

**EARLY LEARNING
COALITION OF THE BIG
BEND REGION, INC.**

FINANCIAL STATEMENTS

June 30, 2023 and 2022

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Early Learning Coalition of the Big Bend Region, Inc.
Tallahassee, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Early Learning Coalition of the Big Bend Region, Inc. (a nonprofit organization) (the "Coalition"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, 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 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 Responsibility 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.

Partners

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

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

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

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

American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

Auditor's Responsibility 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*, and 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 27, 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 27, 2024

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 5,300,220	\$ 1,809,478
Grants and contracts receivable	168,466	174,002
Due from providers	955,659	942,145
Prepaid expenses	<u>20,043</u>	<u>340</u>
Total current assets	6,444,388	2,925,965
Operating right-of-use asset	1,584,242	-
Property and equipment, net	<u>6,003</u>	<u>3,743</u>
Total assets	<u>\$ 8,034,633</u>	<u>\$ 2,929,708</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Direct child care services payable	\$ 3,275,868	\$ 1,397,666
Due to DEL	1,662,192	1,038,376
Accounts payable and accrued expenses	416,885	249,504
Deferred revenue	744,329	-
Operating lease liability - current	<u>331,498</u>	<u>-</u>
Total current liabilities	6,430,772	2,685,546
Non-current operating lease liability	<u>1,273,598</u>	<u>-</u>
Total liabilities	7,704,370	2,685,546
Net assets		
Without donor restrictions	<u>330,263</u>	<u>244,162</u>
Total net assets	<u>330,263</u>	<u>244,162</u>
Total liabilities and net assets	<u>\$ 8,034,633</u>	<u>\$ 2,929,708</u>

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

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues			
Grants and contracts	\$ 59,185,186	\$ -	\$ 59,185,186
Local match revenue	98,214	-	98,214
Other	48,127	-	48,127
	<u>59,331,527</u>	<u>-</u>	<u>59,331,527</u>
Total support and revenues			
	59,331,527	-	59,331,527
Expenses:			
Program services			
School Readiness and Related Child Care Services	48,448,429	-	48,448,429
Voluntary Pre-Kindergarten Services	7,623,371	-	7,623,371
Other Child Care Research and Support Programs	972,121	-	972,121
	<u>57,043,921</u>	<u>-</u>	<u>57,043,921</u>
Total program expenses			
	57,043,921	-	57,043,921
General and administration	2,201,505	-	2,201,505
	<u>2,201,505</u>	<u>-</u>	<u>2,201,505</u>
Total expenses			
	59,245,426	-	59,245,426
	<u>59,245,426</u>	<u>-</u>	<u>59,245,426</u>
Increase in net assets	86,101	-	86,101
Net assets, beginning of year	244,162	-	244,162
	<u>244,162</u>	<u>-</u>	<u>244,162</u>
Net assets, end of year	<u>\$ 330,263</u>	<u>\$ -</u>	<u>\$ 330,263</u>

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

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues			
Grants and contracts	\$ 31,928,679	\$ -	\$ 31,928,679
Local match revenue	99,795		99,795
Other	39,016	-	39,016
Net assets released from time restriction	<u>37,577</u>	<u>(37,577)</u>	<u>-</u>
Total support and revenues	<u>32,105,067</u>	<u>(37,577)</u>	<u>32,067,490</u>
Expenses:			
Program services			
School Readiness and Related Child Care Services	23,451,631	-	23,451,631
Voluntary Pre-Kindergarten Services	6,019,257	-	6,019,257
Other Child Care Research and Support Programs	<u>1,221,783</u>	<u>-</u>	<u>1,221,783</u>
Total program expenses	30,692,671	-	30,692,671
General and administration	<u>1,310,574</u>	<u>-</u>	<u>1,310,574</u>
Total expenses	<u>32,003,245</u>	<u>-</u>	<u>32,003,245</u>
Increase in net assets	101,822	(37,577)	64,245
Net assets, beginning of year	<u>142,340</u>	<u>37,577</u>	<u>179,917</u>
Net assets, end of year	<u>\$ 244,162</u>	<u>\$ -</u>	<u>\$ 244,162</u>

