

**EARLY LEARNING COALITION
OF MANATEE COUNTY, INC.**

**Financial Statements
and Supplemental
Information**

**Years Ended June 30, 2023
and 2022**

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INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of
Early Learning Coalition of Manatee County, Inc.
Palmetto, Florida

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the Early Learning Coalition of Manatee County, Inc., (the "Coalition"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Coalition as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Coalition and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note M to the financial statements, the 2022 audited financial statements were restated for a change in reporting entity. Our opinion is not modified with respect to that 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 Coalition's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Report on Summarized Comparative Information

We have previously audited the Coalition's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 22, 2023. In our 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 audited financial statements from which it has been derived.

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, state financial assistance, and local 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*, 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, state financial assistance, and local awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2024 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
March 20, 2024

Early Learning Coalition of Manatee County, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		(as restated)
Cash and equivalents	\$ 2,101,554	\$ 4,315,168
Grants and accounts receivable, net	1,442,814	832,822
Prepaid expenses	54,705	37,906
Total current assets	3,599,073	5,185,896
Property and equipment, net	189,851	103,829
Deposits	20,000	20,000
Operating lease ROU asset	3,735,979	-
Total assets	\$ 7,544,903	\$ 5,309,725
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 2,408,144	\$ 3,927,905
Accrued benefits	186,467	204,433
Accrued salaries	59,059	109,458
Deferred revenue	32,200	22,690
Operating lease liability	313,351	-
Total current liabilities	2,999,221	4,264,486
Non-current operating lease liability	3,605,343	-
Total liabilities	6,604,564	4,264,486
Net assets:		
Without donor restrictions	940,339	1,040,267
With donor restrictions	-	4,972
Total net assets	940,339	1,045,239
Total liabilities and net assets	\$ 7,544,903	\$ 5,309,725

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

Early Learning Coalition of Manatee County, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2023

(with comparative totals for the year ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2023	2022 (as restated)
REVENUES AND OTHER SUPPORT				
Federal and state grants	\$ 46,561,174	\$ -	\$ 46,561,174	\$ 30,481,721
Local grants	2,827,871	-	2,827,871	2,791,864
United Way	20,000	-	20,000	65,000
Special events, net of related expense of \$72,770 and \$66,010, respectively	54,702	-	54,702	17,665
Contribution of non-financial assets	5,088	-	5,088	16,450
Magazine income	123,200	-	123,200	139,781
Contributions	28,667	-	28,667	126,258
Other income	320,197	-	320,197	444,310
Net assets released from restrictions	4,972	(4,972)	-	-
Total revenues and other support	49,945,871	(4,972)	49,940,899	34,083,049
EXPENSES				
Program services:				
School Readiness	36,684,687	-	36,684,687	23,057,529
Voluntary Pre-Kindergarten	8,698,173	-	8,698,173	6,127,992
Other	2,307,620	-	2,307,620	2,297,229
NextGen	283,438	-	283,438	269,627
Total program services	47,973,918	-	47,973,918	31,752,377
Supporting services:				
Management and general	2,071,881	-	2,071,881	2,082,120
Total expenses	50,045,799	-	50,045,799	33,834,497
Changes in net assets	(99,928)	(4,972)	(104,900)	248,552
Net assets, beginning of year	1,040,267	4,972	1,045,239	796,687
Net assets, end of year	\$ 940,339	\$ -	\$ 940,339	\$ 1,045,239

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

Early Learning Coalition of Manatee County, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023
(with comparative totals for the year ended June 30, 2022)

