regularly monitors liquidity required to meet its operating needs and other contractual agreements, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash, advances from DEL, and a line of credit.

The Organization’s goals for maintaining financial assets are indicated in its Financial Policy and Procedures: “monitor cash flow needs on a weekly basis to eliminate idle funds and to ensure that payment obligations can be met.”

The Organization’s policy for maintaining financial assets is indicated in its Financial Policy and Procedures: “Any funds in excess of two months’ anticipated cash flow needs held in the operating checking account shall be transferred into the Organization’s money market account.”

Due to advances provided by the Florida Division of Early Learning, the Organization has not required any short-term funding via a line of credit or other means.

Availability of Resources for General Expenses within One Year

Resources available to fund general operating expenses have monthly variations due to VPK and the related school year. The Organization actively manages its advance from DEL and monthly reimbursement requests to align its inflows with anticipated outflows.

At June 30, 2023, existing financial assets and liquidity resources available within one year were as follows:

Financial assets available for general expenses within one year

| | | |
|----------------------------------|----|------------------|
| Cash | \$ | 1,644,877 |
| Due from others | | 86,066 |
| Total available financial assets | \$ | <u>1,730,943</u> |

NOTE 16. RECONCILIATION OF DEL CONFIRMED REVENUE TO STATEMENT OF ACTIVITIES BALANCES

The following schedule reconciles the DEL confirmed revenue total to the amount reported on the Organization’s financial statements:

| | | |
|----------------------------|----|-------------------|
| Confirmed revenues per DEL | \$ | <u>22,478,537</u> |
| Per financial statements | | |
| SR | \$ | 19,329,504 |
| VPK | | <u>3,149,033</u> |
| Total | \$ | <u>22,478,537</u> |

NOTE 17. RELATED PARTY TRANSACTIONS

The composition of the Coalition's Board of Directors includes seven persons (includes voting and nonvoting members) associated with Pre-K/School Readiness providers who received payments from the Organization during the year ended June 30, 2023.

The amounts paid to the providers are as follows:

| <u>Board Member</u> | <u>Daycare Provider</u> | <u>Total Expended</u> |
|---------------------|---|-----------------------|
| T Boyette | Castle Hill Academy, Inc | \$ 1,111,392 |
| D Odum * | Columbia County School Board | 840,803 |
| L Newman * | Lafayette Co School Board of Public Instruction | 114,406 |
| J Fitzpatrick * | Suwannee County School District | 392,161 |
| M. Ward | Suwannee Valley 4Cs | 104,610 |
| S Rimes * | Union County School Board | 508,490 |

* nonvoting members

The terms of these contracts were substantially the same as for other child care providers.

NOTE 18. SUBSEQUENT EVENTS

The Organization’s management has evaluated subsequent events through February 23, 2024, the date which the financial statements were available for issuance and reports the following:

Grant Award

On July 1, 2023, the State of Florida Division of Early Learning awarded the Organization the following grant:

EL024 Grant Amount \$ 17,491,328 (as amended)

NOTE 19. RECONCILIATION OF FINANCIAL RECORDS TO SCHOOL READINESS DATA AND REPORTING SYSTEM

During the year ending June 30, 2023, a monthly reconciliation of the Organization’s financial records to the statewide School Readiness data and reporting system was generally performed in a timely and satisfactory manner based on the advances awarded and actual payments requested.

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COMPLIANCE SECTION

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

To the Board of Directors of the
Early Learning Coalition of Florida’s Gateway, Inc.
Lake City, Florida

I 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 the Early Learning Coalition of Florida’s Gateway, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated February 23, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Early Learning Coalition of Florida’s Gateway, Inc.’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Early Learning Coalition of Florida’s Gateway, Inc.’s internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization’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, to detect, 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.

