

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

**Financial Statements
and Supplemental
Information**

**Years Ended
June 30, 2021 and 2020**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Early Learning Coalition of Northwest Florida, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Early Learning Coalition of Northwest Florida, Inc. as of June 30, 2021 and 2020, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, State of Florida Chapter 10.650, *Rules of the Auditor General*, and special audit guidance provided by the Division of Early Learning, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 9, 2022, on our consideration of Early Learning Coalition of Northwest Florida, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Early Learning Coalition of Northwest Florida, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Early Learning Coalition of Northwest Florida, Inc.'s internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 9, 2022

Early Learning Coalition of Northwest Florida, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

ASSETS		2021	2020
CURRENT ASSETS			
Cash	\$	1,646,403	\$ 1,907,372
Accounts receivable		76,425	74,925
Due from the State of Florida		1,116,450	2,950,589
Prepaid expenses		3,140	3,140
Total current assets		2,842,418	4,936,026
PROPERTY AND EQUIPMENT, NET		22,471	42,796
TOTAL ASSETS	\$	2,864,889	\$ 4,978,822
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expenses	\$	2,087,630	\$ 3,963,258
Due to the State of Florida		651,280	751,830
Unearned revenue		58,772	163,322
Deferred grant revenue		28,545	36,416
Total current liabilities		2,826,227	4,914,826
NET ASSETS			
Without donor restrictions		16,191	21,200
Invested in capital assets		22,471	42,796
Total net assets		38,662	63,996
TOTAL LIABILITIES AND NET ASSETS	\$	2,864,889	\$ 4,978,822

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

Early Learning Coalition of Northwest Florida, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2021 and 2020

	2021	2020
REVENUES AND SUPPORT		
Public support		
Federal funding	\$ 22,731,562	\$ 17,192,551
State funding	3,221,459	3,969,811
Total public support	25,953,021	21,162,362
Other revenues		
Local match	193,369	99,212
Other income	97,209	282,972
In-kind	61,634	60,212
Total revenues and support	26,305,233	21,604,758
EXPENSES		
Program services		
Direct child care	18,595,027	17,531,396
Non-direct child care	1,057,147	941,707
Quality initiatives	5,594,175	2,362,894
Total program expenses	25,246,349	20,835,997
Support services		
Management and general	1,084,218	781,581
Total expenses	26,330,567	21,617,578
Changes in net assets	(25,334)	(12,820)
NET ASSETS - BEGINNING OF YEAR	63,996	76,816
NET ASSETS - END OF YEAR	\$ 38,662	\$ 63,996

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

Early Learning Coalition of Northwest Florida, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Program Services			Support Services	
	Direct Child Care	Non-Direct Child Care	Quality Initiatives	Management and General	Total
Contract for service payment to providers	\$ 18,595,027	\$ -	\$ -	\$ -	\$ 18,595,027
Quality enhancement	-	-	4,349,201	-	4,349,201
Salaries	-	865,014	778,072	621,362	2,264,448
Professional fees	-	27,776	198,222	74,563	300,561
Occupancy	-	96,898	81,989	83,534	262,421
Supplies	-	4,958	44,731	205,957	255,646
In-kind	-	33,724	106,499	37,275	177,498
Computer software	-	17,022	17,602	27,029	61,653
Travel	-	8,571	7,520	8,433	24,524
Depreciation	-	-	516	19,809	20,325
Insurance	-	1,817	4,046	4,615	10,478
Dues	-	1,358	4,288	1,501	7,147
Outreach and awareness	-	-	1,343	-	1,343
Postage	-	9	146	140	295
Total expenses	\$ 18,595,027	\$ 1,057,147	\$ 5,594,175	\$ 1,084,218	\$ 26,330,567