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

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	School Readiness and Related Child Care Services	Voluntary Pre- Kindergarten Services	Other Child Care Research and Support Programs	Total Program Services	General and Administrative	Total
Salaries and benefits	\$ 955,191	\$ 329	\$ 418,074	\$ 1,373,594	\$ 1,785,862	\$ 3,159,456
Training and development	13,308	2	8,889	22,199	35,335	57,534
Professional services	153	-	-	153	54,992	55,145
Contracted services	46,507,376	7,616,579	129,811	54,253,766	118,640	54,372,406
Consulting	602	-	-	602	10,962	11,564
Occupancy	473,772	4	28,531	502,307	56,357	558,664
Advertising and public outreach	20,237	-	-	20,237	4,174	24,411
Supplies and materials	287,438	6,457	384,323	678,218	8,249	686,467
Technology maintenance	84,018	-	503	84,521	88,049	172,570
Office furniture and equipment	36,087	-	1,039	37,126	27,678	64,804
Travel	59,963	-	291	60,254	4,309	64,563
Depreciation	-	-	-	-	5,217	5,217
Printing and postage	6,390	-	660	7,050	1,681	8,731
Other miscellaneous	3,894	-	-	3,894	-	3,894
	<u>\$ 48,448,429</u>	<u>\$ 7,623,371</u>	<u>\$ 972,121</u>	<u>\$ 57,043,921</u>	<u>\$ 2,201,505</u>	<u>\$ 59,245,426</u>
Total expenses	<u>\$ 48,448,429</u>	<u>\$ 7,623,371</u>	<u>\$ 972,121</u>	<u>\$ 57,043,921</u>	<u>\$ 2,201,505</u>	<u>\$ 59,245,426</u>

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

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	School Readiness and Related Child Care Services	Voluntary Pre- Kindergarten Services	Other Child Care Research and Support Programs	Total Program Services	General and Administrative	Total
Salaries and benefits	\$ 1,493,004	\$ 19,929	\$ 365,175	\$ 1,878,108	\$ 862,408	\$ 2,740,516
Training and development	9,902	19	416	10,337	26,266	36,603
Professional services	709	-	-	709	62,470	63,179
Contracted services	21,009,487	5,996,412	69,222	27,075,121	118,993	27,194,114
Consulting	23,688	-	5,500	29,188	14,087	43,275
Occupancy	455,679	575	7,072	463,326	54,996	518,322
Advertising and public outreach	98,798	-	-	98,798	-	98,798
Supplies and materials	150,044	1,560	764,838	916,442	50,742	967,184
Technology maintenance	150,855	-	-	150,855	85,339	236,194
Office furniture and equipment	14,287	665	2,537	17,489	18,150	35,639
Travel	23,382	47	5,818	29,247	8,632	37,879
Depreciation	-	-	-	-	6,175	6,175
Printing and postage	18,271	50	1,205	19,526	2,316	21,842
Other miscellaneous	3,525	-	-	3,525	-	3,525
Total expenses	\$ 23,451,631	\$ 6,019,257	\$ 1,221,783	\$ 30,692,671	\$ 1,310,574	\$ 32,003,245

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

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities		
Cash received from grantors and contractors	\$ 59,814,538	\$ 32,329,427
Cash paid to employees and vendors	(56,483,514)	(32,767,916)
Interest received	-	-
Contributions and other receipts	146,341	176,388
Non-cash rent	20,854	-
	3,498,219	(262,101)
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchase of property and equipment	(7,477)	-
	-	-
Net increase (decrease) in cash and cash equivalents	3,490,742	(262,101)
Cash and cash equivalents, beginning of year	1,809,478	2,071,579
Cash and cash equivalents, end of year	\$ 5,300,220	\$ 1,809,478
Reconciliation of change in net assets to net cash provided by (used in) operating activities		
Increase in net assets	\$ 86,101	\$ 64,245
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	5,217	6,175
Non-cash rent	20,854	-
Decrease in grants and contracts receivable	5,536	288,386
Increase in due from providers	(13,514)	(16,131)
Decrease in unconditional promises to give	-	37,577
Increase in deferred revenue	744,329	-
Increase (decrease) in direct child care services payable	1,878,202	(804,547)
Increase (decrease) in accounts payable and accrued expenses	167,381	40,438
Increase in due to DEL	623,816	112,362
Decrease (increase) in prepaid expenses	(19,703)	9,394
	3,412,118	(326,346)
Total adjustments		
Net cash provided by (used in) operating activities	\$ 3,498,219	\$ (262,101)
Supplemental Disclosure of Noncash activities		
Operating lease right-of-use asset	\$ 1,920,971	\$ -
Operating lease right-of-use liability	(1,920,971)	-
	-	-

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

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(1) Summary of Significant Accounting Policies:

