

**EARLY LEARNING COALITION
OF PASCO AND HERNANDO COUNTIES, INC.**

Financial Statements

June 30, 2023

(With Independent Auditors' Report Thereon)

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Supplementary Information:	
Schedule of Expenditures of Federal and State Awards	15
Notes to Schedule of Expenditures of Federal and State Awards	16
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17
Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by the Uniform Guidance and Chapter 10.650, <i>Rules of the Auditor General</i>	18
Schedule of Findings and Questioned Costs	20



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Fontana CPAs, P.A.

Independent Auditors' Report

The Board of Directors
Early Learning Coalition of Pasco and Hernando Counties, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Early Learning Coalition of Pasco and Hernando Counties, Inc. (the Organization or the Coalition), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

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 Early Learning Coalition of Pasco and Hernando Counties, Inc. 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 Organization'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.

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 Organization'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 Organization'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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 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 Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

FONTANA CPAs



March 20, 2024

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Statement of Financial Position

June 30, 2023

With comparative totals for 2022

Assets	2023	2022
Current assets:		
Cash	\$ 1,790,627	\$ 4,235,054
Due from Providers	249,550	423,367
Grants and accounts receivable	857,613	806,768
Provider advances - VPK	150,706	147,138
Prepaid expenses	40,000	14,283
Total current assets	3,088,496	5,626,610
Property and equipment, net of accumulated depreciation	15,165	23,202
Operating lease right-of-use-asset	91,471	—
Deposits	7,489	6,883
	<u>\$ 3,202,621</u>	<u>\$ 5,656,695</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 2,588,903	\$ 4,972,045
Due to Division of Early Learning	249,550	423,367
Accrued salaries	108,492	88,323
Accrued benefits	330,869	272,128
Operating lease liability	76,860	—
Total current liabilities	3,354,674	5,755,863
Non-current operating lease liability	14,611	—
Total liabilities	<u>3,369,285</u>	<u>5,755,863</u>
Net assets (deficit):		
Net assets (deficit) without donor restrictions	<u>(166,664)</u>	<u>(99,168)</u>
Total net assets	<u>(166,664)</u>	<u>(99,168)</u>
	<u>\$ 3,202,621</u>	<u>\$ 5,656,695</u>

See accompanying notes to financial statements.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Statement of Activities and Changes in Net Assets

For the year ending June 30, 2023

With comparative totals for 2022

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2023</u>	<u>2022</u>
Revenue and other support:				
Grants - Federal and State	\$ 74,692,532	\$ —	\$ 74,692,532	\$ 50,089,115
Grants-other	109,192	—	109,192	146,917
Contributions	1,068	—	1,068	5,256
Other	29,207	—	29,207	81,759
Total revenue and other support	<u>74,831,999</u>	<u>—</u>	<u>74,831,999</u>	<u>50,323,047</u>
Expenses:				
Program services:				
School Readiness	18,906,561	—	18,906,561	19,934,917
Voluntary Pre-K	18,247,423	—	18,247,423	12,858,306
Preschool Development Grant	517,294	—	517,294	350,230
American Rescue Plan Act	34,441,653	—	34,441,653	7,989,584
Coronavirus Response and Relief				
Supplemental Appropriations Act	1,128,656	—	1,128,656	7,796,060
Other Programs	35,835	—	35,835	127,748
Total program services	<u>73,277,422</u>	<u>—</u>	<u>73,277,422</u>	<u>49,056,845</u>
Supporting services:				
Management and general	1,622,073	—	1,622,073	1,239,538
Total supporting services	<u>1,622,073</u>	<u>—</u>	<u>1,622,073</u>	<u>1,239,538</u>
Total expenses	<u>74,899,495</u>	<u>—</u>	<u>74,899,495</u>	<u>50,296,383</u>
Change in net assets	(67,496)	—	(67,496)	26,664
Net assets at beginning of year	<u>(99,168)</u>	<u>—</u>	<u>(99,168)</u>	<u>(125,832)</u>
Net assets at end of year	<u>\$ (166,664)</u>	<u>\$ —</u>	<u>\$ (166,664)</u>	<u>\$ (99,168)</u>

