

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

INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

Year Ended
June 30, 2023

Early Learning Coalition of Florida's Heartland, Inc.

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Independent Auditors' Report

Board of Directors
Early Learning Coalition of Florida's Heartland, Inc.
Port Charlotte, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Early Learning Coalition of Florida's Heartland, Inc., (the "Coalition") a nonprofit organization, which comprise the statements of financial position as of June 30, 2023, 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 referred to above present fairly, in all material respects, the respective financial position of the Coalition, as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 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 opinions on the financial statements that collectively comprise the Coalition's financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; Chapter 10.650, *Rules of the Auditor General of the State of Florida*; and special audit guidance provided by Florida's Division of Early Learning, and are also not a required part of the financial statements.

Supplementary Information (continued)

The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 financial statements and the schedule of expenditures of federal awards and state financial assistance are 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 February 22, 2023, 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 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 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.

Ashley, Brown & Smith, CPA's, P.A.

Punta Gorda, FL
March 26, 2024

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Statements of Financial Position
For the Fiscal Year Ended June 30, 2023,
With Comparative Totals for June 30, 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Assets		
Cash	\$ 957,562	\$ 718,044
Contracts and grants receivable	689,693	1,108,546
Deposits	27,518	21,835
Due from providers	220,279	360,226
Property and equipment, net	3,121	3,886
Operating lease right-of-use asset	1,110,865	-
Total Assets	<u>\$ 3,009,038</u>	<u>\$ 2,212,537</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,365,466	\$ 1,389,184
Accrued liabilities	75,092	75,498
Accrued paid leave	198,360	148,823
Deferred revenue	72,379	4,321
Due to DEL	220,279	621,370
Operating lease liability	1,116,447	-
Total liabilities	<u>3,048,023</u>	<u>2,239,196</u>
Net Assets:		
Without Donor Restrictions	<u>(38,985)</u>	<u>(26,659)</u>
Total Liabilities and Net Assets	<u>\$ 3,009,038</u>	<u>\$ 2,212,537</u>

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

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Statements of Activities and Changes in Net Assets

For the Fiscal Year Ended June 30, 2023,

With Comparative Totals for June 30, 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Totals
REVENUE AND SUPPORT				
Grants:				
Federal Awards	\$ 24,501,538	\$ -	\$ 24,501,538	\$ 14,305,716
State Assistance	4,574,816	-	4,574,816	3,817,038
Grants - other	18,025	-	18,025	13,375
Total Grants	<u>29,094,379</u>	<u>-</u>	<u>29,094,379</u>	<u>18,136,129</u>
Support:				
Program income	124,889	-	124,889	65,298
Match income	175,646	-	175,646	193,050
In-kind	800	-	800	423
Services	(264)	-	(264)	1,542
Miscellaneous	9,006	-	9,006	8,996
Net assets released from restrictions	-	-	-	-
Total Support	<u>310,077</u>	<u>-</u>	<u>310,077</u>	<u>269,309</u>
Total Revenue and Support	<u>29,404,456</u>	<u>-</u>	<u>29,404,456</u>	<u>18,405,438</u>
EXPENSES				
Program Services:				
School readiness	12,080,942	-	12,080,942	9,275,097
Voluntary pre-kindergarten	4,204,148	-	4,204,148	3,668,465
CRRSA	106,912	-	106,912	2,918,572
American Recovery Plan (ARP)	12,120,848	-	12,120,848	1,619,746
Other	211,688	-	211,688	170,000
Total Program Services	<u>28,724,538</u>	<u>-</u>	<u>28,724,538</u>	<u>17,651,880</u>
Support Services:				
Management and general	692,244	-	692,244	752,628
Total Expenses	<u>29,416,782</u>	<u>-</u>	<u>29,416,782</u>	<u>18,404,508</u>
Increase (Decrease) in net assets	(12,326)	-	(12,326)	930
NET ASSETS, BEGINNING OF YEAR	<u>(26,659)</u>	<u>-</u>	<u>(26,659)</u>	<u>(27,589)</u>
NET ASSETS, END OF YEAR	<u>\$ (38,985)</u>	<u>\$ -</u>	<u>\$ (38,985)</u>	<u>\$ (26,659)</u>

