

EARLY LEARNING COALITION OF DUVAL, INC.

**Financial Statements,
Reports Required by *Government Auditing Standards*,
The Uniform Guidance, The Florida Single Audit Act,
and Schedule of Expenditures of Federal Awards and State
Financial Assistance**

**Years Ended
June 30, 2025 and 2024**

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INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of
Early Learning Coalition of Duval, Inc.
Jacksonville, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Early Learning Coalition of Duval, Inc. (the "Coalition") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, 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, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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 4, 2026 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, 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 4, 2026

Early Learning Coalition of Duval, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Assets		
Cash	\$ 1,777,643	\$ 3,693,454
Grants and contracts receivable	7,520,692	4,605,233
Prepaid expenses	92,785	74,103
Property and equipment, net	20,061	55,352
Operating right-of-use asset	749,216	659,672
Intangible assets, net	455,000	637,500
	<u> </u>	<u> </u>
Total assets	<u>\$ 10,615,397</u>	<u>\$ 9,725,314</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 9,211,347	\$ 8,095,371
Grant advances	70,041	72,220
Operating lease liability	764,395	673,808
	<u> </u>	<u> </u>
Total liabilities	10,045,783	8,841,399
Commitment and contingencies (Note 6)	<u>-</u>	<u>-</u>
Net assets		
Without donor restrictions	<u>569,614</u>	<u>883,915</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 10,615,397</u>	<u>\$ 9,725,314</u>

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

Early Learning Coalition of Duval, Inc.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
REVENUE AND OTHER SUPPORT		
Federal and state grants	\$ 94,632,297	\$ 110,871,129
Other grants	3,942,123	3,917,829
Contributions and other income	51,830	34,984
Contributions of nonfinancial assets	<u>24,336</u>	<u>7,471</u>
Total revenues and other support	<u>98,650,586</u>	<u>114,831,413</u>
EXPENSES		
Program services		
School Readiness Childcare	67,877,870	59,380,439
Voluntary Prekindergarten Education (VPK) Child Payments	24,312,308	24,283,235
American Rescue Plan Act	-	23,933,102
Early Learning	2,707,086	2,498,658
Success By Six	164,522	462,494
Exceptional Family Member Program (EFMP)	356,155	296,746
Other Programs	<u>467,243</u>	<u>371,094</u>
Total program services	95,885,184	111,225,768
Supporting services		
Management and general	<u>3,079,703</u>	<u>2,871,710</u>
Total expenses	<u>98,964,887</u>	<u>114,097,478</u>
Changes in net assets	(314,301)	733,935
Net assets without donor restrictions, beginning of year	<u>883,915</u>	<u>149,980</u>
Net assets without donor restrictions, end of year	<u>\$ 569,614</u>	<u>\$ 883,915</u>

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

Early Learning Coalition of Duval, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2025

	Program Services							Management and General	Total
	School Readiness Childcare	VPK Child Payments	Early Learning	Success By Six	EFMP	Other Programs	Total Program Services		
Functional expenses									
Direct expense - childcare	\$ 57,679,455	\$ 23,599,640	\$ 824,152	\$ 164,522	\$ -	\$ 100,332	\$ 82,368,101	\$ -	\$ 82,368,101
Personnel expense	4,413,868	492,897	24,124	-	242,435	252,058	5,425,382	1,925,594	7,350,976
Program expense	3,220,244	19,564	13,342	-	6,085	11,297	3,270,532	9,136	3,279,668
Contractual services	832,728	2,679	1,831,736	-	2,279	8,312	2,677,734	64,198	2,741,932
Employee benefits	1,213,266	156,016	3,806	-	63,937	44,725	1,481,750	423,575	1,905,325
Office expense	100,239	9,840	446	-	4,303	4,201	119,029	171,774	290,803
Rent	180,295	12,321	881	-	8,238	6,297	208,032	39,070	247,102
Depreciation and amortization	-	-	-	-	-	-	-	224,576	224,576
Miscellaneous	57,049	1,988	6,229	-	5,597	26,013	96,876	87,958	184,834
Meals and lodging	46,123	6,608	1,678	-	15,785	5,224	75,418	21,638	97,056
Telephone	49,212	2,984	209	-	2,562	1,863	56,830	15,479	72,309
Insurance	40,270	4,950	299	-	2,280	1,560	49,359	19,981	69,340
Professional development	11,204	633	-	-	880	2,880	15,597	29,607	45,204
Printing and copying	24,533	1,648	126	-	1,333	828	28,468	15,855	44,323
Nonfinancial expenses	-	-	-	-	-	-	-	24,336	24,336
Supplies	7,839	345	49	-	174	1,490	9,897	5,608	15,505
Postage	1,545	195	9	-	267	163	2,179	1,318	3,497
Total functional expenses	<u>\$ 67,877,870</u>	<u>\$ 24,312,308</u>	<u>\$ 2,707,086</u>	<u>\$ 164,522</u>	<u>\$ 356,155</u>	<u>\$ 467,243</u>	<u>\$ 95,885,184</u>	<u>\$ 3,079,703</u>	<u>\$ 98,964,887</u>