See accompanying notes to financial statements.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Statement of Functional Expenses

For the year ending June 30, 2023
With comparative totals for 2022

	Program services						Total	Supporting services	Total expenses	
	School Readiness	Voluntary Pre-K	Preschool Development Grant	American Rescue Plan Act	Coronavirus Response and Relief Supplemental Appropriations Act	Other Programs		Management and general	2023	2022
Salaries	\$ 1,631,831	\$ 148,948	\$ 41,640	\$ 51,600	\$ —	\$ 4,875	\$ 1,878,894	\$ 1,106,781	\$ 2,985,675	\$ 2,516,106
Fringe benefits	444,606	40,224	6,561	4,619	—	593	496,603	221,212	717,815	585,455
Total salaries and related expenses	2,076,437	189,172	48,201	56,219	—	5,468	2,375,497	1,327,993	3,703,490	3,101,561
Payments to providers	16,366,098	17,919,966	266,589	1,146,022	561,702	—	36,260,377	48,885	36,309,262	31,004,390
Payments to contractors and vendors	108,760	77,158	—	375	103,747	—	290,040	43,376	333,416	206,665
Professional fees	232	4	43,125	—	2,450	16,872	62,683	46,760	109,443	142,133
Quality initiatives	57,782	—	158,222	33,141,239	249,666	1,791	33,608,700	41,650	33,650,350	15,368,945
Travel and training	23,287	5,320	781	—	—	106	29,494	6,642	36,136	30,110
Occupancy	201,427	12,017	—	—	—	—	213,444	35,060	248,504	245,672
Insurance	21,490	1,983	—	—	—	—	23,473	5,195	28,668	39,729
Dues and subscriptions	24,544	1,015	—	—	3,529	—	29,088	9,267	38,355	25,609
Vehicle expenses	—	—	35	—	—	—	35	30	65	118
Supplies	24,202	3,094	341	228	18,695	4,599	51,159	11,410	62,569	48,511
Other	2,302	37,694	—	97,570	188,867	6,999	333,432	37,768	371,200	73,915
Total expenses before depreciation and amortization	18,906,561	18,247,423	517,294	34,441,653	1,128,656	35,835	73,277,422	1,614,036	74,891,458	50,287,358
Depreciation and amortization	—	—	—	—	—	—	—	8,037	8,037	9,025
Total expenses	\$ 18,906,561	\$ 18,247,423	\$ 517,294	\$ 34,441,653	\$ 1,128,656	\$ 35,835	\$ 73,277,422	\$ 1,622,073	\$ 74,899,495	\$ 50,296,383

See accompanying notes to financial statements.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Statement of Cash Flows

For the year ending June 30, 2023

With comparative totals for 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (67,496)	26,664
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,037	9,025
Increase in grants and accounts receivable	(50,845)	1,932,371
Increase in provider advances	(3,568)	(147,138)
Increase in prepaid expenses	(25,717)	(14,283)
Increase in deposits	(606)	—
(Decrease) increase in accounts payable	(2,383,142)	2,022,388
Increase in accrued salaries	20,169	17,915
Decrease in deferred revenue	—	(60,000)
Increase in accrued benefits	58,741	45,073
Net cash provided by (used in) operating activities	<u>(2,444,427)</u>	<u>3,832,015</u>
Cash flows from investing activities:		
Purchases of property and equipment	—	(12,594)
Net cash used in investing activities	<u>—</u>	<u>(12,594)</u>
Net change in cash	(2,444,427)	3,819,421
Cash at beginning of year	4,235,054	415,633
Cash at end of year	<u>\$ 1,790,627</u>	<u>4,235,054</u>

See accompanying notes to financial statements.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Financial Statements

June 30, 2023

(1) Nature of Organization

Early Learning Coalition of Pasco and Hernando Counties, Inc., (the Organization) is a non-profit corporation organized under the laws of the State of Florida. The Organization'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.

(2) Summary of Significant Accounting Policies and Practices

(a) Basis of Accounting

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present revenue, expenses, and net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions – Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets which are subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. At June 30, 2023, there were no temporarily restricted net assets.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Federal, state and local grants are considered exchange transactions and are recorded as unrestricted revenue when earned.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue of the net asset without donor restrictions class. Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional.