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

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Statements of Cash Flows

For the Fiscal Year Ended June 30, 2023,
With Comparative Totals for June 30, 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (12,326)	\$ 930
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	765	979
(Increase) decrease in assets:		
Contracts and grants receivables	418,853	(400,967)
Due from subcontractors	139,947	240,639
Increase (decrease) in liabilities:		
Accounts payable	(18,136)	435,846
Accrued liabilities	(406)	6,726
Accrued paid leave	49,537	33,487
Deferred revenues	68,058	(18,412)
Due to DEL	(401,091)	20,505
Net cash provided (used) by operating activities	<u>239,518</u>	<u>319,733</u>
Cash flows from financing activities		
Proceeds from line of credit	575,000	100,000
Principal reduction payments on line of credit	(575,000)	(100,000)
Net cash provided (used) by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	239,518	319,733
Cash and cash equivalents, beginning of year	<u>718,044</u>	<u>398,311</u>
Cash and cash equivalents, end of year	<u><u>\$ 957,562</u></u>	<u><u>\$ 718,044</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Operating lease right-of-use asset	\$ 1,243,541	\$ -
Operating lease liability	(1,243,541)	-
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Statement of Functional Expenses
For the Fiscal Year Ended June 30, 2023

	Program Services					Support Services		
	School Readiness	Voluntary Pre-Kindergarten	CRRSA	American Recovery Plan (ARP) Program	Other	Total	Management and General	Total
Bank fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,901	\$ 2,901
Community development	-	-	-	-	-	-	805	805
Depreciation	-	-	-	-	-	-	765	765
Insurance	6,429	-	-	-	-	6,429	8,179	14,608
Occupancy	134,249	-	-	-	-	134,249	27,115	161,364
Office expenses	20,235	-	-	-	-	20,235	11,551	31,786
Other	328	-	-	-	50	378	14,673	15,051
Postage	880	-	-	-	-	880	240	1,120
Printing	395	-	-	-	-	395	425	820
Professional fees	99,843	-	-	-	59,430	159,273	40,035	199,308
Program supplies	4,336	-	63,134	-	16,411	83,881	-	83,881
Early Care & Education Initiatives	13,895	-	250	11,384,878	109,623	11,508,646	-	11,508,646
In Kind	-	-	-	-	800	800	-	800
Repairs & maintenance	9,539	-	-	-	-	9,539	6,972	16,511
Salaries & benefits	1,108,845	-	-	-	24,637	1,133,482	569,464	1,702,946
Small equipment	9,547	-	43,528	-	-	53,075	1,905	54,980
Subcontracted services	10,640,260	4,204,148	-	735,970	-	15,580,378	-	15,580,378
Telephone	20,685	-	-	-	60	20,745	3,963	24,708
Travel	11,476	-	-	-	677	12,153	3,251	15,404
Totals	\$ 12,080,942	\$ 4,204,148	\$ 106,912	\$ 12,120,848	\$ 211,688	\$ 28,724,538	\$ 692,244	\$ 29,416,782

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

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Statement of Functional Expenses
For the Fiscal Year Ended June 30, 2022

	Program Services					Support Services		
	School Readiness	Voluntary Pre-Kindergarten	CRRSA	American Recovery Plan (ARP) Program	Other	Total	Management and General	Total
Bank fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,197	\$ 2,197
Community development	-	-	-	-	-	-	1,175	1,175
Depreciation	-	-	-	-	-	-	979	979
Insurance	4,054	-	-	-	-	4,054	7,117	11,171
Occupancy	119,465	-	-	-	-	119,465	15,824	135,289
Office expenses	34,667	-	3,709	-	35,305	73,681	10,695	84,376
Other	5,385	-	-	-	273	5,658	12,551	18,209
Postage	2,719	-	-	-	-	2,719	378	3,097
Printing	845	-	-	-	-	845	3,307	4,152
Professional fees	76,800	-	-	-	1,730	78,530	36,173	114,703
Program supplies	7,135	-	58,176	-	84,192	149,503	-	149,503
Early Care & Education Initiatives	2,900	-	2,852,058	1,619,746	20,815	4,495,519	-	4,495,519
In Kind	-	-	-	-	423	423	-	423
Repairs & maintenance	25,366	-	-	-	-	25,366	3,871	29,237
Salaries & benefits	1,196,301	-	-	-	26,493	1,222,794	648,635	1,871,429
Small equipment	18,259	-	-	-	201	18,460	3,470	21,930
Subcontracted services	7,746,092	3,668,465	4,629	-	-	11,419,186	441	11,419,627
Telephone	21,223	-	-	-	83	21,306	2,436	23,742
Travel	13,886	-	-	-	485	14,371	3,379	17,750
Totals	\$ 9,275,097	\$ 3,668,465	\$ 2,918,572	\$ 1,619,746	\$ 170,000	\$ 17,651,880	\$ 752,628	\$ 18,404,508