The following is a summary of the more significant accounting policies and practices of Early Learning Coalition of the Big Bend Region, Inc. (the "Coalition") which affect significant elements of the accompanying financial statements:

(a) **Coalition and Purpose**—Early Learning Coalition of the Big Bend Region, Inc. ("the Coalition") was established to prepare preschool children to enter kindergarten ready to learn, as measured by criteria established by the state of Florida. Under Florida Statute, Section 1002.83, the Coalition is required to develop and implement a plan for comprehensive, accessible, affordable, and high-quality early education and childcare services for children, birth to age five, in Leon, Gadsden, Jefferson, Liberty, Madison, Taylor, and Wakulla counties in the state of Florida. The Coalition is primarily supported by grants from the State of Florida passed through from the U.S. Department of Health and Human Services.

During the fiscal year ended June 30, 2023 and 2022, the Coalition operated the following programs:

School Readiness and Related Child Care Services (SR): This program provides financial assistance for childcare costs to families who meet the qualifying guidelines in order to assist children to become better prepared for the education experience or to provide childcare services for economically disadvantaged children or children requiring specific assistance as determined by the state of Florida.

Voluntary Pre-kindergarten Services (VPK): The VPK program is designed to promote in a classroom environment the development of each four-year-old child's physical, social, and emotional maturation. The program outcomes should result in children better prepared to be successful in the formal education process.

Other Child Care Research and Support Programs: These program services include: Leon County childcare tuition assistance program, family literacy programs for low-income families, and technical assistance programs to low performing providers.

The Coalition is governed by its twenty-one-member Board of Directors, of which nine are appointed under criteria established in Florida Statutes, Section 1002.83.

(b) **Property and Equipment**—Property and equipment acquired by the Coalition are considered to be owned by the Coalition. However, funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The Federal government has a reversionary interest in those assets purchased with its funds which have a cost of \$5,000 or more and an estimated useful life of at least one year. The State of Florida has a reversionary interest in those assets purchased with its funds which have a cost of \$1,000 or more and an estimated useful life of at least one year.

Property and equipment with a value greater than \$5,000 and an estimated useful life of at least one year are recorded at cost when purchased or at estimated fair value when contributed. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from five to thirty-nine years. Repairs and maintenance, which are not considered improvements and do not extend the useful life of the property and equipment, are expensed as incurred.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(1) Summary of Significant Accounting Policies: (continued)

(c) **Income Taxes**—The Coalition is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements. The Coalition files income tax returns in the U.S. Federal jurisdiction. The Coalition's income tax returns for the past three years are subject to examination by taxing authorities and may change upon examination.

The Coalition has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes and determined that there are no uncertain tax positions that would have a material impact on the financial statements.

(d) **Cash and Cash Equivalents**—For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, amounts in demand deposits and short-term investments with original maturities of 90 days or less. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. Bank deposits at times may exceed federally insured limits. The Coalition has not experienced any losses in such accounts.

The Coalition has a zero-balance account (ZBA) agreement with the financial institution in which funds are maintained in an interest bearing account and are transferred into the demand deposit accounts as needed. Interest earned on the funds in the ZBA account was less than 1% at June 30, 2023 and 2022.

(e) **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.

(f) **Basis of Accounting**—The financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

(g) **Basis of Presentation**—Under accounting principles generally accepted in the United States of America, the Coalition is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

(h) **Net Assets**—Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. All other donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions that are restricted by the donor are reported as an increase in assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(1) Summary of Significant Accounting Policies: (continued)

(i) **Functional Allocation of Expenses**—The costs of providing the various services and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(j) **Accrued Leave**—The Coalition compensates its eligible employees for unused vacation leave upon termination of employment. Vacation leave is accrued as earned by eligible employees and recorded as an expense in the period earned.

(k) **Advertising**—Advertising costs are charged to operations as incurred. For those years ended June 30, 2023 and 2022, \$24,411 and \$98,798 was incurred, respectively.

(l) **Grants and Contracts Receivable**—Grants and contracts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the history with grantors and contractors having outstanding balances and current relationships with them. An allowance for uncollectible grant receivables has not been recorded as all amounts are deemed by management to be collectible.

(m) **Deferred Revenue**—The Coalition records grant/contract receipts as deferred revenue until it is expended for the purpose of the grant/contract, at which time it is recognized as revenue.