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

Early Learning Coalition of Duval, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2024

	Program Services									
	School Readiness Childcare	VPK Child Payments	American Rescue Plan Act	Early Learning	Success By Six	EFMP	Other Programs	Total Program Services	Management and General	Total
Functional expenses										
Direct expense - childcare	\$ 51,756,855	\$ 23,685,444	\$ 17,826,854	\$ 898,618	\$ 462,494	\$ -	\$ 154,742	\$ 94,785,007	\$ -	\$ 94,785,007
Program expense	2,131,000	2,943	5,308,006	19,554	-	-	81,117	7,542,620	9,937	7,552,557
Personnel expense	3,659,123	412,249	127,634	37,148	-	210,106	65,307	4,511,567	1,706,997	6,218,564
Contractual services	150,414	-	590,524	1,524,816	-	1,009	6,000	2,272,763	73,766	2,346,529
Employee benefits	1,012,206	126,379	34,907	11,454	-	54,548	34,298	1,273,792	406,528	1,680,320
Office expense	105,020	13,121	3,046	741	-	4,660	3,532	130,120	296,523	426,643
Miscellaneous	200,990	12,944	17,296	1,434	-	5,826	15,881	254,371	112,981	367,352
Rent	165,450	13,991	-	1,634	-	8,600	3,998	193,673	39,948	233,621
Telephone	93,316	3,936	154	445	-	2,556	1,507	101,914	12,099	114,013
Depreciation and amortization	-	-	-	-	-	-	-	-	113,112	113,112
Meals and lodging	35,178	6,118	224	2,221	-	6,077	2,599	52,417	18,856	71,273
Printing and copying	25,501	2,137	23,987	244	-	1,391	665	53,925	12,115	66,040
Insurance	24,663	3,315	-	259	-	1,528	581	30,346	21,191	51,537
Professional development	11,864	139	-	-	-	-	13	12,016	30,310	42,326
Supplies	5,300	119	470	51	-	241	282	6,463	7,771	14,234
Nonfinancial expenses	-	-	-	-	-	-	-	-	7,471	7,471
Postage	3,559	400	-	39	-	204	572	4,774	2,105	6,879
Total functional expenses	<u>\$ 59,380,439</u>	<u>\$ 24,283,235</u>	<u>\$ 23,933,102</u>	<u>\$ 2,498,658</u>	<u>\$ 462,494</u>	<u>\$ 296,746</u>	<u>\$ 371,094</u>	<u>\$ 111,225,768</u>	<u>\$ 2,871,710</u>	<u>\$ 114,097,478</u>

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

Early Learning Coalition of Duval, Inc.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (314,301)	\$ 733,935
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	224,576	113,112
Non-cash rent	1,043	9,997
Net change in:		
Grants and contracts receivable	(2,915,459)	200,982
Prepaid expenses	(18,682)	11,853
Accounts payable and accrued expenses	1,115,976	(586,087)
Grant advances	(2,179)	7,537
	<u>(1,909,026)</u>	<u>491,329</u>
Net cash (used in) provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(6,785)	(63,027)
Purchase of intangible assets	-	(735,000)
	<u>(6,785)</u>	<u>(798,027)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on line of credit	700,000	1,650,000
Repayments on line of credit	(700,000)	(1,650,000)
	<u>-</u>	<u>-</u>
Net cash provided by financing activities		
Net decrease in cash	<u>(1,915,811)</u>	<u>(306,698)</u>
Cash, beginning of year	<u>3,693,454</u>	<u>4,000,152</u>
Cash, end of year	<u>\$ 1,777,643</u>	<u>\$ 3,693,454</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Operating right-of-use asset	\$ 286,881	\$ -
Operating right-of-use liability	<u>(286,881)</u>	<u>-</u>