	Program Services					Supporting Services	Total Expenses	
	School Readiness	Voluntary Pre-Kindergarten	Other	NextGen	Total	Management and General	2023	2022 (as restated)
Salaries	\$ 1,223,023	\$ 168,232	\$ 312,126	\$ 44,049	\$ 1,747,430	\$ 1,212,203	\$ 2,959,633	\$ 2,911,785
Fringe benefits	332,194	42,764	67,168	10,451	452,577	285,545	738,122	701,338
Total salaries and related expenses	1,555,217	210,996	379,294	54,500	2,200,007	1,497,748	3,697,755	3,613,123
Payments to providers	33,672,214	8,464,147	1,674,385	-	43,810,746	-	43,810,746	28,247,984
Office expense	263,434	7,872	-	148,990	420,296	209,436	629,732	705,670
Supplies	418,940	508	70,171	6,851	496,470	74,646	571,116	389,692
Occupancy	330,922	11,918	87,903	10,692	441,435	124,342	565,777	314,961
Travel and training	163,966	899	21,930	706	187,501	49,628	237,129	118,883
Professional fees	48,462	1,065	9,378	23,132	82,037	95,956	177,993	183,922
Promotional activities	87,358	93	25,060	31,806	144,317	10,482	154,799	131,777
Payments to contractors and vendors	133,099	-	12,500	2,500	148,099	125	148,224	43,313
Insurance	9,984	675	-	1,073	11,732	8,654	20,386	30,482
Other	1,091	-	7,867	100	9,058	864	9,922	20,585
Non-financial expense	-	-	2,000	3,088	5,088	-	5,088	16,450
Total expenses before depreciation	36,684,687	8,698,173	2,290,488	283,438	47,956,786	2,071,881	50,028,667	33,816,842
Depreciation	-	-	17,132	-	17,132	-	17,132	17,655
Total expenses	<u>\$ 36,684,687</u>	<u>\$ 8,698,173</u>	<u>\$ 2,307,620</u>	<u>\$ 283,438</u>	<u>\$ 47,973,918</u>	<u>\$ 2,071,881</u>	<u>\$ 50,045,799</u>	<u>\$ 33,834,497</u>

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

Early Learning Coalition of Manatee County, Inc.

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2023, and 2022

	2023	2022 (as restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (104,900)	\$ 248,552
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	17,132	17,655
Bad debt expense	-	15,807
Non-cash rent	182,715	-
(Increase) decrease in assets:		
Grants and accounts receivable	(609,992)	190,476
Prepaid expenses	(16,799)	(19,144)
Increase (decrease) in liabilities:		
Accounts payable	(1,519,761)	1,818,091
Accrued salaries	(50,399)	8,159
Accrued benefits	(17,966)	783
Deferred revenue	9,510	(2,050)
	<u>(2,110,460)</u>	<u>2,278,329</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(103,154)</u>	<u>(49,957)</u>
	<u>(103,154)</u>	<u>(49,957)</u>
Net increase (decrease) in cash and equivalents	(2,213,614)	2,228,372
Cash and equivalents, beginning of year	<u>4,315,168</u>	<u>2,086,796</u>
Cash and equivalents, end of year	<u>\$ 2,101,554</u>	<u>\$ 4,315,168</u>
Noncash investing activities:		
Conversion of work in process to property and equipment	<u>\$ 14,601</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
ROU asset - implementation	\$ 4,067,085	\$ -
Lease liability - implementation	<u>(4,067,085)</u>	<u>-</u>

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

Early Learning Coalition of Manatee County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE A – NATURE AND ACTIVITIES OF ORGANIZATION

Early Learning Coalition of Manatee County, Inc. (the “Coalition”) is a non-profit organization, organized under the laws of the State of Florida. The Coalition’s role is to develop and administer a comprehensive school readiness program and Voluntary Pre-Kindergarten (VPK) delivery system that prepares children to succeed in school and in life. This is an ongoing process that involves building on existing services, working in cooperation with other programs for young children, and coordinating and integrating program funding to achieve efficiency and effectiveness.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting and Financial Statement Presentation

The accompanying financial statements and accompanying schedules have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Coalition reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the “Board”) and/or management for general operating purposes. From time to time, the Board 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. See Note E for more information on the composition of net assets with donor restrictions and the release of restrictions.

2. Cash and Equivalents

For purposes of the statements of cash flows, the Coalition considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Early Learning Coalition of Manatee County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Property and Equipment

Equipment is stated at cost, if purchased, or at estimated fair value at the date of receipt if acquired by gift. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 7 years. The Coalition's policy is to capitalize property and equipment with a cost in excess of \$5,000. Maintenance, repairs and minor renewals are expensed as incurred. It is policy of the Coalition to maintain all property and equipment in good condition.