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

Early Learning Coalition of Northwest Florida, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	Program Services			Support Services	
	Direct Child Care	Non-Direct Child Care	Quality Initiatives	Management and General	Total
Contract for service payment to providers	\$ 17,531,396	\$ -	\$ -	\$ -	\$ 17,531,396
Salaries	-	673,639	605,932	483,893	1,763,464
Quality enhancement	-	-	1,425,848	-	1,425,848
Occupancy	-	98,006	82,927	84,490	265,423
In-kind	-	30,290	95,655	33,479	159,424
Professional fees	-	13,414	95,730	36,010	145,154
Supplies	-	2,016	18,282	84,176	104,474
Hurricane Michael recovery assistance	-	94,729	-	454	95,183
Computer software	-	10,857	11,227	17,239	39,323
Travel	-	13,580	11,915	13,361	38,856
Depreciation	-	-	520	19,967	20,487
Dues	-	3,299	10,417	3,646	17,362
Insurance	-	1,869	4,162	4,748	10,779
Postage	-	8	124	118	250
Outreach and awareness	-	-	155	-	155
Total expenses	\$ 17,531,396	\$ 941,707	\$ 2,362,894	\$ 781,581	\$ 21,617,578

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

Early Learning Coalition of Northwest Florida, Inc.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (25,334)	\$ (12,820)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	20,325	20,487
Decrease (increase) in assets:		
Accounts receivable	(1,500)	(66,276)
Due from the State of Florida	1,834,139	(2,033,110)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,875,628)	2,631,660
Due to the State of Florida	(100,550)	704,549
Unearned revenue	(112,421)	(117,333)
Net cash provided (used) by operating activities	<u>(260,969)</u>	<u>1,127,157</u>
Net increase (decrease) in cash	(260,969)	1,127,157
CASH - BEGINNING OF YEAR	<u>1,907,372</u>	<u>780,215</u>
CASH - END OF YEAR	<u><u>\$ 1,646,403</u></u>	<u><u>\$ 1,907,372</u></u>

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

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

1. Coalition and Purpose

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

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

The Coalition operates three major programs:

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

2. Basis of Accounting and Financial Statement Presentation

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

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

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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

Net Assets With Donor Restrictions (continued)

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

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Coalition to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

3. Estimates

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

4. Due from the State of Florida

Funds due from the State of Florida as reimbursement for contract services are considered past due if not received in accordance with contract terms. Management believes an allowance for doubtful accounts is not necessary based on the terms of these agreements and believes the total amount due is collectible in the next fiscal year.

5. Cash and Cash Equivalents

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

6. Property and Equipment

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

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

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

7. Revenue Recognition

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

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

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

Revenue from government grants is recorded when earned, which is generally when the allowable costs of the specific grant provisions have been incurred or the performance of services rendered. Such revenue is subject to audit by the grantor and, if the examination results in a deficiency of allowable expenses, the Coalition will be required to refund any deficiencies. Management is of the opinion that all monies recognized as revenue have been earned as of June 30, 2021. These amounts are reflected as revenue without donor restrictions if received and expended in the same year.

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

8. Deferred Revenue

Deferred revenue represents grant revenues collected but not yet earned as of June 30, 2021 and 2020. Revenues from grant proceeds are not recognized until expended.

9. Donated Services, Materials, and Facilities

Donated services, materials, and facilities that are measurable are recorded as support at their fair values at the date of receipt by the Coalition. A corresponding amount is recorded as an expense or as property and equipment. Donated services, materials, and facilities aggregated to \$61,634 and \$60,212 for the years ended June 30, 2021 and 2020, respectively, and are included as income and expense in the accompanying Statements of Activities and Changes in Net Assets at their estimated fair value at date of receipt.

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

10. Functional Allocation of Expenses

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

11. Income Taxes

The Coalition has been granted an exemption from income taxes under Internal Revenue Code Section 501(c)(3) as a not-for-profit corporation and is not a private foundation. Management has analyzed the Coalition's various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported and no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded. The Coalition is no longer subject to federal, state, or local income tax examination by tax authorities for fiscal years before 2019.

12. Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The new guidance is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Coalition is evaluating the potential effects ASU 2016-02 will have on its financial statements.

13. Subsequent Events

Management has evaluated the effect subsequent events would have on the financial statements through the date these financial statements were available to be issued on March 9, 2022.

NOTE B – PROPERTY AND EQUIPMENT

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

	2021	2020
Furniture and equipment	\$ 365,943	\$ 365,943
Less: accumulated depreciation	(343,472)	(323,147)
Property and equipment, net	<u>\$ 22,471</u>	<u>\$ 42,796</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$20,325 and \$20,487, respectively.

