

**EARLY LEARNING COALITION OF
OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION
OF THE EMERALD COAST**

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Early Learning Coalition of Okaloosa and Walton Counties, Inc.
d/b/a Early Learning Coalition of the Emerald Coast

Report on the Financial Statements

We have audited the accompanying financial statements of the Early Learning Coalition of Okaloosa and Walton Counties, Inc. (a nonprofit organization) (the Coalition), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, 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 audits 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 auditor considers 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 the Coalition 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

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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, *Rules of the State of Florida Auditor General*, 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 July 5, 2022, 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.

Warren Ancelet, LLC

Fort Walton Beach, FL
July 5, 2022

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020**

ASSETS		
	2021	2020
CURRENT ASSETS		
Cash	\$ 1,140,567	\$ 1,505,429
Due from the State of Florida	343,356	1,875,141
Other receivables	4,200	-
Prepaid expenses	51,504	37,776
Total current assets	1,539,627	3,418,346
PROPERTY AND EQUIPMENT, NET	20,015	24,109
TOTAL ASSETS	\$ 1,559,642	\$ 3,442,455
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 68,623	\$ 265,030
Due to service providers	964,086	1,388,791
Due to Department of Early Learning	26,128	167,327
Accrued payroll	56,115	96,031
Other accrued liabilities	49,205	-
Refundable advances	250,021	1,428,807
Total liabilities	1,414,178	3,345,986
NET ASSETS		
With donor restrictions	190,101	190,101
Without donor restrictions	(44,637)	(93,632)
Total net assets	145,464	96,469
TOTAL LIABILITIES AND NET ASSETS	\$ 1,559,642	\$ 3,442,455

See notes to the financial statements.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND OTHER REVENUES			
Public support			
Federal funding	\$ 11,446,539	\$ -	\$ 11,446,539
State funding	4,560,970	-	4,560,970
Total public support	16,007,509	-	16,007,509
Other revenues			
Interest	25	-	25
Local match contributions	93,523	-	93,523
Teenage parent program	6,961	-	6,961
Other support	43,377	-	43,377
Total other revenues	143,886	-	143,886
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	16,151,395	-	16,151,395
EXPENSES			
Program services			
Direct child care	12,374,323	-	12,374,323
Non-direct child care	420,570	-	420,570
Quality initiatives	2,696,091	-	2,696,091
Total program services	15,490,984	-	15,490,984
Support services			
Management and general	611,416	-	611,416
TOTAL EXPENSES	16,102,400	-	16,102,400
CHANGE IN NET ASSETS	48,995	-	48,995
NET ASSETS AT BEGINNING OF YEAR	(93,632)	190,101	96,469
NET ASSETS AT END OF YEAR	<u>\$ (44,637)</u>	<u>\$ 190,101</u>	<u>\$ 145,464</u>

See notes to the financial statements.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND OTHER REVENUES			
Public support			
Federal funding	\$ 9,683,381	\$ -	\$ 9,683,381
State funding	5,747,197	-	5,747,197
	<u>15,430,578</u>	<u>-</u>	<u>15,430,578</u>
Total public support			
Other revenues			
Interest	39	-	39
Local match contributions	87,940	-	87,940
Teenage parent program	5,519	-	5,519
Gain on disposal of assets	1,000	-	1,000
Other support	29,418	-	29,418
	<u>123,916</u>	<u>-</u>	<u>123,916</u>
Total other revenues			
	<u>15,554,494</u>	<u>-</u>	<u>15,554,494</u>
TOTAL PUBLIC SUPPORT AND OTHER REVENUES			
	15,554,494	-	15,554,494
EXPENSES			
Program services			
Direct child care	13,184,886	-	13,184,886
Non-direct child care	478,397	-	478,397
Quality initiatives	1,328,296	-	1,328,296
	<u>14,991,579</u>	<u>-</u>	<u>14,991,579</u>
Total program services			
Support services			
Management and general	763,801	-	763,801
	<u>15,755,380</u>	<u>-</u>	<u>15,755,380</u>
TOTAL EXPENSES			
	15,755,380	-	15,755,380
CHANGE IN NET ASSETS	(200,886)	-	(200,886)
NET ASSETS AT BEGINNING OF YEAR			
	<u>107,254</u>	<u>190,101</u>	<u>297,355</u>
NET ASSETS AT END OF YEAR	<u>\$ (93,632)</u>	<u>\$ 190,101</u>	<u>\$ 96,469</u>