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

Early Learning Coalition of Duval, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 1 – NATURE OF ORGANIZATION

Early Learning Coalition of Duval, Inc. (the Coalition) was organized in Jacksonville, Florida pursuant to the purposes of Chapter 411.01 of the Florida Statutes for the following purposes: to design, operate, and manage the Division of Early Learning programs to increase opportunities for the children of Duval County to achieve future educational success with the prospect of becoming productive members of society; to operate in conjunction with the district school systems, but not be construed as a part of the system of free public schools; to build upon existing services and work in cooperation with other programs for young children; and finally, to incorporate fully all other provisions of Chapter 1002.411 of the Florida Statutes, as prescribed by law.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Coalition is presented to assist in understanding the financial statements.

Basis of Accounting

The financial statements of the Coalition are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Coalition's net assets and changes thereto are classified and reported as follows:

Net Assets Without Donor Restrictions – This class consists of assets that are available for use in carrying out the supporting activities of the Coalition and are not subject to donor-imposed stipulations. At June 30, 2025 and 2024, the Coalition had \$569,614 and \$883,915, respectively, of net assets without donor restrictions, which includes \$455,000 and \$637,500 for prepaid software subscriptions as seen in Note 10.

Net Assets with Donor Restrictions – This class consists of assets whose use are limited by donor-imposed time and/or purpose restrictions. When a restriction is satisfied—that is, when a stipulated time restriction ends or the restricted purpose is accomplished—the associated amount is reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. At June 30, 2025 and 2024, there were no net assets with donor restrictions.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This update, along with ASU 2016-08, *Revenue from Contracts with Customers* (Topic 606): *Principal Versus Agent Considerations (Reporting Gross Versus Net)*; ASU 2016-10, *Revenue from Contracts with Customers* (Topic 606): *Identifying Performance Obligations and Licensing*; and ASU 2016-12, *Revenue from Contracts with Customers* (Topic 606): *Narrow-Scope Improvements and Practical Expedients*, establishes a comprehensive revenue recognition standard.

Early Learning Coalition of Duval, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

The Coalition adopted these updates (collectively, Accounting Standards Codification (ASC) 606) on July 1, 2019 under the modified retrospective method. This initial application was applied to all contracts as of June 30, 2020. There were no changes to opening net assets as a result of the adoption.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). The Coalition adopted the new standard on a modified prospective basis as of July 1, 2019. There were no changes to opening net assets as a result of the adoption.

The Coalition reviewed all funds received that are classified as federal, state, and other grant revenue and contributions and other income on the statements of activities to determine if the funds are exchange transactions or contributions under ASU 2018-08.

Management concluded that all revenue generated by the Coalition is from agreements where the resource provider does not receive direct commensurate value in return for the contributions made and, therefore, the Coalition accounts for revenues under FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Grants

Grants represent revenue from federal, state, and local governments. Most federal and state funding is passed through the Florida Division of Early Learning. Grant revenues are recognized as allowable costs are incurred. When the Coalition receives funding before expenses are incurred, the Coalition records a grant advance. When costs are incurred before reimbursement is made, the Coalition records grants receivable.

Contributions and Donor-Imposed Restrictions

The Coalition reports gifts of cash and other assets when received as restricted support if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted contributions, whose restrictions are met in the same reporting period, are reported as net assets without donor restrictions.

The Coalition reports gifts of land, buildings, and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

Early Learning Coalition of Duval, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and Donor-Imposed Restrictions (continued)

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Coalition reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give are recognized as support in the period received and recorded as assets, reductions of liabilities, or expenses depending on the form of the benefits received.

Conditional promises to give—that is, those with a measurable performance barrier or other barrier, and a right of return—are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. There were no conditional promises to give as of June 30, 2025 and 2024.