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE C – DEFERRED GRANT REVENUE

Deferred grant revenue at June 30, 2021 and 2020, of \$28,545 and \$36,416, respectively, represents unspent grant proceeds received from the Department of Education in 2001, originally intended to support the cost of board of directors training and startup expenses in Washington and Holmes Counties.

NOTE D – RELATED PARTY TRANSACTIONS

As mandated by Chapter 1002, Part VI School Readiness Program; and 1002.83 Early Learning Coalitions, certain members of the Coalition's Board of Directors are considered related parties. The related party members include the Executive Director of Chipola Regional Workforce, a private child care representative for Kids World of Chipley, Kids World of Panama City, and Along the Way Learning Center, a member of St Johns Parish, a Board Member of New Bethel Baptist Church and Gulf Coast State College, and relatives of Madelynne Eldridge. For the years ended June 30, the Coalition made payments to and had outstanding payables to related parties as follows:

	2021	2020
Payments made:		
- Along the Way Learning Center	\$ 365,793	\$ -
- New Bethel Baptist Church	100,507	117,726
- St Johns Parish	43,337	-
- Madelynne Eldridge	10,850	-
- Chipola Regional Workforce	4,751	4,754
- Gulf Coast State College	290	-
- Kid's World of Chipley	-	452,012
- Kids World of Panama City	-	6,817
Total payments	<u>\$ 525,528</u>	<u>\$ 581,309</u>
Payables at year end:		
- Along the Way Learning Center	\$ 13,239	\$ -
- New Bethel Baptist Church	9,538	31,948
- Kid's World of Chipley	-	103,827
- Kids World of Panama City	-	6,817
Total payables	<u>\$ 22,777</u>	<u>\$ 142,592</u>

NOTE E – FUNCTIONAL EXPENSES

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

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE F – CONCENTRATIONS AND CREDIT RISK

For the years ended June 30, 2021 and 2020, the Coalition received 100% of public support from DEL. Funding received from the DEL is derived from both federal and state sources; 88% and 12%, respectively, for fiscal year 2021, and 81% and 19%, respectively, for fiscal year 2020.

The Coalition maintains its cash accounts in a local financial institution, the balances of which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2021 and 2020, the Coalition exceeded the federally insured limit by \$0 and \$1,570,221, respectively. The Coalition has not experienced any losses in such accounts and believes there is little or no exposure to any significant credit risk.

NOTE G – COMMITMENTS AND CONTINGENCIES

Operating leases

The Coalition leases office space and equipment under various noncancelable operating lease agreements that expire through June 2027. Future minimum lease commitments are as follows for the years then ended:

<u>Years Ending June 30,</u>	
2022	\$ 235,183
2023	241,269
2024	247,712
2025	230,214
2026	232,164
Thereafter	<u>119,564</u>
	<u>\$ 1,306,106</u>

Lease expense for the years ended June 30, 2021 and 2020, totaled \$171,367 and \$172,705, respectively, which is included in occupancy expense on the Statements of Functional Expenses.

Federal and state appropriated funds

In June 2020, the Coalition entered into a funding agreement with DEL for the period of July 1, 2021, through June 30, 2022. The DEL awarded the Coalition \$15,175,365 to be expended for School Readiness programs and services as prescribed in the Coalition's School Readiness Plan and \$3,574,999 to be expended for Voluntary Pre-Kindergarten (VPK) programs and services as prescribed in the Coalition's VPK Plan. The Coalition's School Readiness and Voluntary Pre-Kindergarten Plans provide for a comprehensive program of readiness services that enhance the cognitive, social, and physical development of children to achieve the performance standards outcome measures as specified by DEL. These amounts received from federal and state agencies are subject to audit and adjustment at the discretion of those entities. If expenditures are disallowed as a result of these audits, the claims for reimbursement would be a liability of the Coalition.

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE H – 401(K) PLAN

The Coalition has a 401(k) retirement plan that provides an employer match of each employee's contribution up to 6% of their salary. The contribution was \$52,630 and \$41,584 for the years ended June 30, 2021 and 2020, respectively.

