

**EARLY LEARNING
COALITION OF
NORTHWEST FLORIDA, INC.**

**Financial Statements
and Supplemental
Information**

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Early Learning Coalition of Northwest Florida, Inc.
Panama City, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Early Learning Coalition of Northwest Florida, Inc. (the "Coalition"), which comprise the statements of financial position as of June 30, 2023, and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Coalition as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Coalition's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, State of Florida Chapter 10.650, *Rules of the Auditor General*, and special audit guidance provided by the Division of Early Learning, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2024 on our consideration of Early Learning Coalition of Northwest Florida, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness Early Learning Coalition of Northwest Florida, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Early Learning Coalition of Northwest Florida, Inc.'s internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 25, 2024

Early Learning Coalition of Northwest Florida, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 3,341,834	\$ 1,523,988
Accounts receivable	47,124	23,087
Due from the State of Florida	409,953	1,790,220
Prepaid expenses	-	140
	<u>3,798,911</u>	<u>3,337,435</u>
Operating lease ROU asset	114,385	-
Property and equipment, net	<u>2,020</u>	<u>9,039</u>
TOTAL ASSETS	<u><u>\$ 3,915,316</u></u>	<u><u>\$ 3,346,474</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 2,968,030	\$ 2,175,418
Due to the State of Florida	420,713	1,036,776
Unearned revenue	177,509	67,101
Operating lease liability	24,197	-
Deferred grant revenue	-	1,796
	<u>3,590,449</u>	<u>3,281,091</u>
Total current liabilities	3,590,449	3,281,091
Non-current operating lease liability	<u>91,621</u>	<u>-</u>
Total liabilities	3,682,070	3,281,091
NET ASSETS		
Without donor restrictions	231,226	56,344
Invested in capital assets	<u>2,020</u>	<u>9,039</u>
Total net assets	<u>233,246</u>	<u>65,383</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,915,316</u></u>	<u><u>\$ 3,346,474</u></u>

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

Early Learning Coalition of Northwest Florida, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
REVENUES AND SUPPORT		
Federal and state grants	\$ 41,143,809	\$ 28,597,731
Other revenues		
Grants	492,548	45,591
Local match	28,286	81,164
Other income	106,346	50,510
Contribution of non-financial assets	<u>10,450</u>	<u>71,842</u>
Total revenues and support	<u>41,781,439</u>	<u>28,846,838</u>
EXPENSES		
Program services		
Direct child care	21,972,738	18,008,855
Non-direct child care	1,188,220	1,241,694
Quality initiatives	<u>17,444,937</u>	<u>8,439,018</u>
Total program expenses	40,605,895	27,689,567
Support services		
Management and general	<u>1,007,681</u>	<u>1,130,550</u>
Total expenses	<u>41,613,576</u>	<u>28,820,117</u>
Changes in net assets	167,863	26,721
NET ASSETS - BEGINNING OF YEAR	<u>65,383</u>	<u>38,662</u>
NET ASSETS - END OF YEAR	<u>\$ 233,246</u>	<u>\$ 65,383</u>

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

Early Learning Coalition of Northwest Florida, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

	Program Services			Total	Support Services	Total
	Direct Child Care	Non-Direct Child Care	Quality Initiatives		Management and General	
Contract for service payment to providers	\$ 21,972,738	\$ -	\$ -	\$ 21,972,738	\$ -	\$ 21,972,738
Quality enhancement	-	-	13,984,277	13,984,277	-	13,984,277
Salaries	-	1,044,009	939,075	1,983,084	749,938	2,733,022
Hurricane Michael disaster relief	-	-	1,683,478	1,683,478	-	1,683,478
Professional fees	-	50,850	362,888	413,738	136,503	550,241
Outreach and awareness	-	-	359,228	359,228	-	359,228
Occupancy	-	57,784	48,893	106,677	49,815	156,492
Travel	-	19,604	17,199	36,803	19,288	56,091
Insurance	-	6,769	15,073	21,842	17,193	39,035
Supplies	-	524	4,730	5,254	21,781	27,035
Dues	-	3,849	12,156	16,005	4,255	20,260
Non-financial expenses	-	1,985	6,270	8,255	2,195	10,450
Computer software	-	2,844	2,941	5,785	4,515	10,300
Bad debt	-	-	8,639	8,639	-	8,639
Depreciation	-	-	56	56	2,165	2,221
Postage	-	2	34	36	33	69
Total expenses	\$ 21,972,738	\$ 1,188,220	\$ 17,444,937	\$ 40,605,895	\$ 1,007,681	\$ 41,613,576