See notes to the financial statements.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	Program Services			Support Services	
	Direct Child Care	Non-Direct Child Care	Quality Initiatives	Management and General	2021
Communications	\$ -	\$ 7,210	\$ 7,767	\$ 10,363	\$ 25,340
Direct services – child care	12,363,073	-	172,164	3,790	12,539,027
Direct services – grants to providers	-	-	1,945,199	-	1,945,199
Depreciation	-	-	-	5,794	5,794
Dues	-	-	1,915	5,829	7,744
Insurance	-	2,743	2,635	9,779	15,157
Leased equipment	-	629	709	876	2,214
Other administrative costs	-	1,126	-	6,040	7,166
Postage, freight and delivery	-	69	482	510	1,061
Professional services	-	12,685	47,293	90,197	150,175
Quality	11,250	-	130,351	584	142,185
Occupancy	-	67,241	59,241	97,768	224,250
Salaries and benefits	-	321,159	316,350	359,020	996,529
Software and support	-	3,008	4,385	14,219	21,612
Staff development	-	214	2,063	1,514	3,791
Supplies	-	4,430	5,098	3,811	13,339
Travel	-	56	439	1,322	1,817
TOTAL EXPENSES	\$ 12,374,323	\$ 420,570	\$ 2,696,091	\$ 611,416	\$ 16,102,400

See notes to the financial statements.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	Program Services			Support Services	
	Direct Child Care	Non-Direct Child Care	Quality Initiatives	Management and General	2020
Communications	\$ -	\$ 5,248	\$ 6,763	\$ 6,027	\$ 18,038
Direct services – child care	13,015,386	-	-	-	13,015,386
Direct services – grants to providers	169,500	-	265,100	-	434,600
Depreciation	-	-	-	2,367	2,367
Dues	-	246	475	5,325	6,046
Insurance	-	2,740	4,011	8,973	15,724
Leased equipment	-	2,261	2,716	2,189	7,166
Other administrative costs	-	3,662	-	6,563	10,225
Postage, freight and delivery	-	256	43	413	712
Professional services	-	50,766	20,126	59,248	130,140
Quality	-	3,838	515,023	32,251	551,112
Occupancy	-	61,444	69,758	90,840	222,042
Salaries and benefits	-	334,078	395,702	504,321	1,234,101
Software and support	-	4,036	3,973	1,818	9,827
Staff development	-	1,988	5,186	10,443	17,617
Supplies	-	4,409	8,193	18,637	31,239
Travel	-	3,425	31,227	14,386	49,038
TOTAL EXPENSES	\$ 13,184,886	\$ 478,397	\$ 1,328,296	\$ 763,801	\$ 15,755,380

See notes to the financial statements.

EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 48,995	\$ (200,886)
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:		
Depreciation	5,794	2,367
Gain on disposal of assets	-	(1,000)
Contributions of property and equipment	(1,700)	-
Changes in assets and liabilities:		
Due from the State of Florida	1,531,785	(1,643,491)
Other receivables	(4,200)	-
Prepaid expenses	(13,728)	29,409
Accounts payable	(196,407)	211,916
Accrued payroll	(39,916)	(5,038)
Other accrued liabilities	49,205	-
Refundable advances	(1,178,786)	1,428,807
Due to Department of Early Learning	(141,199)	-
Due to service providers	(424,705)	783,174
Net cash flows provided by (used in) operating activities	<u>(364,862)</u>	<u>605,258</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(19,799)
Proceeds from sale of assets	-	1,000
Net cash flows used in investing activities	<u>-</u>	<u>(18,799)</u>
NET CHANGE IN CASH	(364,862)	586,459
CASH AT BEGINNING OF YEAR	<u>1,505,429</u>	<u>918,970</u>
CASH AT END OF YEAR	<u><u>\$ 1,140,567</u></u>	<u><u>\$ 1,505,429</u></u>

See notes to the financial statements.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The Okaloosa County School Readiness Coalition, Inc. was organized as a not-for-profit corporation under the laws of the State of Florida in 2000. In 2004, the Okaloosa County School Readiness Coalition, Inc. merged with the Walton County School Readiness Coalition, Inc. forming the School Readiness Coalition serving Okaloosa and Walton Counties, Inc. In 2016, the Organization changed its name to the Early Learning Coalition of Okaloosa and Walton Counties, Inc. (the Coalition). During 2018, the Coalition began doing business as the Early Learning Coalition of the Emerald Coast. The Coalition maintains an office in Shalimar, Florida. The satellite office in Crestview, Florida was closed during the fiscal year ended June 30, 2021.