(n) **Revenue Recognition**—The Coalition receives all of its grant and contract revenue from Federal, State and local agencies. The Coalition recognizes grant/contract revenue (up to the contract ceiling) from its grants/contracts over a period which represents the service period for certain grants/contracts, or to the extent of expenses. Revenue recognition depends on the grant/contract.

In May 2014, the Financial Accounting Standards board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (ASC 606), which prescribes a single, common revenue standard to replace most existing revenue recognition guidance, including most industry-specific requirements. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASC 958), which clarified how transactions should be accounted for as contributions (nonreciprocal transactions) or exchange transactions and whether a contribution is conditional.

The Coalition adopted ASC 606 and ASC 958 and all related amendments effective July 1, 2019. The adoption had no significant impact on the Coalition's financial statements.

(2) Significant Funding Sources:

The Coalition and its related programs receive substantial support from federal and state governments. If a significant reduction in the level of this support occurs, it may have an effect on the Coalition's programs and activities. For the year ended June 30, 2023, 88% of the Coalition's revenues and support was from the Federal government passed through the Division of Early Learning (DEL). In addition, for the year ended June 30, 2023, 12% of the Coalition's revenues and support were from DEL through state financial assistance and matching funds. Revenue and support from the Federal government passed through DEL was 80% for the year ended June 30, 2022 and 20% from state financial assistance and matching funds for the year ended June 30, 2022.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(3) Concentrations of Credit Risk:

The more significant concentrations of credit risk are as follows:

(a) **Demand Deposits**—The Coalition maintains demand deposits with one bank. The Coalition has no policy requiring collateral, although all demand deposits with the bank are Federally insured up to FDIC limits.

(b) **Grants and Contracts Receivable**—The Coalition's grants and contracts receivable are for amounts due under grants/contracts with the State of Florida and Federal government agencies. The Coalition has no policy requiring collateral or other security to support its grants and contracts receivable.

(c) **Unconditional Promises to Give**—Financial instruments that potentially subject the Coalition to concentrations of credit risk include unconditional promises to give. The unconditional promises to give are from donors.

(4) Retirement Plan:

The Coalition participates in a voluntary deferred profit sharing plan 401(k) for its employees. Employees are eligible for participation in the plan three months following their date of employment. Employees become eligible for employer contributions to the plan after one year (designated in the plan as 800 hours) of employment. Contributions by the Coalition to the plan are based on a percentage of employee salaries and vest 100% to employees after two years of plan participation. Expenses under this plan were \$82,592 and \$90,117 during the year ended June 30, 2023 and 2022, respectively.

(5) Property and Equipment:

The following is a summary of property and equipment at June 30, 2023 and 2022:

	2023	2022
Office furniture	\$ 26,148	\$ 18,671
Office and computer equipment	128,506	128,506
Software and licenses	104,337	104,337
	258,991	251,514
Less: Accumulated depreciation	(252,988)	(247,771)
Total	\$ 6,003	\$ 3,743

(6) Recently issued accounting pronouncements:

The Coalition has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in the notes to the financial statements below, does not believe that any other new or modified principles will have a material impact on the Coalition's reported financial position or operations in the near term.

In February 2016, the FASB issued ASU 2016-02, *Leases*, that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The Coalition adopted the lease standard effective July 1, 2022 as disclosed in Note 7.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(7) Operating Leases:

As disclosed in Note 6, the Coalition adopted FASB ASU 2016-02. The Coalition leases its office spaces under operating leases. 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. As of June 30, 2023, the Coalition had 4 short-term leases. As of June 30, 2023, the right-of-use (ROU) asset had a balance of \$1,584,242, as shown in the statement of financial position; the lease liability is included in current liabilities (\$331,498) and long-term liabilities (\$1,273,598). The lease asset and liability were calculated utilizing the risk-free weighted-average discount rate (3.79%), according to the Coalition's elected policy.

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

<u>Lease cost (included in occupancy):</u>	
Operating lease cost	\$ 398,066
Total lease cost	\$ 398,066
<u>Other information:</u>	
Cash paid for amounts included in measuring operating lease liability:	
Operating cash flows from operating lease	\$ 377,212
Total cash paid for amounts included in measuring operating lease liability	\$ 377,212
Weighted-average remaining lease terms (years)	4.33
Weighted-average discount rate	3.79%

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

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

	2024	\$ 386,754
	2025	396,369
	2026	406,266
	2027	416,455
	2028	139,961
Total lease payments		1,745,805
	Less: interest	(140,709)
Present value of lease liability		\$ 1,605,096

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(8) Matching Requirements:

The Coalition's funding grant from the state of Florida includes a provision requiring a local match for the direct childcare service program operated in its seven county regions. Except for Leon County, Florida, the Coalition can request annual waivers of the match requirement for the remaining six rural counties served that demonstrate significant hardship in meeting the match requirement.