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

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Notes to the Financial Statements For the Fiscal Years Ended June 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies

Organization

Early Learning Coalition of Florida's Heartland, Inc., (the "Coalition") was incorporated in 1999 as a not-for-profit agency under the name Charlotte County School Readiness Coalition, Inc. On January 24, 2007, the bylaws of the Coalition were amended with a legal name change to Early Learning Coalition of Florida's Heartland, Inc. The Coalition's purpose is to administer the state child-care scholarship and voluntary pre-kindergarten funding within Charlotte, DeSoto, Highlands and Hardee Counties. The Coalition provides child-care resource and referral services, aiding parents in locating child care within their communities, and child-care support services to help providers improve the quality of child care and prepare children to be ready for school. The scholarship and Voluntary Pre-Kindergarten (VPK) programs are administered in accordance with Florida Statutes, Chapters 411 and 1002, respectively.

Income Taxes

The Coalition is tax exempt under Section 501(c)(3) of the Internal Revenue Code and does not earn any unrelated business income. Therefore, no provision for income taxes is reflected in the accompanying financial statements. In addition, the Coalition qualifies for the charitable contributions deduction and has been classified by the Internal Revenue Service as an organization that is not a private foundation. The Coalition is operated exclusively for charitable, scientific and educational purposes.

Basis of Accounting and Financial Statement Presentation

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

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Coalition and/or the passage of time. When a restriction is met or expired, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

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.

Revenue Recognition

Grants - Federal Awards and *State Assistance* represent revenues from federal, state, and local governments. Most federal and state funding is passed through the Florida Division of Early Learning.

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Notes to the Financial Statements For the Fiscal Years Ended June 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Grants-Other represent grant funds received from the University of Florida. Grant revenues are recognized as allowable costs are incurred. The Coalition reports unearned grant revenues to the extent that funding is received before allowable costs are incurred. When costs are incurred before reimbursement is made, the Coalition records grants receivable. Grant revenues are subject to audit by the grantor and, if the examination results in a disallowance of any expenditure, repayment could be required. For the year ended June 30, 2023, the majority of the Coalition's revenues are from one funding agency.

Contributions are recognized as revenue when they are received or unconditionally pledged, and are recorded at their estimated fair values. The Coalition reports contributions as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. However, donor restricted contributions whose restrictions are met within the same reporting period are reported as unrestricted support.

Cash

The Coalition considers all cash on hand and in bank accounts as cash.

Financial instruments, which potentially subject the Coalition to concentrations of credit risk, consist of cash. Cash and other deposits are insured up to \$250,000. At any given time, the Coalition may have cash balances exceeding the insured amount. The Coalition believes the potential for credit risk to be minimal.

Receivables

The Coalition's receivables as of June 30, 2023 and 2022 are due in less than one year and management believes that all receivables are fully collectible.

Contracts and Grants Receivable are due in less than one year and management believes that all receivables are fully collectible. They pertain primarily to amounts due to the Coalition from federal and state governmental agencies and recorded when services are provided.

Due from Providers pertains to overpayments made to multiple child care providers during the 2018/19 fiscal year. These overpayments will be remitted back to the Division of Early Learning as they are collected.