Contributed Non-Financial Assets

The Coalition follows ASU 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.

Contributed material and services are reflected in the financial statements at the fair value of the property contributed or services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. For the years ended June 30, 2025 and 2024, donated materials and books amounted to \$24,336 and \$7,471, respectively.

A number of unpaid volunteers have donated amounts of their time to the Coalition. No amounts have been reflected in the financial statements for the contributed services since the contribution of these services did not create or enhance non-financial assets or require specialized skills.

Grants and Contracts Receivable

Grants and contracts receivable are due within one year and are stated net of an allowance for credit losses. Management evaluates total receivables and includes in the allowance for credit losses an estimate of losses to be sustained. Uncollectible amounts are charged against the allowance account when management determines the possibility of collection is remote. The allowance for doubtful accounts was zero at June 30, 2025 and 2024. Management does not charge interest on past-due accounts.

Early Learning Coalition of Duval, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are recorded at historical cost and any purchases in excess of \$5,000 are capitalized. Donations of property and equipment are recorded as contributions at their estimated fair market value. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation amounts are eliminated, and any gain or loss is included in operations.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements recorded at the inception of the lease are depreciated over the life of the lease, or the useful life of the improvement, whichever is shorter; for improvements made during the lease term, the depreciation period is the shorter of the useful life or the remaining lease term (including any renewal periods that are deemed to be reasonably assured).

Asset lives for financial statement reporting of depreciation and amortization are:

Asset Class	Estimated Useful Lives
Furniture and equipment	2-10
Leasehold improvements	5-7

Impairment of Long-lived Assets

The Coalition reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the assets or asset group to the undiscounted cash flows that the assets or asset group are expected to generate. If the undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount, if any, exceeds its fair value. No impairments were deemed to exist at June 30, 2025 or 2024.

Income Taxes

The Coalition has received a tax determination letter from the Internal Revenue Service (IRS) and is exempt from federal and state income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively. As such, only unrelated business income is subject to income tax.

The Coalition files informational returns for the fiscal year-end each year. As required by taxing authorities, the Coalition filed the last informational returns for the fiscal year ended June 30, 2024, and will file the June 30, 2025, return in accordance with the applicable deadlines imposed by the IRS. The Coalition evaluates its tax positions for any uncertainties based on the technical merits of the positions taken. The Coalition recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be upheld on examination by taxing authorities. The Coalition has analyzed the tax positions taken and has concluded that as of June 30, 2025, and 2024, there were no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements.

Early Learning Coalition of Duval, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

Management is required to analyze all open tax years, as defined by the Statute of Limitations for all major jurisdictions, including federal and certain state taxing authorities. With few exceptions, at June 30, 2025, the Coalition is no longer subject to U.S. federal, state, or local income tax examinations by taxing authorities for years before 2023.

As of and for the years ended June 30, 2025 and 2024, the Coalition did not have a liability for any unrecognized taxes. The Coalition has no examinations in progress and is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax liabilities will significantly change in the next 12 months.

Functional Expense Allocation

The costs of providing program and management activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent, personnel expenses, employee benefits, office expenses, and insurance, which are allocated on the basis of time and effort hours recorded bi-weekly.

Following is a description of the Coalition's program and supporting services:

School Readiness Childcare – This includes federal and state matching dollars given to the Coalition to help families with childcare payments and to increase the quality of childcare centers. This includes the enrollment of families and childcare providers.

Voluntary Prekindergarten Education (VPK) Child Payments – These include state dollars given to the Coalition to enroll children into the VPK program, which includes the enrollment of families and childcare providers.

American Rescue Plan Act – This program provides direct assistance to eligible childcare providers to support their financial stability and offset unexpected costs associated with the COVID-19 pandemic.

Early Learning – This includes city dollars to help with family engagement, to help families pay for the cost of quality childcare, and to increase the quality of care in childcare providers.

Success by Six – This includes United Way of Northeast Florida dollars to help families pay for the cost of quality childcare.

Early Learning Coalition of Duval, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expense Allocation (continued)

Exceptional Family Member Program (EFMP) – This includes funding from Child Care Aware to enroll families into the respite care program. Funding covers the enrollment of the families.