The Coalition is primarily funded by support from federal and state agencies contracted through the Florida Department 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 Okaloosa and Walton County kindergarten school systems. In addition, part of the Coalition's mission is to increase the availability, affordability and quality of childcare 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* – includes both School Readiness/Subsidized Child Care Program (SR) and Voluntary Pre-Kindergarten (VPK) – The SR program provides for early education and care for children of families with limited incomes and enables parents to gain and/or sustain their economic self-sufficiency through maintenance of employment or participation in job skill/vocational training leading to employment. The program provides for the needs of children from low-income families that are working, children from families that are transitioning from welfare to self-sufficiency, and children that are under protective supervision or in foster care placement. Program participants have access to health, developmental and educational screenings and other support services. Caregivers are held accountable for providing safe learning environments that nurture and cultivate the child's cognitive, language, motor, social and self-help skills. The VPK program consists of state mandated dollars used to support a voluntary pre-kindergarten program for all four-year-old children. Funding is based on a base student allocation per full-time equivalent student in the Voluntary Pre-Kindergarten Education Program and is determined at the state level.
- *Non-Direct Child Care* – payments for directly incurred support costs for childcare services such as eligibility determination, training for providers and resource and referral services.
- *Quality Initiatives* – payments for directly incurred costs designed to enhance experiences for children, staff and other early childhood professionals.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting and in accordance with the accounting principles generally accepted in the United States of America (US GAAP), which requires that the Coalition report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets therein are classified as follows:

Net Assets Without Donor Restrictions – Net assets available for general use and are not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met either by passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash

The Coalition classifies as cash all checking, savings and money market accounts and all highly liquid investments maturing within 90 days of purchase.

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 terms of the service contracts.

Property and Equipment

The Coalition capitalizes property and equipment with an original cost in excess of \$1,000 and a useful life greater than one year. If donated, assets 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 five years.

Property acquired with governmental 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.

Due to Service Providers

Due to service providers represents amounts owed to contract providers for program services performed.

Due to the Department of Early Learning

Due to the Department of Early Learning represents unspent grant advances owed back to the DEL.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Federal and State Funding

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.

Expense Allocation

The costs of providing the various programs and other activities have been detailed in the statements of functional expenses and summarized on a functional basis in the statements of activities. Expenses directly related to a program or supporting service are charged to the individual program or supporting service. Indirect expenses are allocated between non-direct childcare, quality initiative program services, management and general expenses based on an allocation to the program's total direct costs less federal and state funded capital asset purchases.

Income Taxes

The Coalition has been granted an exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code as a not-for-profit corporation. The Coalition is not aware of any uncertain tax positions that would require accrual or disclosure in accordance with accounting principles generally accepted in the United States of America.

The Coalition's tax returns are subject to possible examination by taxing authorities. For federal income tax purposes, the tax returns remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

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.

Subsequent Events

The Coalition has evaluated events and transactions that occurred between June 30, 2021 and July 5, 2022, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Coalition regularly monitors liquidity to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Coalition considers all expenditures related to its ongoing activities of its mission as well as the conduct of services undertaken to support those activities to be general expenditures.

As of June 30, 2021 and 2020, the following tables show the total financial assets held by the Coalition and the amounts of those financial assets available within one year of the date of the statement of net position to meet general expenditures.

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash	\$ 1,140,567	\$ 1,505,429
Due from the State of Florida	343,356	1,875,141
Other receivables	<u>4,200</u>	<u>-</u>
Total financial assets at year end	1,488,123	3,380,570
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:		
Grant advances subject to return	-	(1,198,550)
Matching contributions subject to return	(19,764)	-
Amounts due back to Florida DEL	(26,128)	(167,327)
Restricted by donor with time or purpose restrictions	<u>(190,101)</u>	<u>(190,101)</u>
Total financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 1,252,130</u></u>	<u><u>\$ 1,824,592</u></u>

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 58,950	\$ 57,250
Less accumulated depreciation	<u>(38,935)</u>	<u>(33,141)</u>
Property and equipment, net	<u><u>\$ 20,015</u></u>	<u><u>\$ 24,109</u></u>

Depreciation expense was \$5,794 and \$2,367 for the years ended June 30, 2021 and 2020, respectively.

EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

4. REFUNDABLE ADVANCES AND SUBSEQUENT EVENT

In response to the COVID-19 pandemic, the Coalition received funds in advance in the form of grants and related matching contributions and the Payroll Protection Program (PPP) loan. Refundable advances consisted of the following:

	2021	2020
Grant advance – school readiness program	\$ -	\$ 340,219
Grant advance – voluntary pre-kindergarten program	-	58,331
Grant advance – CARES Act	-	800,000
Unspent local grant matching contributions	19,764	-
Paycheck Protection Program (PPP) loan	230,257	230,257
	<u>\$ 250,021</u>	<u>\$ 1,428,807</u>

Paycheck Protection Program (PPP) Loan

The Coalition received a Paycheck Protection Program (PPP) loan in the amount of \$230,257 granted by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are classified as conditional contributions, with a right-of-return in the form of an obligation to be repaid to the lender if a barrier to entitlement is not overcome. The PPP loan funds must be used to maintain compensation costs and employee headcounts, as well as for other qualifying expenses (mortgage interest, rent, and utilities) incurred following the receipt of the funds. As of June 30, 2021, the PPP loan was recorded as a refundable advance on the statement of financial position. In July 2021, the Coalition's PPP loan was officially forgiven and will be recognized in income for fiscal year 2022.

5. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2021 and 2020, the Coalition's net assets with donor restrictions, as restricted by the Florida DEL, are comprised as follows:

	2021	2020
Net proceeds from sale of Coalition land and building	\$ 187,510	\$ 187,510
Net contribution from dissolved related party Okaloosa-Walton Childcare Services	2,591	2,591
	<u>\$ 190,101</u>	<u>\$ 190,101</u>

The net proceeds from the Coalition's sale of land and buildings in 2018 are required to be restricted as directed by the DEL. The Coalition may use these proceeds for School Readiness expenditures as allowed by the DEL. The funds are to be expended no later than June 30, 2023.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

6. CONCENTRATIONS

For each of the years ended June 30, 2021 and 2020, the Coalition received substantially all of its public support from the DEL. The funding received from the DEL is derived from both federal and state sources. The schedule below shows the allocation of funds received from the DEL.

Source	Fiscal year ended June 30,	
	2021	2020
Federal	72%	63%
State	28%	37%
	<u>100%</u>	<u>100%</u>

7. OPERATING LEASE

The Coalition leases office space in a commercial office park. The lease commenced in March 2018 and has a 60-month lease term that expires in February 2023. The lease requires \$12,000, monthly base payments for the first 12 months of the lease with the monthly payment escalating 3% annually for each of the next four, 12-month periods of the lease term. Rent expense incurred under this lease agreement for the years ended June 30, 2021 and 2020, was \$195,823 and \$189,793, respectively. Future estimated noncancelable lease payments as of June 30, 2021, are as follows:

2022	158,926
2023	<u>108,049</u>
	<u>\$ 266,975</u>

8. COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

The Coalition's cash balances held at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At June 30, 2021 and 2020, the Coalition exceeded the FDIC insured limits at financial institutions by approximately \$950,000 and \$1,199,000, respectively, which is the amount of the Coalition's exposure to credit loss. The Coalition has not experienced any losses in such accounts and believes there is little or no exposure to any significant credit risk.

COMPLIANCE SECTION

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL
ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2021**

Federal/State Agency Pass-Through Entity Federal Program/State Project	Assistance Listing Number	Contract/ Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Treasury				
Indirect programs				
Passed-through from Walton County, Florida				
COVID-19 Coronavirus Relief Fund	21.019	N/A	\$ 34,883	\$ -
Total U.S. Department of Treasury			34,883	-
U.S. Department of Health and Human Services				
Indirect programs				
Passed-through from Florida's Department of Early Learning				
<i>Child Care and Development Fund Cluster</i>				
Child Care and Development Block Grant	93.575	EL351	4,548,600	-
COVID-19 Child Care and Development Block Grant	93.575	EL350; EL351	2,657,072	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL351	2,209,020	-
<i>Total Child Care and Development Fund Cluster</i>			9,414,692	-
ESSA / Preschool Development Grants	93.434	EL351	53,161	-
Temporary Assistance to Needy Families	93.558	EL351	1,937,739	-
Social Services Block Grant (SSBG)	93.667	EL351	6,064	-
Total U.S. Department of Health and Human Services			11,411,656	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 11,446,539	\$ -
Florida Department of Early Learning				
Direct programs				
Voluntary Pre-Kindergarten Education Program	48.108	EL351; OA351	\$ 4,560,970	\$ -
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			\$ 4,560,970	\$ -

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2021**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant activity of the Early Learning Coalition of Okaloosa and Walton Counties, Inc. (the Coalition) for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, *Rules of the State of Florida Auditor General*. Because the schedule presents only a selected portion of the operations of the Coalition, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Coalition.