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

Early Learning Coalition of Northwest Florida, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Program Services			Support Services	Total
	Direct Child Care	Non-Direct Child Care	Quality Initiatives	Management and General	
Contract for service payment to providers	\$ 18,008,855	\$ -	\$ -	\$ -	\$ 18,008,855
Quality enhancement	-	-	5,911,575	-	5,911,575
Salaries	-	1,032,972	929,148	742,010	2,704,130
Hurricane Michael disaster relief	-	-	956,785	-	956,785
Professional fees	-	51,595	368,208	138,505	558,308
Occupancy	-	84,489	71,490	72,837	228,816
Supplies	-	1,766	15,931	73,352	91,049
Match	-	15,421	48,698	17,045	81,164
Non-financial expenses	-	13,649	43,106	15,087	71,842
Travel	-	22,310	19,574	21,951	63,835
Outreach and awareness	-	-	41,076	-	41,076
Insurance	-	6,919	15,408	17,575	39,902
Computer software	-	10,441	10,797	16,578	37,816
Depreciation	-	-	341	13,091	13,432
Dues	-	2,121	6,699	2,345	11,165
Postage	-	11	182	174	367
Total expenses	\$ 18,008,855	\$ 1,241,694	\$ 8,439,018	\$ 1,130,550	\$ 28,820,117

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

Early Learning Coalition of Northwest Florida, Inc.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 167,863	\$ 26,721
Adjustments to reconcile changes in net assets to net cash Provided by (used in) operating activities:		
Depreciation	2,221	13,432
Non-cash rent	1,433	-
Decrease (increase) in assets:		
Accounts receivable	(24,037)	53,338
Due from the State of Florida	1,385,065	(673,770)
Prepaid expenses	140	3,000
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	792,612	87,788
Due to the State of Florida	(616,063)	385,496
Unearned revenue	108,612	(18,420)
Net cash provided by (used in) operating activities	1,817,846	(122,415)
Net increase (decrease) in cash	1,817,846	(122,415)
CASH - BEGINNING OF YEAR	1,523,988	1,646,403
CASH - END OF YEAR	\$ 3,341,834	\$ 1,523,988
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
ROU asset - implementation	\$ 139,409	\$ -
Lease liability - implementation	(139,409)	-

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

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE A – COALITION, PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Coalition and Purpose

The Early Learning Coalition of Northwest Florida, Inc. (the Coalition) was organized as a not-for-profit corporation under the laws of the State of Florida on September 26, 2005. The Coalition maintains offices in Bay, Calhoun, Franklin, Gulf, Holmes, Jackson, and Washington Counties in the State of Florida.

The Coalition is primarily funded by support from federal and state agencies contracted through the Division of Early Learning (DEL). The purpose of the Coalition is to provide a coordinated delivery system of school readiness programs that will prepare children to enter the local kindergarten school systems. In addition, part of the Coalition's mission is to increase the availability, affordability and quality of child care services to children. The children who qualify for these programs are at-risk and/or from low-income families.

The Coalition operates three major programs:

- Direct Child Care – payments to approved providers for child care.
- Non-Direct Child Care – directly incurred costs for support of child care services such as eligibility determination, training for providers, resource and referral services, and disaster relief services related to Hurricane Michael.
- Quality Initiatives – payments for directly incurred costs designed to enhance experiences for children, staff, or other early childhood professionals, and assistance to the community for Hurricane Michael disaster relief.

2. Basis of Accounting and Financial Statement Presentation

The accompanying financial statements and accompanying schedules have been prepared on the accrual basis of accounting. The Coalition reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

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

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**NOTE A – COALITION, PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

2. Basis of Accounting and Financial Statement Presentation (continued)

Net Assets With Donor Restrictions (continued)

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

Some net assets with donor restrictions 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.

3. Use of estimates

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

4. Due from the State of Florida and Accounts Receivable

Funds due from the State of Florida as reimbursement for contract services are considered past due if not received in accordance with contract terms. Accounts receivable consists of amounts due from local agencies and were recorded when services were provided. Management believes an allowance for doubtful accounts is not necessary based on the terms of these agreements and believes the total amount due is collectible in the next fiscal year. Bad debt expense for the years ended June 30, 2023 and 2022, totaled \$8,639 and \$0, respectively.

5. Cash and Cash Equivalents

The Coalition considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

6. Property and Equipment

The Coalition capitalizes property and equipment with an original cost in excess of \$5,000 and a useful life greater than one year. If donated, property and equipment are recorded at fair market value at the date of the donation. Depreciation of property and equipment is computed using straight-line depreciation over the estimated useful lives of the assets, which is three to five years.

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**NOTE A – COALITION, PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

6. Property and Equipment (continued)

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

7. Revenue Recognition

The Coalition follows Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC 606), which outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied, and ASU No. 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 and 2022. These amounts are reflected as revenue without donor restrictions if received and expended in the same year.