(9) Contributed Non-Financial 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 Coalition adopted ASU No. 2020-07 effective July 1, 2021. The adoption has no significant impact on the Coalition's financial statements.

Consulting and other non-cash donations are recorded at either estimated fair value at the date of donation. In the absence of donor-imposed stipulations regarding how long the contributed assets must be used, the Coalition has adopted a policy of not implying a time restriction on contributions of such assets. There were no such donations for the years ended June 30, 2023 and 2022, respectively.

Many individuals volunteer their time and perform a variety of tasks that assist the Coalition with specific childcare service programs. The Coalition tracks their time and then estimates the value of these donated services, which are not reflected in the financial statements, as they do not meet the recognition criteria pursuant to professional standards.

(10) Contingencies:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government and the State of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Coalition expects such amounts, if any, to be immaterial.

(11) Related Party Transactions:

The Coalition has certain board members who are also providers of VPK and SR services. The Coalition paid these vendors \$541,469 and \$213,957 for the year ended June 30, 2023 and 2022, respectively. All payments were in the normal course of business. At June 30, 2023 and 2022, \$33,111 and \$26,411 was due to related parties, respectively.

(12) Net Assets with Donor Restrictions:

At June 30, 2023 and 2022, there were no net assets with donor restrictions.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(13) Liquidity and Availability:

The Coalition strives to maintain liquid financial assets sufficient to cover general expenditures. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,300,220	\$ 1,809,478
Grants and contracts receivable	<u>168,466</u>	<u>174,002</u>
Total	<u>\$ 5,468,686</u>	<u>\$ 1,983,480</u>

(14) Subsequent Events:

The Coalition has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 27, 2024, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

Early Learning Coalition of the Big Bend Region, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2023

Federal Grantor/State Grantor/Pass Through Grantor Program Title	Federal ALN	State CFSA Number	Pass-through Entity Identifying Contract Number	Expenditures
FEDERAL AWARDS				
U.S. Department of Health and Human Services				
Passed through State of Florida Department of Education Division of Early Learning				
Child Care and Development Block Grant	93.575	-	EL043	\$ 9,319,032
Child Care and Development Block Grant - CARES	93.575	-	EL043	18,699
Coronavirus Response and Relief Supplemental Appropriations Funds	93.575	-	EL043	2,262,920
Coronavirus Response and Relief Supplemental Appropriations Funds	93.575	-	EL044	38,985
American Rescue Plan Act	93.575	-	EL043	35,653,800
American Rescue Plan Act	93.575	-	EL044	129,480
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	-	EL043	<u>2,968,048</u>
			Total CCDF cluster	50,390,964
Temporary Assistance for Needy Families	93.558	-	EL043	1,557,574
Social Services Block Grant	93.667	-	EL043	<u>10,660</u>
Total U.S. Department of Health and Human Services				<u>51,959,198</u>
Total Expenditures of Federal Awards				<u>\$ 51,959,198</u>
STATE FINANCIAL ASSISTANCE				
Florida Department of Education Division of Early Learning				
Voluntary Pre-Kindergarten Education Program	-	48.108	EL043	\$ 6,691,696
Voluntary Pre-Kindergarten Education Program - State General Revenue Unrestricted 2022-2023	-	-	2022-23 SGU	<u>511,538</u>
Total Expenditures of State Financial Assistance				<u>7,203,234</u>
Total Expenditures of Federal Awards and State Financial Assistance				<u>\$ 59,162,432</u>

See independent auditor's report.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2023

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the Federal awards and State financial assistance activity of Early Learning Coalition of the Big Bend Region, Inc. under programs of the federal and state government for the year ended June 30, 2023 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*, and Chapter 10.650, *Rules of the State of Florida 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.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. No amounts were passed through to subrecipients during the year ended June 30, 2023.

Note 3. De Minimis Indirect Cost Rate Election

Early Learning Coalition of the Big Bend Region, Inc. has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.



Partners

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

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

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

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

American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

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

To the Board of Directors of
Early Learning Coalition of the Big Bend Region, Inc.
Tallahassee, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Early Learning Coalition of the Big Bend Region, Inc. (the "Coalition") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 27, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, as described in the accompanying schedule of findings and questioned costs, as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Early Learning Coalition of the Big Bend Region, Inc.'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*.