Property and Equipment

Property and equipment are carried at cost if purchased or at estimated fair value if acquired by gift. The Coalition capitalizes expenditures and donated assets in excess of \$1,000 with an estimated useful life greater than one year. For purchases greater than \$35,000 the Coalition requires a formal bid process requiring written approval prior to the acquisition of such goods. Expenditures that significantly add to the productivity or extend the useful lives of property and equipment are capitalized. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 5 years.

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Notes to the Financial Statements For the Fiscal Years Ended June 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Summarized Financial Information

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

Functional Allocation of Expenses

Direct expenses are assigned to the various functional categories based on the purpose achieved by each expense. Indirect expenses are allocated to more than one functional category based on the relative proportion of staff hours expended.

Expenses are classified in the following functional categories:

School Readiness includes expenses for child care which provides a safe, nurturing, educational environment for at-risk and low-income children and assists parents in gaining financial self sufficiency. Activities that support direct services such as enrollment, monitoring, and reimbursement are also supported.

Voluntary Pre-Kindergarten includes expenses for administration and education in this legislatively mandated program designed to prepare every four-year-old in Florida for kindergarten and build the foundation for their educational success.

CRRSA includes funding through the Child Care and Development Fund (CCDF) to help certain childcare providers impacted by the Coronavirus (COVID-19) pandemic.

American Recovery Plan (ARP) Program provides direct assistance to eligible childcare providers to support their financial stability and offset unexpected costs associated with the COVID-19 pandemic.

General and Administrative includes expenses of operations which are neither program services nor fundraising activities.

Recent Accounting Pronouncements Implemented

In February 2016, the Financial Accounting Standards Board (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 Coalition 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. Implementation of the standard is discussed further at Note 9-Leases, below.

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2023 and 2022

Note 2 - Economic Dependence

As can be seen from the statement of activities and changes in net assets, the Coalition receives the predominant amount of its funding from federal and state government grants. A significant reduction in the level of this support, if it were to occur, would have a material effect on the programs and activities of the Coalition. In addition, this funding is subject to compliance audits. Assessments from such audits, if any, are recorded when the amounts of such assessments are reasonably determinable.

Note 3 - Retirement Plan

The Coalition sponsors a Savings Incentive Match Plan or SIMPLE IRA. All employees can participate in the plan by salary deduction. The plan provides for matching contributions up to 3% of salary. The Coalition contributed \$40,133 and \$40,317 for the years ended June 30, 2023 and 2022, respectively.

Note 4 - Fixed Assets

Fixed assets were comprised of the following at June 30:

	<u>2023</u>	<u>2022</u>
Furniture and Equipment	\$ 95,063	\$ 95,063
Less: Accumulated Depreciation	(91,942)	(91,177)
Furniture and Equipment, net	<u>\$ 3,121</u>	<u>\$ 3,886</u>

Note 5 - Liquidity and Financial Asset Availability

As of June 30, 2023 and 2022, financial assets and liquidity resources available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2023</u>	<u>2022</u>
Financial Assets:		
Cash	\$ 957,562	\$ 718,044
Contracts and grants receivable	689,693	1,108,546
Total financial assets available within one year	<u>1,647,255</u>	<u>1,826,590</u>
Liquidity resources:		
Line of credit available for borrowings	<u>500,000</u>	<u>500,000</u>
Net financial assets and liquidity resources available within one year	<u>\$ 2,147,255</u>	<u>\$ 2,326,590</u>

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EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2023 and 2022

Note 6 - Line of Credit

The Coalition maintains a \$500,000 revolving line of credit at a financial institution. In accordance with the terms of the agreement, the Coalition pledges and grants to the Lender a first priority security interest in all inventory, accounts, contract rights, general intangibles, equipment, and other rights to payment of every kind now existing or any time hereafter arising. The Coalition makes draws when needed and repays the line of credit when cash is available. A variable interest rate of prime plus 0.25%. The maximum of 8.215% and 5.00% were required during June 30, 2023 and 2022, respectively.