Other Programs – These include funding for Family Engagement Activities, Duval Early Learning Directors Network, and Baptist Options Childcare vouchers.

Management and General – This includes administrative costs for running all Coalition programs. This includes human resources, fiscal, information technology, executive staff, and the associated expenses.

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy as described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Coalition has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in the active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If that asset or liability has a specified (contractual) term, the Level 2 inputs must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As of June 30, 2025, and 2024, the fair value of the Coalition's financial instruments, including cash, grants and contracts receivable, and accounts payable and accrued expenses, approximated book value due to the short maturity of these instruments.

As of June 30, 2025, and 2024, the Coalition does not have assets or liabilities required to be measured at fair value in accordance with FASB ASC Topic 820, *Fair Value Measurements*.

Intangible Assets

Software subscriptions over \$5,000 are capitalized and stated at cost, and are amortized using the straight-line method over the term of the agreement, generally one to three years.

Early Learning Coalition of Duval, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Coalition follows FASB ASC 842, *Leases*, to account for its leases. ASC 842 establishes a right of use (“ROU”) model that requires a lessee to record a ROU asset and lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases with a term of less than 12 months (“short term leases”) will not record a ROU asset and lease liability and the payments will be recognized on a straight-line basis over the lease term.

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, 2025, the Coalition does not have any short-term leases.

Recent Accounting Pronouncements Implemented

Effective July 1, 2023, the Coalition adopted FASB ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Coalition adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Coalition’s financial statements.

Subsequent Events

Events occurring after June 30, 2025, the date of the most recent financial statements, have been evaluated for possible adjustments to the financial statements or disclosures through March 4, 2026, which is the date the financial statements were available to be issued. No material subsequent events have occurred through that date that require recognition or disclosure in the financial statements.

NOTE 3 – PROPERTY AND EQUIPMENT

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

	<u>2025</u>	<u>2024</u>
Furniture and equipment	\$ 166,006	\$ 255,189
Leasehold improvements	-	9,200
	<u>166,006</u>	<u>264,389</u>
Less: accumulated depreciation	<u>(145,945)</u>	<u>(209,037)</u>
	<u>\$ 20,061</u>	<u>\$ 55,352</u>

Depreciation expense was \$23,326 and \$15,612 for the years ended June 30, 2025, and 2024, respectively.

Early Learning Coalition of Duval, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 4 – LINE OF CREDIT

On April 17, 2017, the Coalition entered into a \$500,000 line of credit, which is due on demand and bears interest at the SOFR Daily Floating rate plus 3% (7.32% at June 30, 2025). The line of credit had an outstanding balance of zero at June 30, 2025 and 2024. The line is secured by substantially all assets of the Coalition. The line of credit renews each February 28 until such time when the bank elects to terminate. The line of credit agreement requires the Coalition to comply with certain covenants and reporting requirements. The Coalition was in compliance with those covenants for the years ended June 30, 2025, and 2024.

NOTE 5 – RETIREMENT PLANS

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. Effective January 1, 2024, the Coalition converted the SIMPLE IRA into a 401(k) plan with a matching contribution of 4%. All full-time employees over the age of 18 that work a minimum of 1,000 regular paid hours are eligible to participate. Employee contributions are vested immediately, and matching contributions are vested over a 2-6 year graded period of service. The Coalition contributed \$248,953 and \$179,743 for the years ended June 30, 2025, and 2024, respectively.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Concentrations of Credit Risk

The Coalition maintains cash balances in several bank accounts. Each account is insured by the Federal Deposit Insurance Corporation up to \$250,000. Management continually reviews the bank institutions for deposit risk and believes the risk associated with the current banking institutions is minimal.

Concentrations of Receivables

At June 30, 2025, and 2024, amounts owed to the Coalition from governmental sources totaled 99% of total grants and contracts receivable.

Concentration of Revenue

The Coalition receives a substantial amount of support from federal, state, and local government agencies. A reduction in the level of future support from the federal, state, or local governmental agencies could have a substantial effect on the Coalition's programs and activities. The percentage of revenue that was derived from governmental sources was 99% for both years ended June 30, 2025, and 2024.