Coalition's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Coalition's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Coalition's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 27, 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

Partners

W. Ed Moss, Jr.
Joe M. Krusick
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Phone: 407-644-5811
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To the Board of Directors of
Early Learning Coalition of the Big Bend Region, Inc.
Tallahassee, 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 the Big Bend Region, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Early Learning Coalition of the Big Bend Region, Inc.'s (the "Coalition") major federal programs and state projects for the year ended June 30, 2023. Early Learning Coalition of the Big Bend Region, Inc.'s major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Early Learning Coalition of the Big Bend Region, Inc.'s complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 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) and Chapter 10.650, *Rules of the Auditor General*. 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 Responsibility 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. 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.

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, and which are described in the accompanying schedule of findings and questioned costs as items 2023-002 and 2023-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Coalition's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Coalition's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 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 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-002 and 2023-003 to be significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Coalition's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Coalition's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 27, 2024

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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? | Yes |
| 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? | Yes |
| 3. Audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | Yes |
| 4. Dollar threshold used to distinguish between Type A and Type B programs | \$1,558,776 |
| 5. Auditee qualified as low-risk auditee? | No |

Identification of major programs:

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

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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>	Yes
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	48.108

Section II – Enhanced Fields System (EFS) monthly reconciliation

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

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

Section III – Financial Statement Findings

Finding 2023-001 Repeat of PY 2022-002: Expense and Accounts Payable Reconciliations

Criteria: Accounts payable and expenses are to be recognized as incurred. Subsequent clearing of accounts payable should occur upon payment of funds to a vendor or provider. Expenses and accounts payable should be reconciled on a monthly basis to ensure payment of expenses are properly recorded.

Condition: As a result of our audit procedures, we noted incorrect recognition and clearing of accounts payable at the beginning of the engagement causing improper account balances related to accounts payable and cash.

Cause: Lack of effective controls surrounding accounts payable and expense.

Effect: Misstatement, errors, and irregularities in the financial statements.

Recommendation: We recommend the Coalition implement procedures to ensure that all accounts payable, expense, and cash accounts are reconciled on a monthly basis and the use of the accounting software is correctly utilized for accounts payable reporting.

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

Finding 2023-002: Internal Control over Compliance and Compliance with Cash Management

Federal Programs ALN: 93.575, 93.596, 93.558

Criteria: In accordance with the grant agreement, and Division of Early Learning (DEL) Program Guidance 240.01, *Cash Management Procedures*, any advance that cannot be expended or offset by September 18, must be returned to DEL by September 30 of the following year.

Condition: The Coalition did not timely remit the unexpended advance related to the 2022-2023 fiscal year in compliance with the grant agreement and DEL Program Guidance.

Cause: Lack of effective controls surrounding cash management and review of controls to ensure compliance with grant and DEL Program Guidance.

Effect: The Coalition did not timely remit the unexpended advance related to the 2022-2023 fiscal year to DEL until January 8, 2024.

Recommendation: We recommend the Coalition implement procedures to ensure that all advances are reconciled on a monthly basis and remitted to DEL in accordance with the grant agreement and DEL guidance.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

Section IV – Federal Award and State Projects Findings and Questioned Costs (continued)

Finding 2023-003: Internal Control over Compliance and Compliance with Cash Management

State Project CFSA: 48.108

Criteria: In accordance with the grant agreement and Division of Early Learning (DEL) Program Guidance 240.01, *Cash Management Procedures*, and Rules 6M-8.205 *Florida Statutes*, any advance that cannot be expended or offset by September 18, must be returned to DEL by September 30 of the following year.

Condition: The Coalition did not timely remit the unexpended advance related to the 2022-2023 fiscal year in compliance with the grant agreement and DEL Program Guidance.

Cause: Lack of effective controls surrounding cash management and review of controls to ensure compliance with grant and DEL Program Guidance.

Effect: The Coalition did not timely remit the unexpended advance related to the 2022-2023 fiscal year to DEL until January 8, 2024.

Recommendation: We recommend the Coalition implement procedures to ensure that all advances are reconciled on a monthly basis and remitted to DEL in accordance with the grant agreement and DEL guidance.

Section V – Status of Prior Year Audit Findings

Finding 2022-001 Repeat of PY 2021-002: Bank Reconciliations

Criteria: Bank reconciliations should reconcile to the general ledger and be reviewed for any significant outstanding items.