(b) 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. Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. It is the policy of the Organization to maintain all property and equipment in good condition.

Property acquired with governmental funds is considered to be owned by the Organization 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. The capitalization threshold is \$1,000.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Financial Statements

June 30, 2023

(c) ***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.

(d) ***Use of Estimates***

Management of the Organization 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 these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(e) ***Income Taxes***

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

(f) ***Uncertain Tax Positions***

The Organization 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 benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The Organization has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Organization has determined that such tax position does not result in the uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. The Organization’s federal returns are generally open for examination for three years following the date filed.

(g) ***Summarized Financial Information for 2022***

The financial information for the year ended June 30, 2022, presented for comparative purposes, is not intended to be a complete presentation. Certain 2022 amounts have been reclassified to conform with the 2023 presentation.

(3) **Adoption of New Accounting Standards**

(a) ***Contributed Nonfinancial Assets***

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-financial Assets, which requires the monitoring and tracking of gifts in kind by asset category, while also noting any donor-imposed restrictions. The Organization adopted ASU No. 2020-07 effective January 1, 2022. The adoption has no significant impact on the Organization’s financial statements.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Financial Statements

June 30, 2023

(b) *Leases*

In February 2016, the FASB issued ASU 2016-02, Leases (ASC 842), that requires lessees to put most leases on its Statement of Financial Position and recognize expenses on its Statement of Activities 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 Organization adopted the lease standard effective July 1, 2022, using the optional transition method, which applies the provisions of the standard at the effective date without adjusting the prior period. See Note 9 for a summary of the Organization's lease assets and liabilities.

(4) **Liquidity and Availability of Financial Assets**

The following represents the Organization's financial assets as of the date of the Statement of Financial Position, reduced by amounts not available for general use because of contractual or donor-imposed restrictions with-in one year of the statement of financial position date.

Cash	\$ 1,790,627
Due from Providers	249,550
Grants and accounts receivable	<u>857,613</u>
Liquid financial assets, at year-end	2,897,790
Less those unavailable for general expenditures within one year, due to:	
Accounts payable	(2,588,903)
Accrued salaries	(108,492)
Accrued benefits	(330,869)
Restricted by donor with time or purpose restrictions	<u>—</u>
Total amounts unavailable for general expenditures within one year	\$ <u>(3,028,264)</u>
Liquid financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>(130,474)</u></u>

These financial assets available to meet general expenditures represent approximately zero days of operating expenses at June 30, 2023. The Organization has access to a refundable advance each year from the State to assist with the zero days of operating expense as liquid.

(5) **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include the following:

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Financial Statements

June 30, 2023

(5) Functional Allocation of Expenses (continued)

<u>Expense</u>	<u>Method of allocation</u>
Salaries and Fringe Benefits	Time and effort
Payments to providers	Direct usage
Quality initiatives	Direct usage
Payments to contractors and vendors	Management's estimate of benefit derived
Professional fees	Management's estimate of benefit derived
Travel and training	Management's estimate of benefit derived
Occupancy	Management's estimate of benefit derived
Insurance	Management's estimate of benefit derived
Dues and subscriptions	Management's estimate of benefit derived
Vehicle expenses	Management's estimate of benefit derived
Supplies	Management's estimate of benefit derived
Other	Management's estimate of benefit derived

(6) Property and Equipment

Property and equipment consist of the following at June 30, 2023:

		<u>Estimated useful lives</u>
Automobile	\$ 53,824	5 years
Equipment	97,820	5 years
Furniture and fixtures	44,399	5 years
Software	<u>50,860</u>	3 to 5 years
	246,903	
Less accumulated depreciation and amortization	<u>(231,738)</u>	
	<u>\$ 15,165</u>	

The depreciation and amortization expense for the year ended June 30, 2023 was \$8,037.

(7) Retirement Plan

The Coalition established a 403(b) retirement plan for its employees on April 15, 2005. All employees are eligible to participate. Employees are immediately fully vested. For the year ended June 30, 2023, the Coalition matched 100% of employee-elected deferrals, up to a maximum of 5% of eligible salaries. The Executive Director receives additional contributions tiered based on years of employment as stated in his employee contract. The Coalition's total contribution to the plan was \$141,638.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Financial Statements

June 30, 2023

(8) Concentration

Approximately 99% of the Organization's revenue is provided by the State of Florida's Division of Early Learning (DEL).