Litigation

In the ordinary course of business, the Coalition is involved in various legal proceedings. Based upon the Coalition's evaluation of the information presently available, management believes that the ultimate resolution of any such proceedings will not have a material adverse effect on the Coalition's financial position, liquidity, or results of operations.

Early Learning Coalition of Duval, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 6 – COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases

The Coalition leases its office spaces and copier under operating lease. These leases are the only leases required to be included on the statement of financial position under FASB ASU 2016-02.

As of June 30, 2025, the right-of-use (ROU) asset had a balance of \$749,216, as shown in the statement of financial position; the lease liability is included in liabilities (\$764,395).

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

Lease cost (included in rent):

Operating lease cost	\$ 227,376
Total lease cost	<u>\$ 227,376</u>

Other information:

Cash paid for amounts included in measuring operating lease liability:

Operating cash flows from operating lease	\$ 226,333
Total cash paid for amounts included in measuring operating lease liability	<u>\$ 226,333</u>

Weighted-average remaining lease terms (years)	3.083
Weighted-average discount rate	4.57%

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

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

2026	\$ 202,065
2027	196,555
2028	201,955
2029	207,594
2030	<u>65,880</u>
Total lease payments	874,049
Less: interest	<u>(109,654)</u>
Present value of lease liability	<u>\$ 764,395</u>

Early Learning Coalition of Duval, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 7 – RELATED PARTY TRANSACTIONS

The Coalition does business with organizations whose directors are also members of the Coalition's Board of Directors. The Coalition incurred \$6,057,979 and \$6,478,687 in related-party expenses for the years ended June 30, 2025, and 2024, respectively. Related-party expenses consist of bank fees and childcare provider payments, included in miscellaneous and direct expense - childcare on the statements of functional expenses. The Coalition had \$124,985 and \$131,406 in related-party payables as of June 30, 2025, and 2024, respectively. This is included in accounts payable and accrued expenses on the statements of financial position.

NOTE 8 – MATCHING REQUIREMENTS

For the years ended June 30, 2025, and 2024, the Coalition has a grant with the state of Florida that allows the Coalition to draw down a one-to-one match up to the awarded match amount. The Coalition received its matching dollars from United Way of Northeast Florida and the City of Jacksonville. Income was recognized based on services provided by the Coalition. Local match revenue was \$3,530,456 and \$3,587,413 for the years ended June 30, 2025, and 2024, respectively.

NOTE 9 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets and liquidity resources available within one year of the statements of financial position date for general expenditures are as follows:

Cash	\$ 1,777,643
Grants and contracts receivable	<u>7,520,692</u>
Total financial assets available within one year	<u>9,298,335</u>
Liquidity resources:	
Line of credit available borrowings	<u>500,000</u>
Net financial assets and liquidity resources available within one year	<u><u>\$ 9,798,335</u></u>

The Coalition's liquidity management includes a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Coalition receives approximately 96% and 97%, respectively, of its funding from federal and state grants passed through DEL for the years ended June 30, 2025, and 2024, which are on a reimbursable basis. Throughout the year, the Coalition receives advances and reimbursements each month to cover incurred expenses.

Early Learning Coalition of Duval, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 10 – INTANGIBLE ASSETS

Intangible assets of \$455,000 presented on the statement of financial position at June 30, 2025, consist of the following:

<u>Amortized intangible asset</u>	<u>Remaining Term</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Lena Grow software subscription	19 Months	\$ 450,000	\$ (137,500)	\$ 312,500
MarcoPolo software subscription	18 Months	285,000	(142,500)	142,500
		<u>\$ 735,000</u>	<u>\$ (280,000)</u>	<u>\$ 455,000</u>

Amortization expense for the year ended June 30, 2025 and 2024, totaled \$201,250 and \$97,500, respectively.

Estimated amortization expense over the remaining terms of the intangible assets are as follows:

Years ending June 30:	
2026	\$ 276,250
2027	178,750
	<u>\$ 455,000</u>

During the year ended June 30, 2024, with approval from DEL the Coalition purchased software subscriptions through Lena Grow and MarcoPolo for their providers and teachers. The Coalition's future cash flows were not materially impacted by its ability to extend or renew agreements related to its amortizable intangible assets.