Condition: Bank reconciliations do not reconcile to the general ledger. Significant outstanding items at year end had been received during the year.

Cause: Lack of effective controls surrounding bank reconciling process.

Effect: Errors or fraud may occur and not be detected on a timely basis.

Recommendation: We recommend management review bank reconciliations on a monthly basis to ensure balances agree to general ledger.

Resolution: Resolved. The Coalition's implemented new policies and procedures to ensure that bank reconciliations are completed timely and accurately.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

Section V – Status of Prior Year Audit Findings (continued)

Finding 2022-002: Expense and Accounts Payable Reconciliations

Criteria: Accounts payable and expenses are to be recognized as incurred in. Subsequent clearing of accounts payable should occur upon payment of funds to vendor or provider. Expenses and accounts payable should be reconciled on a monthly basis to ensure payment of expenses are properly recorded.

Condition: As a result of our audit procedures, we noted incorrect recognition and clearing of accounts payable at the beginning of the engagement causing improper account balances related to accounts payable and cash.

Cause: Lack of effective controls surrounding accounts payable and expense.

Effect: Misstatement, errors, and irregularities in the financial statements.

Recommendation: We recommend the Coalition implement procedures to ensure that all accounts payable, expense, and cash accounts are reconciled on a monthly basis and the use of the accounting software is correctly utilized for accounts payable reporting.

Resolution: Unresolved, see current year finding 2023-001.

Finding 2022-003 Repeat of PY 2021-003: Timely Remittance of Payment

Federal Programs: ALN 93.575/93.596

Criteria: The Coalition is required to make payments to providers within 21 days of receipt of invoice, and approval of goods and services as required by the grant agreement with Florida's Division of Early Learning.

Condition: Certain payments from the Coalition to providers related to CRRSA/ARPA funding during the year were in excess of the 21 day requirement.

Cause: The Coalition experienced turnover in the accounting department during the year, and there was a misunderstanding regarding the payment requirements per the grant guidance.

Effect: Past due payments result in noncompliance with grant and provider agreements.

Recommendation: We recommend that the Coalition take proactive measures to monitor and ensure that all provider invoices will be paid in a timely manner.

Resolution: Resolved. The Coalition's provider payments for fiscal year 2023 were in compliance with the timely remittance requirements.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

Section V – Status of Prior Year Audit Findings (continued)

Finding 2022-004: Expenditure Targets

Federal Programs: ALN 93.575, 93.596, 97.558

Criteria: Per EL042 Grant Agreement with DEL, the Coalition is subject to specific expenditure targets for the program as follows:

- The ELC shall keep costs to the minimum necessary to efficiently and effectively administer the SR Program. No more than five percent of all state, federal, and local matching funds expended by the ELC for the SR Program shall be expended for administrative activities.

Condition: During our testing of the allocation of expenditures by cost type for the SR Program, we noted the following exceptions:

- Total SR Program funds expended for administrative activities totaled 5.30% exceeding the 5% maximum.

Cause: The Coalition experienced high management turnover during the year which resulted in multiple CFOs and accounting staff which lead to excess administrative costs.

Effect: The allocation of expenditures was not compliant with the expenditure target defined in the criteria above, therefore DEL has the potential to recover the unallowable expenditures at its discretion.

Questioned Costs: The Coalition did not meet the requirement per DEL, and therefore may have questioned costs of approximately \$57,000, which was calculated as the total SR Program administrative activities exceeding the 5% maximum.

Recommendation: We recommend that management take proactive measures to monitor and ensure that the Coalition will remain in compliance with statutory requirements.

Resolution: Resolved. The Coalition's administrative activities for fiscal year 2023 were in compliance with the 5% maximum administrative requirements.



Partners

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

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

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

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

American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

MANAGEMENT LETTER

To the Board of Directors of
Early Learning Coalition of the Big Bend Region, Inc.
Tallahassee, Florida

Report on the Financial Statements

We have audited the financial statements of the Early Learning Coalition of the Big Bend Region, Inc., as of and for the fiscal year ended June 30, 2023, and have issued our report thereon dated March 27, 2024.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 27, 2024, should be considered in conjunction with this management letter.