My 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 my audit I did

not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Early Learning Coalition of Florida's Gateway, Inc.'s financial statements are free of material misstatement, I 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 determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kenneth M. Daniels
Certified Public Accountant
February 23, 2024

EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

For the Fiscal Year Ended June 30, 2023

| Federal Grantor/Pass through Grantor/Program, Project, or Cluster Title | Federal Assistance Listing/State CSFA Number | Pass-through Entity Identifying Number | Contract Period | | Grant/ Contract Amount | Total Federal/State Expenditures | Provided to Subrecipients | Deferred Revenue 6/30/2023 |
|--|--|--|--------------------|----------|------------------------------|--|------------------------------|----------------------------------|
| Federal Financial Assistance | | | | | | | | |
| U.S. Department of Health and Human Services passed through Florida's Office of Early Learning | | | | | | | | |
| Temporary Assistance for Needy Families | 93.558 | EL023 | 7/1/2022 | 06/30/23 | \$ 1,209,370 | \$ 1,209,370 | \$ - | \$ - |
| Childcare and Development Block Grant * | 93.575 | EL023 | 7/1/2022 | 06/30/23 | 4,720,118 | 4,720,118 | - | - |
| Childcare and Development Block Grant * | | | | | | | | |
| Covid-19 Supplemental CRRSA Act Funds* | 93.575 | EL023 | 7/1/2022 | 06/30/23 | 700,331 | 700,331 | - | - |
| Covid-19 Supplemental CARES Act Funds* | 93.575 | EL023 | 7/1/2022 | 06/30/23 | 35,671 | 35,671 | - | - |
| Covid-19 Supplemental ARP Act Funds* | 93.575 | EL023 | 7/1/2022 | 06/30/23 | 10,795,598 | 10,795,598 | - | - |
| Childcare Mandatory and Matching Funds * | 93.596 | EL023 | 7/1/2022 | 06/30/23 | 1,773,677 | 1,773,677 | - | - |
| Total Child Care and Development Fund Cluster | | | | | 18,025,395 | 18,025,395 | - | - |
| Preschool Development Grants | 93.434 | EL023 | 7/1/2022 | 06/30/23 | 92,001 | 92,001 | - | - |
| Social Services Block Grant | 93.667 | EL023 | 7/1/2022 | 06/30/23 | 2,738 | 2,738 | - | - |
| Total federal financial assistance | | | | | 19,329,504 | 19,329,504 | - | - |
| State Financial Assistance | | | | | | | | |
| Florida's Office of Early Learning | | | | | | | | |
| Voluntary Pre-K Education Program | 48.108 | EL023 | 7/1/2022 | 06/30/23 | 3,149,033 | 3,149,033 | - | - |
| Total all assistance | | | | | \$ 22,478,537 | \$ 22,478,537 | \$ - | \$ - |

* Cluster of programs

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant/contract activity for the Early Learning Coalition of Florida's Gateway, Inc., under programs of the federal and state governments for the year ended June 30, 2023. 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) and State of Florida, *Rules of the Auditor General* 10.650. Because the Schedule presents only a selected portion of the operations of the Early Learning Coalition of Florida's Gateway, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Early Learning Coalition of Florida's Gateway, Inc.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. When applicable, negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenses in prior years.

Note 3. Indirect Cost Rate

The Early Learning Coalition of Florida's Gateway, Inc., did not elect to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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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 CHAPTER 10.650 RULES OF THE AUDITOR GENERAL

To the Board of Directors of
Early Learning Coalition of Florida's Gateway, Inc.
Lake City, Florida

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

I have audited Early Learning Coalition of Florida's Gateway, Inc.'s, compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, and the special audit guidance provided by the Florida Division of Early Learning that could have a direct and material effect on each of Early Learning Coalition of Florida's Gateway, Inc.'s, major federal programs and state projects for the year ended June 30, 2023. The Early Learning Coalition of Florida's Gateway, Inc.'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 my opinion, the Early Learning Coalition of Florida's Gateway, Inc., 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

I conducted my 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, Audit Requirements for Federal Awards (Uniform Guidance), and the *Department of Financial Services' State Projects Compliance Supplement*, and the special audit guidance provided by the Florida Division of Early Learning. My responsibilities under those federal and state standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of the Early Learning Coalition of Florida's Gateway, Inc., and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program and state project. My audit does not provide a legal determination of the Early Learning Coalition of Florida's Gateway, Inc.'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 Early Learning Coalition of Florida's Gateway, Inc.'s, federal programs and state projects.