The line of credit had the following activity:

	<u>2023</u>	<u>2022</u>
Total Utilizations	\$ 575,000	\$ 100,000
Repayments	<u>(575,000)</u>	<u>(100,000)</u>
Recognized Liability as of June 30,	<u>\$ -</u>	<u>\$ -</u>

Note 7 - Related Party Transaction

In order to fulfill the State of Florida's mandated board of director occupancy for childcare center representation, the Coalition had two active members of the board of directors that manage childcare centers with which the Coalition contracts. During the fiscal year ended June 30, 2023, the Coalition paid approximately \$2,335,369 to these contracted centers. In addition, the Coalition paid \$29,949 for hosted IT services to a different board of directors member.

Note 8 - Division of Early Learning - EFS System

During the 2019 and 2020 fiscal years, the Division of Early Learnings ("DEL") experienced difficulties in the implementation and functionality of its client and data management system, EFS MOD. DEL is currently in the process of updating their electronic filing data systems, specifically data migration and the School Readiness attendance modules.

In order to assure that the children within the Coalitions' service area would continue to be served and that providers were paid timely, DEL instructed the Coalition to make estimated payments throughout fiscal year 2019. As of the date of these financial statements, the Coalition has reconciled 100% of the provider payments. Based on the results obtained from those reconciliations, DEL and the Coalition believe that the net overpayment to providers as a result of making estimated payments is \$220,279. DEL is fully aware of these overpayments. At June 30, 2023, the overpayments to the providers of \$220,279 have been recorded as Due from Providers. At June 30, 2023, the Coalition owes DEL \$220,279 in relation to the overpayments. In the event that the providers do not pay in full or in part, the Coalition will not be liable to the DEL and the Coalition will not incur any loss.

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Notes to the Financial Statements For the Fiscal Years Ended June 30, 2023 and 2022

Note 9 - Leases

As discussed in Note 1, the Coalition adopted FASB ASU 2016-02. The Coalition leases its office spaces under operating leases. The Coalition also leases office equipment under operating leases. The leases are 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 net position information, and because the leases are operating leases, the adoption of this standard has no impact on the results of operations.

The Coalition has elected to apply the short term lease exception to all leases with a term of one year or less. As of June 30, 2023, the right-of-use (ROU) asset had a balance of \$1,110,865, as shown in the statement of financial position; the lease liability totals \$1,116,447. The lease asset and liability are calculated utilizing the risk-free weighted average discount rate (5.00%), according to the Coalition's elected policy.

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

	2023
<u>Lease cost (included in occupancy):</u>	
Operating lease cost	\$ 59,417
Total lease cost	\$ 59,417
<u>Other information:</u>	
Cash paid for amounts included in measuring operating lease liability:	
Operating cash flows from operating lease	\$ 53,835
Total cash paid for amounts included in measuring operating lease liability	\$ 53,835
Weighted-average remaining lease terms (years)	11.41
Weighted-average discount rate	5%

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	\$ 132,356
	2025	128,258
	2026	107,741
	2027	104,703
	2028	104,755
	Thereafter	936,790
	Total lease payments	1,514,603
	Less: interest	(398,156)
	Present value of lease liability	\$ 1,116,447

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2023 and 2022

Note 10 - Subsequent Events

The Coalition evaluated events and transactions after June 30, 2023 through March 26, 2024, the date the financial statements were available to be issued, for subsequent events and determined that there were no events to report during that period.

SUPPLEMENTARY
INFORMATION

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Schedule of Expenditures of Federal Awards and State Financial Assistance