Property acquired with governmental funds is considered to be owned by the Coalition while used in the program for which it was purchased or in future authorized programs; however, its disposition as well as the ownership of any proceeds therefrom is subject to applicable regulations.

4. Accrued Benefits

Accrued benefits represent vested vacation leave. Vacation leave is charged as an expense in the period in which it is earned by the employee.

5. Functional Allocation of Expenses

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

6. Advertising Costs

The Coalition expenses all advertising costs as they are incurred. Advertising costs for the years ended June 30, 2023 and 2022 totaled \$37,719 and \$28,415, respectively.

7. Use of Estimates

Management of the Coalition has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities, as well as pro rata allocations in the recording of expenditures, to prepare the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

8. Income Taxes

The Coalition is a not-for-profit organization that is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue code.

9. Uncertain Tax Positions

The Coalition accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefits are estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The Coalition has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Coalition has determined that such tax position does not result in the uncertainty requiring recognition. The Coalition is not currently under examination by any taxing jurisdiction. The Coalition's federal returns are generally open for examination for three years following the date filed.

Early Learning Coalition of Manatee County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Revenue Recognition

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

The Coalition also follows ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASC 958-605), which clarifies how transactions should be accounted for as contributions (nonreciprocal transactions) or exchange transactions and whether a contribution is conditional.

Revenue from government grants is recorded when earned, which is generally when the allowable costs of the specific grant provisions have been incurred or the performance of services rendered. Such revenue is subject to audit by the grantor and, if the examination results in a deficiency of allowable expenses, the Coalition will be required to refund any deficiencies. Management is of the opinion that all monies recognized as revenue have been earned as of June 30, 2023. These amounts are reflected as revenue without donor restrictions if received and expended in the same year.

Revenue from program fees are recognized when the earnings process is substantially complete, and goods have been delivered or services performed. Revenues from program fees are recognized in the year to which they relate. As part of the Voluntary Pre-Kindergarten grants, the Coalition receives advances on revenue which are to be repaid to the state.

11. Accounts and Grant Receivables

Accounts and grant receivables at June 30, 2023 and 2022, consisted of amounts due from state and local agencies and were recorded when services were provided. The Coalition's receivables as of June 30, 2023 and 2022, are due in less than one year and are considered fully collectible. Bad debt expense for the years ended June 30, 2023 and 2022, totaled \$0 and \$15,807, respectively.

12. Concentration of Credit Risk

Financial instruments, which potentially expose the Coalition to concentrations of credit risk, consist principally of cash bank deposits. The Coalition's policy is to place its cash investments in accounts with high quality financial institutions which are Federal Deposit Insurance Corporation insured, which provide coverage on balances up to \$250,000 per depositor per institution.

The Coalition maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits.

At June 30, 2023 and 2022, the Coalition had \$1,608,039 and \$4,175,090, respectively, in excess of the federally insured limit. The Coalition has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and equivalents. The Coalition acknowledges that balances over the insured amount are subject to risk.

13. Summarized Financial Information

The financial statements include certain prior-year summarized information in total but not by net asset class or function. Such information does not constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Coalition's financial statements for the year ended June 30, 2022 from which the summarized information was derived.

Early Learning Coalition of Manatee County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Recently adopted 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. The guidance also eliminates today's real estate specific provisions for all entities. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The Coalition adopted the lease standard effective July 1, 2022 as disclosed in Note H.

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

15. Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

16. Subsequent Events

Subsequent events have been evaluated through March 20, 2024, which is the date the financial statements were available to be issued.

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 201,064	\$ 143,555
Leasehold improvements	31,348	31,348
Work in process	43,410	14,601
Less: accumulated depreciation	<u>(85,971)</u>	<u>(85,675)</u>
	<u>\$ 189,851</u>	<u>\$ 103,829</u>

Depreciation expense for the years ended June 30, 2023 and 2022, totaled \$17,132 and \$17,655, respectively.