The FDIC insurance coverage is for \$250,000 and it is provided per depositor who has a deposit account held at an FDIC-insured institution. As of June 30, 2023, the Organizations cash deposited in a single financial institution exceeds amounts insured by FDIC by approximately \$1,540,627.

The Organization provides services to Pasco and Hernando Counties, Florida.

(9) Operating Leases

The Organization leased two office spaces (New Port Richey and Spring Hill) under operating leases with unrelated parties. The New Port Richey and Spring Hill leases are cancelable and expire May 2024 and September 2023, respectively. Rental expense for the period ended June 30, 2023 was approximately \$172,217. The Organization has the option to cancel the New Port Richey lease if the Organization's primary funding is eliminated by the Organization's funding sources.

The Organization has several operating equipment leases. These leases are cancelable and expire at various dates through August 2027. Rental expense for the period ended June 30, 2023 was approximately \$8,116.

As disclosed in Note 3, the Organization adopted FASB ASC 842, Leases, effective July 1, 2022 using the transition method. The adoption of ASC 842 resulted in the recording of a lease asset and corresponding lease liability of \$284,149, and because the leases are operating leases, it had only minimal impact on the results of operations for 2023.

The right-of-use (ROU) asset had a balance of \$91,471 as of June 30, 2023, as shown in noncurrent assets on the Statement of Financial Position and the lease liability in other current liabilities of \$76,860 as of June 30, 2023 and in other long-term liabilities of \$14,611 at June 30, 2023. The lease asset and liability were calculated utilizing the risk-free discount rate applicable to each lease term according to the Organization's policy.

Additional information about the Organization's lease is as follows:

Lease Costs:

Operating lease cost	\$ <u>180,333</u>
Total lease cost	\$ <u><u>180,333</u></u>

Other Information:

Cash paid for amounts included in measuring operating lease liability:	
Operating cash flows from operating lease	\$ <u>180,333</u>
Total cash paid for amounts included in measuring operating lease liability	\$ <u><u>180,333</u></u>

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Financial Statements

June 30, 2023

(9) Operating Leases (continued)

Maturities of operating lease liabilities as of June 30, 2023:

2024	\$	77,403
2025		7,285
2026		4,526
2027		3,146
2028		383
Thereafter		—
Total lease payments	\$	92,743
Less: present value discount		(1,272)
Total lease liability	\$	91,471

(10) Commitments and Contingencies

The Organization is 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 Organization is in compliance with the terms of its grant agreements.

The Organization is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization’s financial position, results of operations or liquidity.

(11) Calculation of Maximum Administrative Expenses

The following table compares actual administrative expenses incurred versus the maximum administrative expenses allowed by the Division of Early Learning (DEL) for the School Readiness and Voluntary Pre-Kindergarten programs for the year ended June 30, 2023:

	School Readiness	Voluntary Pre- Kindergarten (VPK)
Actual administrative expenses incurred	\$ 689,406	\$ 618,132
Administrative expenses allowable - max	976,247	647,942
Administrative expenses (under) over maximum	\$ (286,841)	\$ (29,810)

VPK administrative costs above include enrollment and monitoring expenses; however, they are not included in management and general expenses in the attached financial statements.

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Financial Statements

June 30, 2023

(12) Subsequent Events

Management has evaluated subsequent events through March 20, 2024, the date which the financial statements were available for issue. No subsequent events requiring disclosure were noted by management.