For the Fiscal Year Ended June 30, 2023

FEDERAL/ STATE AGENCY <i>Pass-through entity</i> Federal/ State Program Title	ALN/ CSFA Number	Award Number	Expenditures
FEDERAL AWARDS:			
U.S. DEPARTMENT OF EDUCATION			
<i>Passed through the State of Florida's Division of Early Learning</i>			
Elementary and Secondary School Emergency Relief Fund	84.425D	EL113	\$ 43,527
Total U.S. Department of Education			<u>43,527</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through the State of Florida's Division of Early Learning</i>			
Child Care Development Fund - Cluster			
School Readiness Child Care and Development Block Grant	93.575	EL113	4,667,758
Transfer to CCDF Discretionary - TANF 2022-23	93.575	EL113	919,610
CARES Discretionary	93.575	EL113	86,873
CRRSA Discretionary	93.575	EL113	478,208
ARPA Discretionary - Stabilization	93.575	EL113	11,448,697
ARPA Discretionary - Discretionary	93.575	EL113	1,034,226
			<u>18,635,372</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - GR MOE 2022-23	93.596	EL113	287,951
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - GR Match 2022-23	93.596	EL113	173,490
School Readiness CCDF Mandatory 2022-23	93.596	EL113	759,022
School Readiness CCDF Matching 2022-23	93.596	EL113	1,867,331
			<u>3,087,794</u>
Total Child Care Development Fund - Cluster			<u>21,723,166</u>
Temporary Assistance for Needy Families (TANF) 2022-23	93.558	EL113	1,341,663
Temporary Assistance for Needy Families MOE (TANF) 2022-23	93.558	EL113	1,387,308
			<u>2,728,971</u>
Social Services Block Grant	93.667	EL113	5,874
Total U.S. Department of Health and Human Services			<u>24,458,011</u>
Total Expenditures of Federal Awards			<u>\$ 24,501,538</u>
STATE FINANCIAL ASSISTANCE:			
FLORIDA DEPARTMENT OF EDUCATION			
<i>Passed through Florida's Division of Early Learning</i>			
Voluntary Pre-Kindergarten Education Program	48.108	EL113	\$ 4,381,086
Voluntary Pre-Kindergarten Education Program - GR	SGU	EL113	193,730
Total Expenditures of State Financial Assistance			<u>\$ 4,574,816</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 29,076,354</u>

The accompanying notes are an integral part of this schedule.

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance
For the Fiscal Year Ended June 30, 2023

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state grant activity of the Early Learning Coalition of Florida's Heartland, Inc., (the "Coalition") under programs of the federal government and the State of Florida for the year ended June 30, 2023. The information in this schedule is presented in accordance with accounting principles generally accepted in the United States of America as applicable to non-profit organizations, the requirements of OMB *Uniform Guidance*, Section 215.97 *Florida Statutes*, the requirements of Chapter 10.650, *Rules of the Auditor General of the State of Florida*, and the special audit guidance provided by Florida's Division of Early Learning. Accordingly, some amounts presented in the schedule may differ from amounts presented in 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 and cost principles established by the State of Florida Department of Financial Services, wherein certain types of expenditures are not allowable or re limited as to reimbursement. Pass-thru entity identifying numbers (contract or grant number) are presented where available.

Note 3 - Matching Requirements

Contract EL113 with Florida's Division of Early Learning ("DEL") includes \$1,848,749 of State funding that is designated as matching funds for certain Federal awards. The DEL matching funds are not reported as Federal awards in the accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance, nor are the DEL matching funds subject to the Florida Single Audit Act since they are not considered State Financial Assistance under Florida Single Audit Act. For audit testing purposes, the funds are included with the Federal award programs for which they are designated as matching. The amounts designated as matching funds for Federal award programs are summarized as follows:

<u>ALN Number</u>	<u>Amount</u>
93.596	\$ 287,951
93.596	173,490
93.558	1,387,308
Total	<u>\$ 1,848,749</u>

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Notes to Schedule of Expenditures of Federal Awards - Continued

and State Financial Assistance

For the Fiscal Year Ended June 30, 2023

Note 4 - Contingencies

Grant monies received by the Coalition are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Coalition does not believe that such disallowances, if any, would have a material effect on the financial position of the Coalition. As of June 30, 2023, there were no material questioned or disallowed costs as a result of grant audits in process or completed of which management was aware. Any adjustments to grant funding are recorded in the year the adjustment occurs.

Note 5 - Indirect Cost Rates

The Coalition has elected to not use the 10-percent de minimus 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.