Public support revenue from federal and state grants is recorded based upon the terms of the grantor agreement, which generally provides that revenue is earned when the allowable costs of the specific grant provisions have been incurred. The majority of public support is received on a reimbursement basis for costs already incurred. Revenue is recorded as without donor restriction when received.

8. Deferred Revenue

Deferred revenue represents grant revenues collected but not yet earned as of June 30, 2023 and 2022. Revenues from grant proceeds are not recognized until expended.

9. Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**NOTE A – COALITION, PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

10. Income Taxes

The Coalition has been granted an exemption from income taxes under Internal Revenue Code Section 501(c)(3) as a not-for-profit corporation and is not a private foundation. Management has analyzed the Coalition's various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported and no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded. The Coalition is no longer subject to federal, state, or local income tax examination by tax authorities for fiscal years before 2021.

11. Reclassification

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

12. Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases*, that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. 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 J.

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 occurred on July 1, 2021 and had no significant impact on the Coalition's financial statements.

13. Subsequent Events

Management has evaluated the effect subsequent events would have on the financial statements through the date these financial statements were available to be issued on March 25, 2024.

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 23,823	\$ 365,944
Less: accumulated depreciation	<u>(21,803)</u>	<u>(356,905)</u>
Property and equipment, net	<u>\$ 2,020</u>	<u>\$ 9,039</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$2,221 and \$13,432, respectively.

NOTE C – DEFERRED GRANT REVENUE

Deferred grant revenue at June 30, 2023 and 2022, of \$0 and \$1,796, respectively, represents unspent grant proceeds received from the Department of Education in 2001, originally intended to support the cost of board of directors training and startup expenses in Washington and Holmes Counties.

NOTE D – RELATED PARTY TRANSACTIONS

As mandated by Chapter 1002, Part VI School Readiness Program; and 1002.83 Early Learning Coalitions, certain members of the Coalition's Board of Directors are considered related parties. The related party members include the Executive Director of Chipola Regional Workforce, the Owner of Along the Way Learning Center, Seabrook Family Day Care, and Jeanne Hitchcok, a member of St. Johns Parish, a Board Member of New Bethel Baptist Church and Gulf Coast State College, relatives of Madelynne Eldridge, and the Child Care Director of St. John's Catholic School. For the years ended June 30, the Coalition made payments to and had outstanding payables to related parties as follows:

	<u>2023</u>	<u>2022</u>
Payments made:		
- Along the Way Learning Center	\$ 618,432	\$ 299,251
- New Bethel Baptist Church	148,176	-
- St. John's Catholic School	50,323	42,035
- Seabrook Family Day Care	33,915	9,756
- Chipola Regional Workforce	4,355	4,355
- Madelynne Elridge	-	23,550
- Jeanne Hitchcok	-	1,925
Total payments	<u>\$ 855,201</u>	<u>\$ 380,872</u>

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE D – RELATED PARTY TRANSACTIONS (continued)

	<u>2023</u>	<u>2022</u>
Payables at year end:		
- Along the Way Learning Center	\$ 9,378	\$ 11,883
- New Bethel Baptist Church	8,990	-
- Jeanne Hitchcok	-	300
Total payables	<u>\$ 18,368</u>	<u>\$ 12,183</u>

NOTE E – FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, quality enhancement, occupancy, computer software, professional fees, travel, and other expenses, which are allocated on the basis of estimates of time and effort.

NOTE F – CONCENTRATIONS AND CREDIT RISK

For the years ended June 30, 2023 and 2022, the Coalition received 100% of public support from DEL. Funding received from the DEL is derived from both federal and state sources; 88% and 12%, respectively, for fiscal year 2023, and 87% and 13%, respectively, for fiscal year 2022.

The Coalition maintains its cash accounts in a local financial institution, the balances of which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2023 and 2022, the Coalition exceeded the federally insured limit by \$3,103,794 and \$1,391,087, respectively. The Coalition has not experienced any losses in such accounts and believes there is little or no exposure to any significant credit risk.

NOTE G – COMMITMENTS AND CONTINGENCIES

Federal and state appropriated funds

In June 2023, the Coalition entered into a funding agreement with DEL for the period of July 1, 2023, through June 30, 2024. The DEL awarded the Coalition \$14,421,369 to be expended for School Readiness programs and services as prescribed in the Coalition's School Readiness Plan and \$4,429,346 to be expended for Voluntary Pre-Kindergarten (VPK) programs and services as prescribed in the Coalition's VPK Plan. The Coalition's School Readiness and Voluntary Pre-Kindergarten Plans provide for a comprehensive program of readiness services that enhance the cognitive, social, and physical development of children to achieve the performance standards outcome measures as specified by DEL. These amounts received from federal and state agencies are subject to audit and adjustment at the discretion of those entities. If expenditures are disallowed as a result of these audits, the claims for reimbursement would be a liability of the Coalition.