Early Learning Coalition of Manatee County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE D – LINE OF CREDIT

The Coalition had a \$400,000 revolving line of credit with BMO Harris Bank N.A. Advances on the credit line carry an interest rate of .75% plus Prime Rate from The Wall Street Journal (Prime Rate was 4.75% as of June 30, 2022). In February 2023, the Coalition closed the \$400,000 line of credit with BMO Harris Bank and opened a \$300,000 line of credit with Sunwest Bank, which carries an interest rate of 1% plus Prime Rate from The Wall Street Journal (Prime Rate was 8.25% as of June 30, 2023). The credit line is secured by substantially all assets of the Coalition, expired February 2024 and was renewed through February 2026. As of June 30, 2023 and 2022, there was no outstanding balance on the line of credit.

NOTE E – MOORE COMMUNICATIONS GROUP (“MCG”)

In 2015, the Coalition was granted \$250,000 plus an additional \$40,000 for each of the following fiscal years from the Stanley G. Tate Florida Prepaid College Board for the production and distribution of a calendar for both Florida Prepaid College and VPK Family Activities. The program was previously known as “From Cradle to College” and was renamed as Moore Communications Group. See below for a summary on the revenue received and the direct expenditures spent towards the program each year:

<u>June 30, 2023</u>	<u>2022</u>	<u>Proceeds</u>	<u>Released</u>	<u>2023</u>
Florida Prepaid College Board	<u>\$ 4,972</u>	<u>\$ -</u>	<u>\$ 4,972</u>	<u>\$ -</u>
<u>June 30, 2022</u>	<u>2021</u>	<u>Proceeds</u>	<u>Released</u>	<u>2022</u>
Florida Prepaid College Board	<u>\$ 4,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,972</u>

NOTE F – RETIREMENT PLANS

The Coalition established a 403(b) retirement plan (the “Plan”) for its employees on February 1, 2009. All employees who have performed six months of credited service and are at least age 21, are eligible to participate. Employees are fully vested after six years of service. The percentage of employer contributions is approved annually by the Board of Directors. For the years ended June 30, 2023 and 2022, the Coalition funded the Plan at a rate of 5% of eligible gross salaries. The total contributions to the Plan for each year were \$132,632 and \$115,311, respectively.

NOTE G – FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The Coalition utilizes other cost accumulators codes (“OCA”) to allocate expenses to appropriate program and support service categories. Salaries are allocated based on actual time spent in these activities or administration of programs. Other expenses are allocated based on direct usage or management’s estimates of the benefit derived by each activity.

Early Learning Coalition of Manatee County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE H – COMMITMENTS AND CONTINGENCIES

Federal and state appropriated funds

The Coalition may be subject to audit examination by funding sources to determine compliance with grant conditions. In the event that expenditures would be disallowed, repayment could be required. Management believes the Coalition is in compliance with the terms of its grant agreements.

Litigation

In the normal course of conducting its operations, the Coalition occasionally becomes party to various legal actions and proceedings. At this time, management is not aware of any claims or legal action or any pending or threatened litigation that might have material impact on the Coalition's financial position, results of operations or cash flows. While management believes that the Coalition has adequate general and professional liability coverage, current or subsequent claims could result in additional costs to the Coalition.

Operating leases

As disclosed in Note A, the Coalition adopted FASB ASU 2016-02, *Leases*. The Coalition leases space under various non-cancelable operating lease agreements. These leases are the only leases required to be included on the statement of financial position under FASB ASU 2016-02. As a result, adopting FASB ASU 2016-02 had no impact to prior year statement of financial position information, and because the leases are operating leases, the adoption of this standard has no impact on the results of operations.

The Coalition has elected to apply the short-term lease exception to all leases with a term of one year or less. There was one short term lease as of June 30, 2023. As of June 30, 2023, the right-of-use (ROU) asset had a balance of \$3,735,979, as shown in the statement of financial position; the lease liability is included in current liabilities (\$313,351) and long-term liabilities (\$3,605,343). The lease asset and liability were calculated utilizing the risk-free discount rate (3.813%), according to the Coalition's elected policy.