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Schedule of Findings and Questioned Costs
Federal Programs and State Projects
For the Fiscal Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards and State Projects

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	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 Uniform Guidance (section 200.516(a)) or Chapter 10.650, <i>Rules of the Auditor General of the State of Florida</i> .	No

Identification of major programs:

<u>Federal Program</u>	<u>ALN Number</u>
Child Care Development Fund - Cluster	93.575 & 93.596
<u>State Project</u>	<u>State CSFA No.</u>
Voluntary Pre-Kindergarten Education Program	48.108

Dollar threshold used to distinguish between Type A and Type B programs:

Federal Programs:	\$ 750,000
State Programs:	\$ 750,000

Auditee qualified as a low-risk auditee pursuant to the Uniform Guidance (Not applicable for State Projects)?	Yes
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EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Schedule of Findings and Questioned Costs (Continued)

Federal Programs and State Projects

For the Fiscal Year Ended June 30, 2023

Section II - Financial Statement Findings

This section identifies significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

Section III - Findings and Questioned Costs- Major Federal Award Programs

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major federal programs, as required to be reported by 2 CFR 200.516(a).

There were no findings required to be reported by 2 CFR 200.516(a).

Section IV - Findings and Questioned Costs- Major State Financial Assistance Projects

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major state projects, as required to be reported by Chapter 10.650, *Rules of the Auditor General of the State of Florida*.

There were no findings required to be reported by Chapter 10.650, *Rules of the Auditor General of the State of Florida*.

Section V - Status of Prior Year Audit Findings

The Coalition had no findings reported in the Schedule of Findings and Questioned Costs for the year ended June 30, 2022, therefore, the Coalition has no findings in which to report for the Summary Schedule of Prior Year's Audit Findings.

The Coalition had no audit findings reported in the Schedule of Findings and Questioned Costs for the year ended June 30, 2023, therefore, the Coalition is not required to prepare a Corrective Action Plan.

EARLY LEARNING COALITION OF FLORIDA'S HEARTLAND, INC.

Schedule of Findings and Questioned Costs (Continued)

Federal Programs and State Projects

For the Fiscal Year Ended June 30, 2023

Section VI - Enhanced Fields System Modernization (EFS Mod) monthly reconciliation

- | | |
|---|-----|
| A. Organization's financial records reconcile and agree to EFS Mod records as of program year ended June 30, 2023 | Yes |
| B. Audit work papers documenting verification of reconciliations are available to DEL staff upon request | Yes |

**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***

Board of Directors
Early Learning Coalition of Florida's Heartland, Inc.
Port Charlotte, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Early Learning Coalition of Florida's Heartland, Inc., (the "Coalition") as of and for the fiscal year ended June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Coalitions basic financial statements, and have issued our report thereon dated March 26, 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) to determine the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coalition's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ashley, Brown & Smith, CPA's, P.A.

Punta Gorda, Florida

March 26, 2024

Independent Auditors' Report on Compliance For Each Major Federal Program and State Financial Assistance Project and on Internal Control over Compliance required by the *Uniform Guidance*, Chapter 10.650, *Rules of the Auditor General of the State of Florida*, and Special Audit Guidance Provided by Florida's Division of Early Learning

Board of Directors
Early Learning Coalition of Florida's Heartland, Inc.
Port Charlotte, Florida

Report on Compliance for Each Major Federal Program & State Project

Opinion on Each Major Federal Program and State Project

We have audited Early Learning Coalition of Florida's Heartland, Inc.'s, (the "Coalition") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement; Florida Department of Financial Service's State Projects Compliance Supplement; and special audit guidance provided by Florida's Division of Early Learning, that could have a direct and material effect on each of the Coalition's major federal programs and state financial assistance projects for the fiscal year ended June 30, 2023. The Coalition's major federal programs and state financial assistance projects are identified in the Schedule of Expenditures of Federal Awards and State Financial Assistance and the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Coalition complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program and state projects for the fiscal 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 of the State of Florida*, and special audit guidance provided by the Florida Division of Early Learning. Our responsibilities under those standards, the Uniform Guidance, and Chapter 10.650 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

Basis for Opinion on Each Major Federal Program and State Project (continued)

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Coalition's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, 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.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 of the State of Florida*, 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, that 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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. 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. Accordingly, this report is not suitable for an other purpose.

Ashley, Brown & Smith, CPA's, P.A.

Punta Gorda, Florida
March 26, 2024