Supplementary Information

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2023

<u>Grantor/Pass-Through Grantor Program Title</u>	<u>Grant period</u>	<u>Federal CFDA #</u>	<u>Contract #</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:				
<i>Passed through State of Florida Division of Early Learning</i>				
<u>Child Care and Development Fund Cluster</u>				
Child Care and Development Block Grant	7/1/22-6/30/23	93.575	EL403	\$ 7,685,958
CCDBG Supplemental CARES Funds	7/1/22-6/30/23	93.575	EL403	88,042
CCDBG Supplemental CRRSA Funds	7/1/22-6/30/23	93.575	EL403	2,175,145
CCDBG Supplemental -American Rescue Plan Act	7/1/22-6/30/23	93.575	EL403	37,720,662
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	7/1/22-6/30/23	93.596	EL403	4,762,880
Total Child Care and Development Fund Cluster				<u>52,432,687</u>
Social Services Block Grant	7/1/22-6/30/23	93.667	EL403	12,578
Preschool Development Grant	7/1/22-6/30/23	93.434	EL403	524,368
Temporary Assistance for Needy Families	7/1/22-6/30/23	93.558	EL403	<u>5,524,356</u>
Total U.S. Department of Health and Human Services				<u>58,493,989</u>
Total Federal Expenditures				<u>58,493,989</u>
<u>Grantor/Pass-Through Grantor Program Title</u>	<u>Grant period</u>	<u>State CSFA #</u>	<u>Contract #</u>	<u>State Expenditures</u>
<i>Passed through State of Florida Division of Early Learning</i>				
Voluntary Pre-K	7/1/22-6/30/23	48.108	EL403	<u>16,198,543</u>
Total State Expenditures				<u>16,198,543</u>
Total Federal and State Expenditures				<u>\$ 74,692,532</u>

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Notes to Schedule of Expenditures of Federal and State Awards

June 30, 2023

(1) General

The accompanying Schedule of Expenditures of Federal, State and Local awards includes the grant activity of Organization and 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) and Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) Indirect Cost Rates

The Organization 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.



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Fontana CPAs, P.A.

Independent Auditors' 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*

The Board of Directors
Early Learning Coalition of Pasco and Hernando Counties, Inc.:

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 Pasco and Hernando Counties, Inc. (the Organization) (a nonprofit organization) 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures 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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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 determination of financial statement amounts. 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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FONTANA CPAs

March 20, 2024



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Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by the Uniform Guidance and Chapter 10.650, Rules of the Auditor General

The Board of Directors
Early Learning Coalition of Pasco and Hernando Counties, Inc:

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited the Early Learning Coalition of Pasco and Hernando Counties, Inc.'s (the "Organization") 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 Organization's major federal programs and state projects for the year ended June 30, 2023. The Organization'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 Organization 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 Organization 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 Organization'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 Organization'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 Organization'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. 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 Organization's compliance with the requirements of each major federal program and state project as a whole.

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

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 Organization’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 Organization’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 Organization’s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

FONTANA CPAs



March 20, 2024

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

(1) Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- | | | |
|--|-----------------|------------------|
| • Material weakness(es) identified | <u> </u> | <u> X </u> |
| | Yes | No |
| • Significant deficiencies(s) identified that are not considered to be material weaknesses | <u> </u> | <u> X </u> |
| | Yes | None Reported |
| • Noncompliance material to financial statements noted | <u> </u> | <u> X </u> |
| | Yes | No |

Federal and State Awards

Internal control over major programs:

- | | | |
|--|-----------------|------------------|
| • Material weakness(es) identified | <u> </u> | <u> X </u> |
| | Yes | No |
| • Significant deficiencies(s) identified that are not considered to be material weaknesses | <u> </u> | <u> X </u> |
| | Yes | None Reported |

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) of the Uniform Guidance and Chapter 10.650

Rules of Auditor General:

- | | | |
|--|-----------------|------------------|
| | <u> </u> | <u> X </u> |
| | Yes | No |

EARLY LEARNING COALITION OF PASCO AND HERNANDO COUNTIES, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
93.558 93.575, 93.596	Temporary Assistance for Needy Families Child Care and Development Fund Cluster

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

Dollar threshold used to distinguish between type A and type B for Federal programs:	\$1,754,820
--	-------------

Dollar threshold used to distinguish between type A and type B for State projects:	\$750,000
--	-----------

Auditee qualified as low-risk auditee?	<u> X </u>	<u> </u>
	Yes	No

(2) State of Florida, Division of Early Learning (DEL) Reporting Requirements

- | | |
|--|-----|
| 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 |

(3) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

None.

(4) Findings and Questioned Costs Relating to Federal and State awards:

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)