Additional information about the Coalition's leases are as follows:

Lease costs (included in occupancy):

Operating lease cost	\$ 470,564
Total lease cost	<u>\$ 470,564</u>

Other information:

Cash paid for amounts included in measuring operating lease liability:	
Operating cash flows from operating lease	<u>\$ 287,849</u>
Total cash paid for amounts included in measuring operating lease liability	<u>\$ 287,849</u>
Weighted-average remaining lease term (years)	9.860
Weighted-average discount rate	3.813%

The difference between rent expense and rent paid is non-cash rent.

Early Learning Coalition of Manatee County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE H – COMMITMENTS AND CONTINGENCIES (continued)

Maturities of operating lease liabilities as of June 30 are as follows:

2024	\$ 457,336
2025	464,336
2026	471,336
2027	478,336
2028	460,278
Thereafter	<u>2,395,000</u>
Total lease payments	<u>4,726,622</u>
Less: interest	<u>(807,928)</u>
Present value of lease liability	<u><u>\$ 3,918,694</u></u>

NOTE I – RENTAL INCOME

The Coalition entered into a sublease agreement with From Cradle to College Foundation, Inc. for use of its facilities for office and storage space beginning April 2020 and ending March 2023. Monthly rental payments were made to the Coalition in the amount of \$250. Rental payments totaled \$2,250 and \$2,750 for the years ended June 30, 2023 and 2022, respectively, and are included within the Coalition's other income on the Statements of Activities and Changes in Net Assets.

NOTE J – CONCENTRATION

Approximately 93% and 89% of the Coalition's revenue is provided by DEL for June 30, 2023 and 2022, respectively. A significant decline in funding to the Coalition could adversely affect the operating results of the Coalition. The continuance of state and federal funding is subject to annual legislative budgetary review.

Early Learning Coalition of Manatee County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE K – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Coalition’s financial assets available within one year of the statements of financial position date for general expenditures are as follows:

	2023	2022
Cash	\$ 2,101,554	\$ 4,315,168
Contracts and grants receivable	1,442,814	832,822
Total financial assets available within one year	3,544,368	5,147,990
Less:		
Amounts unavailable for general expenditures within one year:		
Accounts payable	(2,408,144)	(3,927,905)
Accrued benefits	(186,467)	(204,433)
Accrued salaries	(59,059)	(109,458)
Deferred revenue	(32,200)	(22,690)
Future lease payments	(313,351)	-
Total amounts unavailable for general expenditures within one year	(2,999,221)	(4,264,486)
Total financial assets available to management for general expenditure within one year	\$ 545,147	\$ 883,504

As part of the Coalition’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations as they come due. The Coalition receives approximately 93% and 89% for the years ended June 30, 2023 and 2022, respectively, of its funding from federal and state grants passed through DEL which are on a reimbursable basis. Throughout the year, the Coalition receives advances and reimbursements each month to cover incurred expenses. To help manage unanticipated liquidity needs, the Coalition at times receives advances from DEL. In addition, to help manage unanticipated liquidity needs, the Coalition has a committed line of credit of \$300,000 for the years ended June 30, 2023 and 2022, which it may draw upon.

NOTE L – CONTRIBUTED NON-FINANCIAL ASSETS

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

Upon receipt of contributions of non-financial assets, a corresponding amount is recorded as an expense or is capitalized as property and equipment. Sponsorships include waived fees for events; donated materials include tickets, signage, and gift cards; and professional services include donated accounting services.

Early Learning Coalition of Manatee County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE L – CONTRIBUTED NON-FINANCIAL ASSETS (continued)

For the years ended June 30, contributed non-financial assets recognized as revenue and expense within the Statements of Activities and Changes in Net Assets and Statements of Functional expenses included:

	<u>2023</u>	<u>2022</u>
Donated materials	\$ 3,088	\$ 4,950
Professional services	2,000	2,500
Sponsorships	-	9,000
	<u>\$ 5,088</u>	<u>\$ 16,450</u>

NOTE M – CHANGE IN REPORTING ENTITY

The 2022 financial statements of the Coalition were combined with those of From Cradle to College Foundation, Inc. (the "Foundation"). The combination was required as the Coalition had a controlling interest through common board members.