Auditor's Responsibility for the Audit of Compliance

My 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 Early Learning Coalition of Florida's Gateway, Inc.'s, compliance based on my 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, *Department of Financial Services' State Projects Compliance Supplement*, and the Uniform Guidance 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 Early Learning Coalition of Florida's Gateway, Inc.'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, *Department of Financial Services' State Projects Compliance Supplement*, and the Uniform Guidance, I:

- 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 Early Learning Coalition of Florida's Gateway, Inc.'s, compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of the Early Learning Coalition of Florida's Gateway, Inc.'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 the *Department of Financial Services' State Projects Compliance Supplement*, but not for the purpose of expressing an opinion on the effectiveness of the Early Learning Coalition of Florida's Gateway, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

I am 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 I 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 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.

My 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 my audit, I did not identify any deficiencies in internal control over compliance that I 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.

My 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 my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance, Chapter 10.650, *Rules of the Auditor General*, and the special audit guidance provided by the Florida Division of Early Learning. Accordingly, this report is not suitable for any other purpose.



Kenneth M. Daniels
Certified Public Accountant
Jasper, FL
February 23, 2024

**EARLY LEARNING COALITION OF FLORIDA'S GATEWAY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS**

For the Year Ended June 30, 2023

Summary of Auditor's Results

| | |
|---|--------------------------------|
| <u>Financial Statements</u> | |
| Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Noncompliance material to financial statements noted? | No |
| <u>Federal Awards and State Projects</u> | |
| Internal control over major programs: | |
| Major weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Types of auditor's report issued on compliance for major Federal programs or State projects: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a) or Chapter 10.656 <i>Rules of the Auditor General</i> ? | No |
| Identification of major programs: | |
| <u>Federal Program or Cluster</u> | <u>Federal CDFA No.</u> |
| U.S. Department of Health and Human Services | |
| Temporary Assistance for Needy Families | 93.558 |
| Childcare and Development Block Grant (Cluster) | 93.575 |
| Childcare Mandatory and Matching Funds (Cluster) | 93.596 |

| <u>State Project</u> | <u>State CSFA No.</u> |
|---|------------------------------|
| State of Florida, Division of Early Learning Voluntary Pre-K Education Program | 48.108 |
| Dollar threshold used to distinguish between Type A and Type B programs – Federal Programs: | \$750,000 |
| Dollar threshold used to distinguish between Type A and Type B programs – State Programs: | \$750,000 |
| Auditee qualified as low-risk pursuant to the Uniform Guidance (not applicable for State projects) | Yes |

Other Issues

Communications Required by the Division of Early Learning

The Early Learning Coalition of Florida’s Gateway, Inc.,

1. performs a monthly reconciliation of its financial records to the estimated/actual payments provided by the statewide School Readiness data and reporting system,
2. has processes in place to identify and correct errors noted during the monthly reconciliation process.

The Early Learning Coalition of Florida’s Gateway, Inc., financial records and the EFS records of actual payments were reconciled and are in general agreement for the year ending June 30, 2023. (See Management Letter.)

The audit work papers of Kenneth M Daniels CPA PA include documentation that the above tasks were performed. The work papers are available for review by the Division of Early Learning upon request.

Summary Schedule of Prior Audit Findings

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal Programs or State Projects (Sections 10.557(3)(e)5. and 10.656(3)(d)5., *Rules of the Auditor General*).

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MANAGEMENT LETTER

To the Board of Directors of the
Early Learning Coalition of Florida's Gateway, Inc.
Lake City, Florida

Report on the Financial Statements

I have audited the financial statements of the Early Learning Coalition of Florida's Gateway, Inc. as of and for the fiscal year ended June 30, 2023, and have issued my report thereon dated February 23, 2024.

Auditor's Responsibility

I conducted my 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 of Federal Awards* (Uniform Guidance) and Chapter 10.650 *Rules of the Auditor General*.

Other Reporting Requirements

I have issued my Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of 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 in accordance with the Uniform Guidance and Chapter 10.650, *Rules Of The Auditor General*; and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 23, 2024, should be considered in conjunction with this management letter.

Additional Matters

Section 10.654(1)(e), *Rules of the Auditor General*, requires that I address 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 which warrants the attention of those charged with governance. In connection with my audit:

Prior Year Immaterial Audit Findings and Recommendations

2022-001 Salaries and Wages (Second Year)

Criteria or specific requirement: As the second largest expense for the Organization, wages incurred per the Paycor monthly/quarterly payroll should be agreed to the trial balance amount.