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

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

Federal expenditures – schedule of expenditures of federal awards and state financial assistance	\$ 22,800,286
Less: refunds and adjustments remitted to DEL	(90)
Expenditures / reimbursements from 2020 – 2021 contract to be recognized in the 2022 financial statements	385
Expenditures / reimbursements from 2019 – 2020 contract recognized in the 2021 financial statements	<u>(69,019)</u>
Federal expenditures – statements of activities and changes in net assets	<u>\$ 22,731,562</u>
State expenditures – schedule of expenditures of federal awards and state financial assistance	\$ 3,222,567
Expenditures / reimbursements from 2019 – 2020 contract recognized in the 2021 financial statements	<u>(1,108)</u>
State expenditures – statements of activities and changes in net assets	<u>\$ 3,221,459</u>

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE J – CALCULATION OF MAXIMUM ADMINISTRATIVE EXPENSES

The following table compares administrative expenses incurred to expenses subject to the maximum administrative expenses allowed by DEL for the School Readiness and Voluntary Pre-Kindergarten programs for the years ended June 30, 2021 and 2020.

<u>2021</u>	<u>School Readiness</u>	<u>Voluntary Pre-Kindergarten</u>	<u>Total</u>
Total administrative expenses subject to 5% and 4% maximum	\$ 428,210	\$ 99,824	\$ 528,034
Maximum 5% and 4% administrative expenses allowable per DEL	<u>953,932</u>	<u>124,716</u>	<u>1,078,648</u>
Administrative expenses (under) maximum	<u>\$ (525,722)</u>	<u>\$ (24,892)</u>	<u>\$ (550,614)</u>
 <u>2020</u>	 <u>School Readiness</u>	 <u>Voluntary Pre-Kindergarten</u>	 <u>Total</u>
Total administrative expenses subject to 5% and 4% maximum	\$ 354,654	\$ 151,989	\$ 506,643
Maximum 5% and 4% administrative expenses allowable per DEL	<u>851,774</u>	<u>152,669</u>	<u>1,004,443</u>
Administrative expenses (under) maximum	<u>\$ (497,120)</u>	<u>\$ (680)</u>	<u>\$ (497,800)</u>

Early Learning Coalition of Northwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE K – LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	2021	2020
Cash	\$ 1,646,403	\$ 1,907,372
Accounts receivable	76,425	74,925
Due from the State of Florida	1,116,450	2,950,589
Total financial assets available within one year	2,839,278	4,932,886
Less:		
Accounts payable and accrued expenses	2,087,630	3,963,258
Due to the State of Florida	651,280	751,830
Unearned revenue	58,772	163,322
Deferred grant revenue	28,545	36,416
Total amounts unavailable for general expenditures within one year	2,862,227	4,914,826
Total financial assets (deficit) available to management for general expenditure within one year	\$ (13,051)	\$ 18,060

As part of the Coalition's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Coalition receives approximately 99% and 98% for the years ended June 30, 2021 and 2020, respectively, of its funding from federal and state grants passed through DEL which are on a reimbursable basis. Throughout the year, the Coalition receives advances and reimbursements each month to cover incurred expenses.

NOTE L – RISK AND UNCERTAINTY

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Coalition's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation.

SUPPLEMENTAL INFORMATION



**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**

Partners

W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
Thomas F. Regan
Ernie R. Janvrin
Richard F. Hayes
Renee C. Varga
Shawn M. Marshall

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Early Learning Coalition of Northwest Florida, Inc. (a nonprofit organization) (the "Coalition"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 9, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Coalition's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control. Accordingly, we do not express an opinion on the effectiveness of the Coalition's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Accountants

Florida Institute of
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Purpose of this Report

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 9, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND STATE OF FLORIDA
CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

Partners

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

Report on Compliance for Each Major Federal Program and State Project

We have audited Early Learning Coalition of Northwest Florida, Inc.'s (the "Coalition") compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, and special audit guidance provided by the Division of Early Learning that could have a direct and material effect on each of the Coalition's major federal programs and state projects for the year ended June 30, 2021. The Coalition's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Coalition's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. 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; 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); State of Florida Chapter 10.650, *Rules of the Auditor General*, and special audit guidance provided by the Division of Early Learning. Those standards, the Uniform Guidance, and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Coalition's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of Early Learning Coalition of Northwest Florida, Inc.'s compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, Early Learning Coalition of Northwest Florida, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2021.