In March 2022, due to changes in board members and bylaws, the Coalition no longer had a controlling interest. Therefore, the 2022 financial statements have been restated to present the financial statements of the Coalition without the Foundation's financial statements to be consistent with the 2023 presentation. This change is considered a change in reporting entity. The effects of the change are as follow:

	<u>As previously stated</u>	<u>Adjustment</u>	<u>As restated</u>
June 30, 2022			
Assets	<u>\$ 5,603,465</u>	<u>\$ (293,740)</u>	<u>\$ 5,309,725</u>
Liabilities	<u>(4,322,835)</u>	<u>58,349</u>	<u>(4,264,486)</u>
Net Assets:			
Without donor restrictions	(1,275,658)	235,391	(1,040,267)
With donor restrictions	<u>(4,972)</u>	<u>-</u>	<u>(4,972)</u>
	<u>(1,280,630)</u>	<u>235,391</u>	<u>(1,045,239)</u>
Total liabilities and net assets	<u>\$ (5,603,465)</u>	<u>\$ 293,740</u>	<u>\$ (5,309,725)</u>
Year ended June 30, 2022			
Revenue	\$ 34,288,498	\$ (205,449)	\$ 34,083,049
Expense	<u>33,990,138</u>	<u>(155,641)</u>	<u>33,834,497</u>
Change in net assets	298,360	(49,808)	248,552
Net assets, beginning of year	<u>982,270</u>	<u>(185,583)</u>	<u>796,687</u>
Net assets, end of year	<u>\$ 1,280,630</u>	<u>(235,391)</u>	<u>\$ 1,045,239</u>

SUPPLEMENTAL INFORMATION



**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**

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American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
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To the Board of Directors of
Early Learning Coalition of Manatee County, Inc.
Palmetto, 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 the Early Learning Coalition of Manatee County, Inc. (the "Coalition"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 20, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coalition's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Coalition's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coalition's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Krusick & Associate, LLC

Winter Park, Florida
March 20, 2024



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

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To the Board of Directors of
Early Learning Coalition of Manatee County, Inc.
Palmetto, 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 Manatee County, Inc.'s (the "Coalition") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, and special audit guidance provided by the Division of Early Learning that could have a direct and material effect on each of the Coalition's major federal programs and state projects for the year ended June 30, 2023. The Coalition's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); Chapter 10.650, *Rules of the Auditor General*, and special audit guidance provided by the Division of Early Learning. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Coalition and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and state project. Our audit does not provide a legal determination of the Coalition's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Coalition's federal programs and state projects.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Coalition's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Coalition's compliance with the requirements of each major federal program and state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650, *Rules of the Auditor General*, we:

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

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program and state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 20, 2024

Early Learning Coalition of Manatee County, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor’s report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Type of auditor’s report issued on compliance for major programs: | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | No |
| 4. Dollar threshold used to distinguish between Type A and Type B programs | \$1,159,823 |
| 5. Auditee qualified as a low-risk auditee? | Yes |

Identification of major programs:

<u>Name of Federal Programs</u>	<u>ALN</u>
Temporary Assistance for Needy Families	93.558
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596

Early Learning Coalition of Manatee County, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

June 30, 2023

Section I – Summary of Auditor’s Results (continued)

State Financial Assistance

- | | |
|--|---------------|
| 1. Type of auditor’s report issued on compliance for major projects: | Unmodified |
| 2. Internal control over major projects: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Audit findings disclosed that are required to be reported in accordance with the Florida Single Audit Act and Chapter 10.650, <i>Rules of the Auditor General</i> | No |
| 4. Dollar threshold used to distinguish between Type A and Type B projects | \$750,000 |

Identification of major projects:

<u>Name of State Project</u>	<u>CSFA Number</u>
Voluntary Pre-Kindergarten Education Program	48.108