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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

Indirect expenses are allocated between non-direct childcare, quality initiative program services, management and general expenses based on an allocation to the program's total direct costs less federal and state funded capital asset purchases. Accordingly, the Coalition has elected not to use the 10% de minimis indirect cost rate.

**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**

To the Board of Directors
Early Learning Coalition of Okaloosa and Walton Counties, Inc.
d/b/a Early Learning Coalition of the Emerald Coast

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 Okaloosa and Walton Counties, Inc. (the Coalition) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 5, 2022.

Internal Control over Financial Reporting

In planning and performing our audit, 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 opinions 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002.

Coalition's Response to Findings

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

Purpose of this Report

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

Warren Averett, LLC

Fort Walton Beach, FL
July 5, 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 CHAPTER 10.650,
RULES OF THE STATE OF FLORIDA AUDITOR GENERAL**

To the Board of Directors
Early Learning Coalition of Okaloosa and Walton Counties, Inc.
d/b/a Early Learning Coalition of the Emerald Coast

Report on Compliance for Each Major Federal Program and State Project

We have audited the Early Learning Coalition of Okaloosa and Walton Counties' (the Coalition's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Florida Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Coalition's major federal program and state project and the special audit guidance provided by the Florida Department of Early Learning (DEL) for the year ended June 30, 2021. The Coalition's major federal program and state project 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 projects 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); and Chapter 10.650, *Rules of the State of Florida Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.650, *Rules of the State of Florida 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 the Coalition's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the Coalition complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program and state project and requirements set forth by DEL for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Coalition 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 the Coalition's 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 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 over compliance that we consider to be material weaknesses. However, material weakness 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 State of Florida Auditor General*. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC

Fort Walton Beach, FL
July 5, 2022

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that is/are not considered to be material weakness(es)? X Yes _____ None Reported

Noncompliance material to financial statements noted?

 X Yes _____ No

Federal Awards and State Financial Assistance

Internal control over major program and Project:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that is/are not considered to be material weakness(es)? _____ Yes X None Reported

Type of auditors' report issued on compliance for major program and project: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the State of Florida Auditor General*? _____ Yes X No

Identification of major program and project:

Assistance Listing Number	Name of Federal Program or Cluster
	<i>Child Care and Development Fund Cluster</i>
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Assistance Listing Number	Name of State Project
48.108	Voluntary Pre-Kindergarten Education Program

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021**

I. SUMMARY OF AUDITORS' RESULTS – CONTINUED

Dollar threshold used to distinguish between type A and type B programs for federal awards: \$750,000

Dollar threshold used to distinguish between type A and type B programs for state awards: \$750,000

Auditee qualified as a federal low-risk auditee? Yes X No

II. FINANCIAL STATEMENT FINDINGS

FINDING 2021-001 – DOCUMENTATION FOR MATCHING CONTRIBUTIONS

Criteria

Section 440.10, *Match Reporting*, of the Florida Department of Early Learning's (DEL) Program Guidance states that matching contributions shall be verifiable from the Coalition's records and must not be paid by the federal government under another award, except where authorized by federal statute to be used for matching.

Condition

The Coalition's documentation of the activities performed to verify that matching contributions were derived from non-federal sources was incomplete.

Cause

There was inadequate management oversight regarding match-raising activities and the related reporting and documentation requirements.

Effect

The Coalition was not in compliance with the match reporting requirements of the grant agreement.

Recommendation

We recommend that the Coalition should review its existing internal controls, policies, and procedures related to match contribution processing and determine whether any revisions are necessary to conform to DEL's program guidance. Specifically, the Coalition's management should ensure that match reporting policies and procedures include steps that ensure match contributions are not paid from federal government sources under another award.