Additional Matters

Section 10.654(1)(e), Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but warrants the attention of those charged with governance. In connection with our audit, we disclosed a material weakness and grant agreement noncompliance findings which are disclosed in Sections III and IV of the Schedule of Findings and Questioned Costs.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 27, 2024



Chief Executive Officer
Lizbeth L. Murphy

Executive Committee

Tara Orłowski
Acting Chair

Miatta Jalaber
Vice Chair, Secretary, Audit Committee Chair

Paul Mitchell
Treasurer, Finance Committee Chair

Kelley Dettmer
Program, Policy, and Strategy Committee Chair

Millicent Tizol
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Zana Raybon

Tasha Weinstein

John Selover

Kim Sims

Diane Head

Adrian Cooksey

Darrel James

Maureen O'Neil

Ryan Poole

Sarah Gosselin

Stacey Duggar

Terrence Watts

Alicia Beshears



Finding 2023-001: Expense and Accounts Payable Reconciliations

Criteria: Accounts payable and expenses are to be recognized as incurred. Subsequent clearing of accounts payable should occur upon payment of funds to vendor or provider. Expenses and accounts payable should be reconciled on a monthly basis to ensure payment of expenses are properly recorded.

Condition: As a result of our audit procedures, we noted incorrect recognition and clearing of accounts payable at the beginning of the engagement causing improper account balances related to accounts payable and cash.

Cause: Lack of effective controls surrounding accounts payable and expense.

Effect: Misstatement, errors, and irregularities in the financial statements.

Recommendation: We recommend the Coalition implement procedures to ensure that all accounts payable, expense, and cash accounts are reconciled on a monthly basis and the use of the accounting software is correctly utilized for accounts payable reporting.

Corrective Action Plan: Management will make sure that accounts payable reconciliations are completed monthly. Reconciliations will be reviewed and approved with supporting documentation for accuracy and timeliness.

Responsible Party: Felicia Milton, CFO

Anticipated Completion Date: March 2024

Finding 2023-002: Internal Control over Compliance and Compliance with Cash Management

Federal Programs ALN: 93.575, 93.596, 93.558

Criteria: In accordance with the grant agreement, and Division of Early Learning (DEL) Program Guidance 240.01, *Cash Management Procedures*, any advance that cannot be expended or offset by September 18, must be returned to DEL by September 30 of the following year.

Condition: The Coalition did not timely remit the unexpended advance related to the 2022-2023 fiscal year in compliance with the grant agreement and DEL Program Guidance.

Cause: Lack of effective controls surrounding cash management and review of controls to ensure compliance with grant and DEL Program Guidance.

Effect: The Coalition did not timely remit the unexpended advance related to the 2022-2023 fiscal year to DEL until January 8, 2024.

Recommendation: We recommend the Coalition implement procedures to ensure that all advances are reconciled on a monthly basis and remitted to DEL in accordance with the grant agreement and DEL guidance.

Corrective Action Plan: ELC Management will make sure that measures are in place to ensure all advances are reconciled monthly and paid timely back to DEL.

Responsible Party: Felicia Milton, CFO

Anticipated Completion Date: March 2024



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- Maureen O'Neil
- Ryan Poole
- Sarah Gosselin
- Stacey Duggar
- Terrence Watts
- Alicia Beshears



Finding 2023-003: Internal Control over Compliance and Compliance with Cash Management

State Project CFSA: 48.108

Criteria: In accordance with the grant agreement and Division of Early Learning (DEL) Program Guidance 240.01, *Cash Management Procedures*, and Rules 6M-8.205 *Florida Statutes*, any advance that cannot be expended or offset by September 18, must be returned to DEL by September 30 of the following year.

Condition: The Coalition did not timely remit the unexpended advance related to the 2022-2023 fiscal year in compliance with the grant agreement and DEL Program Guidance.

Cause: Lack of effective controls surrounding cash management and review of controls to ensure compliance with grant and DEL Program Guidance.

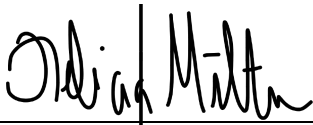
Effect: The Coalition did not timely remit the unexpended advance related to the 2022-2023 fiscal year to DEL until January 8, 2024.

Recommendation: We recommend the Coalition implement procedures to ensure that all advances are reconciled on a monthly basis and remitted to DEL in accordance with the grant agreement and DEL guidance.

Corrective Action Plan: ELC Management will make sure that measures are in place to ensure all advances are reconciled monthly and paid timely back to DEL.

Responsible Party: Felicia Milton, CFO

Anticipated Completion Date: March 2024

Signature: 

Title: Chief Financial Officer

Date: March 27, 2024