Section II – Enhanced Fields System (EFS Mod) monthly reconciliation

- | | |
|--|-----|
| 1. EFS Mod reconciled monthly | Yes |
| 2. Processes in place to identify and correct errors during monthly reconciliations to EFS Mod | Yes |
| 3. Coalition’s financial records reconcile and agree to EFS Mod records as of program year ended June 30, 2023 | Yes |
| 4. Audit work papers documenting verification of reconciliations available to DEL staff | Yes |

Section III – Financial Statement Findings

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

Section IV – Federal Award and State Projects Findings and Questioned Costs

None (there are no items related to Federal Awards and State financial assistance required to be reported in the management letter, therefore no management letter issued)

Section V – Status of Prior Year Audit Findings

There were no prior year audit findings

Early Learning Coalition of Manatee County, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE,
AND LOCAL AWARDS

Year Ended June 30, 2023

Grantor/Program Title	ALN CSFA #	Award Number	Expenditures
Federal Awards:			
U.S. Department of Health and Human Services			
<i>Passed through Division of Early Learning</i>			
Child Care and Development Block Grant	93.575	EL313	\$ 7,345,893
Child Care and Development Block Grant - CARES	93.575	EL313	<u>78,356</u>
Total Child Care and Development Block Grant			7,424,249
Coronavirus Response and Relief Supplemental Appropriations Funds	93.575	EL313	725,985
Coronavirus Response and Relief Supplemental Appropriations Funds	93.575	EL314	<u>49,286</u>
Total Coronavirus Response and Relief Supplemental Appropriations Funds			775,271
American Rescue Plan Act	93.575	EL313	20,805,997
American Rescue Plan Act	93.575	EL314	<u>420,431</u>
Total American Rescue Plan Act			21,226,428
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL313	<u>5,373,124</u>
Total Child Care Cluster			34,799,072
Temporary Assistance for Needy Families	93.558	EL313	3,764,914
Preschool Development Grant	93.434	EL313	41,272
Social Services Block Grant	93.667	EL313	<u>5,570</u>
Total U.S Department of Health and Human Services			<u>\$ 38,610,828</u>
U.S. Department of Education			
<i>Passed through Division of Early Learning</i>			
Elementary and Secondary School Emergency Relief Fund	84.425D	EL313	<u>49,931</u>
Total U.S Department of Education			<u>\$ 49,931</u>
Total Expenditure of Federal Awards			<u>\$ 38,660,759</u>
State Financial Assistance:			
State of Florida Department of Education			
<i>Passed through Division of Early Learning</i>			
Voluntary Pre-Kindergarten Education Program	48.108	EL313	\$ 7,312,729
Voluntary Pre-Kindergarten Education Program - State General Revenue Unrestricted 2022-2023	-	2022-23 SGU	<u>587,686</u>
Total State of Florida Department of Education			<u>\$ 7,900,415</u>
Total Expenditures of State Financial Assistance			<u>\$ 7,900,415</u>
Local Awards:			
Manatee County Early Care and Education Child Care Subsidy and Match Program			\$ 2,238,293
Manatee County Provider, Child, and Family Initiatives (Nemours, CATCH)			418,756
Givewell Community Foundation			85,000
United Way of Manatee County			20,000
School Board of Manatee County - Teen Parent Program			19,182
Community Foundation of Sarasota County Inc.			17,145
Bradenton Kiwanis			12,000
University of Florida			10,345
Manatee Community Foundation			10,150
Florida Wine Fest & Auction Inc.			10,000
Rotary Club of Bradenton			5,000
The Patterson Foundation			1,500
Milton M Meyer			<u>500</u>
Total Expenditures of Local Awards			<u>\$ 2,847,871</u>
Total Expenditures of Federal Awards, State Financial Assistance, and Local Awards			<u>\$ 49,409,045</u>

Basis of Presentation

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

Indirect Cost Rates

The Coalition has elected to not use the 10% de minimis indirect cost rate for its federal programs and state projects for the year ended June 30, 2023. The indirect cost rates used on the Coalition's federal programs and state projects are determined by the relevant federal or state agency.

See independent auditor's report.