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Report on Internal Control Over Compliance

Management of Early Learning Coalition of Northwest Florida, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Coalition's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance, and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Coalition's 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 or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Moss, Krusick & Associates, LLC

Winter Park, Florida

March 9, 2022

Early Learning Coalition of Northwest Florida, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

June 30, 2021

Section I – Summary of Auditors’ Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditors’ report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Type of auditors’ report issued on compliance for major programs: | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | No |
| 4. Dollar threshold used to distinguish between Type A and Type B programs | \$750,000 |
| 5. Auditee qualified as low-risk auditee? | No |

Identification of major programs:

<u>Name of Federal Program</u>	<u>ALN</u>
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596
Disaster Recovery Grant – Hurricane Michael of the Child Care Disaster Relief Fund	93.489
Temporary Assistance for Needy Families	93.558

Early Learning Coalition of Northwest Florida, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

June 30, 2021

Section I – Summary of Auditors' Results (continued)

State Financial Assistance

- | | |
|--|---------------|
| 1. Type of auditors' report issued on compliance for major projects: | Unmodified |
| 2. Internal control over major projects: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Audit findings disclosed that are required to be reported in accordance with the Florida Single Audit Act and Chapter 10.650, <i>Rules of the Auditor General</i> | No |
| 4. Dollar threshold used to distinguish between Type A and Type B projects | \$750,000 |

Identification of major projects:

<u>Name of State Project</u>	<u>CSFA Number</u>
Voluntary Pre-Kindergarten	48.108

Section II – Enhanced Fields System Modernization (EFS Mod) monthly reconciliation

- | | |
|--|-----|
| 1. EFS Mod reconciled monthly | Yes |
| 2. Processes in place to identify and correct errors during monthly reconciliations to EFS Mod | Yes |
| 3. Coalition's financial records reconcile and agree to EFS Mod records as of program year ended June 30, 2021 | Yes |
| 4. Audit work papers documenting verification of reconciliations available to DEL staff | Yes |

Section III – Financial Statement Findings

No current year findings (no corrective action plan or management letter required)

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

None (there are no items related to Federal Awards and State financial assistance required to be reported in the management letter, therefore no management letter issued)

Section V – Status of Prior Year Audit Findings

There were no prior year audit findings

Early Learning Coalition of Northwest Florida, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2021

<u>Grantor/Program Title</u>	<u>ALN CSFA</u>	<u>Award Number</u>	<u>Expenditures</u>
Federal Awards:			
U.S. Department of Health and Human Services			
<i>Passed through the Division of Early Learning</i>			
Child Care and Development Block Grant	93.575	EL341	\$ 8,892,328
Child Care and Development Block Grant - CARES Act	93.575	EL341	4,264,219
Child Care and Development Block Grant - CARES Act	93.575	EL340	510,579
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL341	3,940,742
Disaster Recovery Grant - Hurricane Michael of the Child Care Disaster Relief Fund	93.489	DR341	<u>1,964,746</u>
Total Child Care Cluster			19,572,614
Temporary Assistance for Needy Families	93.558	EL341	3,130,647
Preschool Development Grant	93.434	EL341	90,661
Social Services Block Grant	93.667	EL341	<u>6,364</u>
Total Expenditures of Federal Awards			<u><u>\$ 22,800,286</u></u>
State Financial Assistance:			
State of Florida Department of Education			
<i>Passed through the Division of Early Learning</i>			
Voluntary Pre-Kindergarten Education Program	48.108	EL341	\$ 3,217,726
Voluntary Pre-Kindergarten Education Program Outreach & Awareness	48.108	OA341	<u>4,841</u>
Total Expenditures of State Awards			<u><u>\$ 3,222,567</u></u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), State of Florida Chapter 10.650, *Rules of the Auditor General*, and the Department of Fiscal Services' *State Projects Compliance Supplement*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Indirect Cost Rates

The Coalition has elected to not use the 10% de minimis indirect cost rate for its federal programs and state projects for the year ended June 30, 2021. The indirect cost rates used on the Coalition's federal programs and state projects are determined by the relevant federal or state agency.

See independent auditors' report.