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE G – COMMITMENTS AND CONTINGENCIES (continued)

Operating leases

As disclosed in Note B, the Coalition adopted FASB ASU 2016-02 as of July 1, 2022. The Coalition leases space for its administrative offices under a non-cancelable operating lease agreement. 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 state 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. As of June 30, 2023, the right-of-use (ROU) asset had a balance of \$114,385, as shown in the statement of financial position; the lease liability is included in current liabilities (\$24,197) and long-term liabilities (\$91,621). The lease asset and liability were calculated utilizing the risk-free discount rate (4.463%), 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	\$ 30,239
Total lease cost	<u>\$ 30,239</u>

Other information:

Cash paid for amounts included in measuring operating lease liability:

Operating cash flows from operating lease	\$ 28,806
Total cash paid for amounts included in measuring operating lease liability	<u>\$ 28,806</u>

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

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

2024	\$ 28,875
2025	29,838
2026	31,031
2027	32,272
2028	5,413
Total lease payments	<u>127,429</u>
Less: interest	<u>(11,610)</u>
Present value of lease liability	<u>\$ 115,819</u>

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE H – 401(K) PLAN

The Coalition has a 401(k) retirement plan that provides an employer match of each employee’s contribution up to 6% of their salary. The Coalition’s contribution was \$66,645 and \$70,094 for the years ended June 30, 2023 and 2022, respectively.

NOTE I – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

The schedule of expenditures of federal awards and state financial assistance follows the accrual basis of accounting. Accounting principles generally accepted in the United States of America require recognition of the expenditures in the period incurred and recognition of the corresponding reimbursement once the amount is earned and collection is certain. Reconciliations of the schedule of expenditures of federal awards and state financial assistance to federal and state expenditures included in the statements of activities and changes in net assets are as follows

Federal and State expenditures – schedule of expenditures of federal awards and state financial assistance	\$ 41,473,770
Refunds and adjustments	<u>(329,961)</u>
Federal and State expenditures – statements of activities and changes in net assets	<u>\$ 41,143,809</u>

NOTE J – CALCULATION OF MAXIMUM ADMINISTRATIVE EXPENSES

The following table compares administrative expenses incurred to expenses subject to the maximum administrative expenses allowed by DEL for the School Readiness and Voluntary Pre-Kindergarten programs for the years ended June 30, 2023 and 2022.

<u>2023</u>	<u>School Readiness</u>	<u>Voluntary Pre- Kindergarten</u>	<u>Total</u>
Total administrative expenses subject to 5% and 4% maximum	\$ 334,249	\$ 97,322	\$ 431,571
Maximum 5% and 4% administrative expenses allowable per DEL	<u>941,429</u>	<u>169,145</u>	<u>\$ 1,110,574</u>
Administrative expenses (under) maximum	<u>\$ (607,180)</u>	<u>\$ (71,823)</u>	<u>\$ (679,003)</u>

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE J – CALCULATION OF MAXIMUM ADMINISTRATIVE EXPENSES (continued)

<u>2022</u>	<u>School Readiness</u>	<u>Voluntary Pre- Kindergarten</u>	<u>Total</u>
Total administrative expenses subject to 5% and 4% maximum	\$ 401,684	\$ 115,750	\$ 517,434
Maximum 5% and 4% administrative expenses allowable per DEL	<u>912,313</u>	<u>145,592</u>	<u>1,057,905</u>
Administrative expenses (under) maximum	<u>\$ (510,629)</u>	<u>\$ (29,842)</u>	<u>\$ (540,471)</u>

NOTE K – LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	<u>2023</u>	<u>2022</u>
Cash	\$ 3,341,834	\$ 1,523,988
Accounts receivable	47,124	23,087
Due from the State of Florida	<u>409,953</u>	<u>1,790,220</u>
Total financial assets available within one year	<u>3,798,911</u>	<u>3,337,295</u>
Less:		
Accounts payable and accrued expenses	2,968,030	2,175,418
Due to the State of Florida	420,713	1,036,776
Unearned revenue	177,509	67,101
Future lease payments	24,197	-
Deferred grant revenue	<u>-</u>	<u>1,796</u>
Total amount unavailable for general expenditures within one year	<u>3,590,449</u>	<u>3,281,091</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 208,462</u>	<u>\$ 56,204</u>

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 come due. The Coalition receives approximately 98% and 99% for the years ended June 30, 2023 and 2022 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.

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE M – 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. Donated space includes donated office space, professional services includes professional accounting services, and advertising includes donated advertising services.

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>
Professional services	\$ 6,450	\$ 8,000
Advertising	4,000	6,950
Donated space	-	56,892
	<u>\$ 10,450</u>	<u>\$ 71,842</u>