Condition: The following accounts again required audit corrections: payroll \$47,619; payroll taxes \$14,004, payroll/payroll tax accrual \$23,472, and health insurance (\$86,529).

Cause: Failure to perform the monthly/quarterly reconciliation of wages to posted amounts.

Effect or potential effect: Classification errors in payroll and related accounts.

Context: The finding occurred after the Organization began using an outside payroll service.

Recommendation: Agree payroll totals per the monthly/quarterly payroll journals to the amounts reported on the Organization's trial balance.

2022-002 Child Care and Grants to Providers (Second Year)

Criteria or specific requirement: As the largest expense for the Organization, the expense incurred per the Organization's monthly claim for reimbursement of child care costs and grant payments to providers should agree to the related expense accounts.

Condition: At current the Organization uses a two-pronged reconciliation approach to the provider expense accounts – reconciliation of provider fees and grants per Form 5045 to the requests for reimbursement from DEL. The related accounts are not part of the monthly reconciliation which could result in misclassifications in the related accounts.

Cause: Failure to reconcile the related expense, claim for reimbursement, and related account balance totals.

Effect or potential effect: Classification errors in the related expense accounts.

Context: In the current year, \$20,356,431 in provider payments reconciled to within \$17,150 of the actual payments made. However, the reconciliation was not performed until after audit fieldwork had begun.

Recommendation: Monthly, agree the amounts reported on Form 5045 and paid via the monthly bank statements to the related accounts for child care and provider grant assistance.

Current Year Immaterial Audit Findings and Recommendations

2023-001 Cash Reconciliation

Criteria: An essential element of internal control over assets is the monthly comparison of assets determined to be on hand to the recorded accountability for the assets (for cash, the bank reconciliation to the trial balance amounts). Because of the inherent risk of cash, the reconciliation procedure is of particular importance.

Condition: From my review of the Coalition's bank reconciliations, I discovered that cash had not been reconciled to the recorded amount per the Coalition's books.

Cause: Failure to review and complete the bank to book reconciliation.

Effect: Erroneous bank reconciliations increase the risk that accounting errors could occur without being promptly detected.

Context: The account variances were as follows:

| <u>Account</u> | <u>Description</u> | <u>Per Trial Balance</u> | <u>Per Cash Reconciliation</u> | <u>Variance</u> |
|----------------|----------------------------------|------------------------------|------------------------------------|-----------------|
| 1000 | Cash - Operating | \$ 51,618 | \$ 5,362 | \$ (46,256) |
| 1001 | Millenium Bank Account Operating | 1,528,637 | 1,578,609 | 49,972 |

Recommendation: To ensure that accountability is maintained for cash on deposit with banks, I recommend that the Coalition timely reconcile bank accounts to the related accounts. The reconciliation and associated trial balance amounts should be presented for monthly review and approval by the Coalition's Board Members.

Purpose of this Letter

This 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 State granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Kenneth M. Daniels, CPA
Certified Public Accountant
February 23, 2024

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MANAGEMENT'S RESPONSE

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Early Learning Coalition of Florida's Gateway, Inc.

Serving the counties of: Columbia, Hamilton, Lafayette, Suwannee and Union

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Lake City, FL 32025

(386) 752-9770 / Fax: (386) 752-9786

February 23, 2024

RE: Response to Current Year Immaterial Audit Findings

Mr. Daniels:

The following is the Coalition's response to the above referenced findings:

2022-001 Salaries and Wages

Reconciliations of the payroll total per the external preparer will be reconciled to the trial balance on a monthly, quarterly, and annual basis.

Evidence of the reconciliation will be provided to the Executive/Finance Committee.

2022-002 Child Care and Grants to Providers

The amounts paid to providers, which are based upon the related Form 5045, will be agreed to the account totals monthly.

2023-001 Cash Reconciliations

Monthly cash reconciliation will be reviewed and approved by the Executive Director. Any variance will be investigated and resolved.

The Coalition endeavors to provide accurate and timely financial information.

Sincerely,

A handwritten signature in blue ink, appearing to read "L. Surrency".

LaShone T. Surrency
Executive Director



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