Management's Response

We concur with the finding and recommendations. The new management team has implemented policies and procedures to document the source of all match contributions with the donor agencies.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021**

II. FINANCIAL STATEMENT FINDINGS – CONTINUED

FINDING 2021-002 – EMPLOYEE TRAVEL POLICIES AND PROCEDURES

Criteria

Section 240.10, *Travel*, of DEL's Program Guidance states that all Coalitions are required to follow the Florida Department of Education's (FDOE) Travel Policy, which sets forth the policies and procedures for employees traveling on Coalition business.

Condition

During testing of travel expenses, we noted multiple instances in which travel authorization request forms for a certain employee's travel were not properly completed and approved prior to incurring the related travel expenses, as mandated in the FDOE's Travel Policy.

Cause

The employee did not complete and submit travel authorization request forms to the appropriate supervisor in a timely manner.

Effect

The Coalition made multiple travel reimbursement payments to an employee that were not in compliance with the grant agreement.

Recommendation

We recommend that the Coalition should review its existing internal controls, policies, and procedures related to employee travel and determine whether any revisions are necessary to conform to DEL's program guidance. Specifically, controls should be implemented to ensure that travel by senior management is properly reviewed and approved prior to traveling.

Management's Response

We concur with the finding and recommendations. The new management team has implemented policies and procedures to ensure that all travel expenses incurred for Coalition business are reviewed and approved prior to the travel taking place.

III. FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FINDINGS

There were no findings which were required to be reported in accordance with the Uniform Guidance or Chapter 10.650, *Rules of the Auditor General*.

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021**

IV. COMMUNICATIONS REQUIRED BY THE DEPARTMENT OF EARLY LEARNING (DEL)

- | | |
|---|-----|
| 1. Enhanced Fields System Modernization (EFS Mod) is reconciled monthly to the Coalition's financial records. | Yes |
| 2. Processes are in place to identify and correct errors during monthly reconciliations. | Yes |
| 3. The Coalition's financial records reconcile and agree to DEL records provided as of June 30, 2021. | Yes |
| 4. Audit work papers documenting verification of reconciliations available to DEL staff | Yes |

V. OTHER MATTERS

Prior audit findings as described in the Uniform Guidance and Chapter 10.650, *Rules of the State of Florida Auditor General* have been corrected by management and no longer exist in the current year.

There were no items relating to federal award programs or state financial assistance required to be reported in the management letter.



1130 Eglin Pkwy
Shalimar, FL 32579
Office: (850) 833-3627
Fax: (850) 833-9344

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2021

I. FINANCIAL STATEMENT FINDINGS

FINDING 2020-001 – APPLICATION OF MATCH FUNDS

Condition

The Coalition did not properly report to DEL the match dollars collected and expended.

Current Status

Corrective action was taken.

FINDING 2020-002 – REPORTING OF SERVICE PROVIDER OVERPAYMENTS

Condition

The Coalition made payments based on estimated attendance and then reconciled using actual attendance. Any amount of overpayments were to be returned by the service providers and reported to DEL.

Current Status

Corrective action was taken.



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CORRECTIVE ACTION PLAN

The Early Learning Coalition of the Emerald Coast respectfully submits the following corrective action plan for the year ended September 30, 2021.

Name and address of independent public accounting firm:

*Warren Averett, LLC
45 Eglin Pkwy NE, Suite 301
Fort Walton Beach, FL 32548*

The findings from the schedule of findings and questioned costs for the year ended September 30, 2021, are discussed below. The findings are numbered consistently with the numbers assigned in the schedule of findings and questioned costs.

Name of Contact Person for Completing the Corrective Action Plan:

*Dana Crupi, Chief Executive Officer
(850) 833-3627
dcrupi@elc-ec.org*

Finding 2021-001 – Documentation for Matching Contributions

Condition

The Coalition's documentation of the activities performed to verify that matching contributions were derived from non-federal sources was incomplete.

Corrective Action Plan

The Coalition has contacted sources of non-federal matching contributions and requested the missing documentation. In addition, senior management will take measures to ensure that the required documentation of the activities performed to verify that matching contributions were derived from non-federal sources is complete.

Finding 2021-002 – Employee Travel Policies and Procedures

Condition

During testing of travel expenses, we noted multiple instances in which travel authorization request forms for the former Executive Director's travel were not properly completed and approved prior to incurring the related travel expenses, as mandated in the FDOE's Travel Policy.

Corrective Action Plan

The Board of Directors and senior management will take measures to ensure that travel is timely authorized prior to the travel occurring; that travel reimbursements are reviewed and approved prior to payment; and that travel reimbursements, including claimed mileage, are made in accordance with State law.