

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

**FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

**EARLY LEARNING COALITION OF OKALOOSA AND WALTON COUNTIES, INC.  
D/B/A EARLY LEARNING COALITION OF THE EMERALD COAST  
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JUNE 30, 2020 AND 2019**

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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, 2020 and 2019, 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 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 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, 2020 and 2019, 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.

**Emphasis of Matter**

As discussed in Note 9, the Coalition corrected an error and restated certain amounts related to financial position of the Coalition as of June 30, 2019 and the changes in its net assets and its cash flows for the year then ended. Our opinion is not modified with respect to this matter.

**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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, *Rules of the 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 May 27, 2021, 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.



Fort Walton Beach, FL  
May 27, 2021

**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, 2020 AND 2019**

<b>ASSETS</b>		
	<b>2020</b>	<b>2019 (As Restated)</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 1,505,429	\$ 918,970
Due from the State of Florida	1,875,141	231,650
Prepaid expenses	37,776	67,185
Total current assets	3,418,346	1,217,805
<b>PROPERTY AND EQUIPMENT, NET</b>	24,109	6,677
<b>TOTAL ASSETS</b>	<b>\$ 3,442,455</b>	<b>\$ 1,224,482</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 265,030	\$ 53,114
Due to service providers	1,388,791	605,617
Due to Office of Early Learning	167,327	167,327
Accrued payroll	96,031	101,069
Refundable advances	1,428,807	-
Total liabilities	3,345,986	927,127
<b>NET ASSETS</b>		
With donor restrictions	190,101	190,101
Without donor restrictions	(93,632)	107,254
Total net assets	96,469	297,355
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,442,455</b>	<b>\$ 1,224,482</b>

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  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND OTHER REVENUES</b>			
Public support			
Federal funding	\$ 9,683,381	\$ -	\$ 9,683,381
State funding	5,747,197	-	5,747,197
Total public support	15,430,578	-	15,430,578
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
Total other revenues	123,916	-	123,916
<b>TOTAL PUBLIC SUPPORT AND OTHER REVENUES</b>	15,554,494	-	15,554,494
<b>EXPENSES</b>			
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
Total program services	14,991,579	-	14,991,579
Support services			
Management and general	763,801	-	763,801
<b>TOTAL EXPENSES</b>	15,755,380	-	15,755,380
<b>CHANGE IN NET ASSETS</b>	(200,886)	-	(200,886)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	107,254	190,101	297,355
<b>NET ASSETS AT END OF YEAR</b>	\$ (93,632)	\$ 190,101	\$ 96,469

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  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Without Donor Restrictions (As Restated)</b>	<b>With Donor Restrictions (As Restated)</b>	<b>Total (As Restated)</b>
<b>PUBLIC SUPPORT AND OTHER REVENUES</b>			
Public support			
Federal funding	\$ 7,817,468	\$ -	\$ 7,817,468
State funding	5,665,280	-	5,665,280
Total public support	13,482,748	-	13,482,748
Other revenues			
Interest	78	-	78
Local match contributions	99,197	-	99,197
Teenage parent program	22,781	-	22,781
Other support	26,058	-	26,058
Total other revenues	148,114	-	148,114
<b>TOTAL PUBLIC SUPPORT , AS RESTATED</b>	13,630,862	-	13,630,862
<b>EXPENSES</b>			
Program services			
Direct child care	11,859,944	-	11,859,944
Non-direct child care	579,211	-	579,211
Quality initiatives	590,243	-	590,243
Total program services	13,029,398	-	13,029,398
Support services			
Management and general	593,899	-	593,899
<b>TOTAL EXPENSES</b>	13,623,297	-	13,623,297
<b>CHANGE IN NET ASSETS</b>	7,565	-	7,565
<b>NET ASSETS AT BEGINNING OF YEAR</b>	99,689	190,101	289,790
<b>NET ASSETS AT END OF YEAR</b>	\$ 107,254	\$ 190,101	\$ 297,355

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**

	<b>Program Services</b>			<b>Support Services</b>	
	<b>Direct Child Care</b>	<b>Non-Direct Child Care</b>	<b>Quality Initiatives</b>	<b>Management and General</b>	<b>2020</b>
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
<b>TOTAL EXPENSES</b>	<b>\$ 13,184,886</b>	<b>\$ 478,397</b>	<b>\$ 1,328,296</b>	<b>\$ 763,801</b>	<b>\$ 15,755,380</b>

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, 2019**

	<b>Program Services</b>			<b>Support Services</b>	
	<b>Direct Child Care</b>	<b>Non-Direct Child Care</b>	<b>Quality Initiatives</b>	<b>Management and General</b>	<b>2019</b>
Communications	\$ 213	\$ 4,195	\$ 4,346	\$ 4,351	\$ 13,105
Direct services – child care	11,831,915	16,586	-	-	11,848,501
Depreciation	-	-	-	625	625
Dues	-	439	29	5,338	5,806
Insurance	317	1,698	3,501	10,822	16,338
Leased equipment	182	3,852	3,758	3,333	11,125
Other administrative costs	-	732	183	3,012	3,927
Postage, freight and delivery	-	633	649	255	1,537
Professional services	924	34,456	11,877	66,140	113,397
Quality	7	1,961	78,227	13,206	93,401
Occupancy	3,318	74,264	69,999	64,434	212,015
Salaries and benefits	20,794	419,103	370,481	377,500	1,187,878
Software and support	130	4,530	5,050	5,501	15,211
Staff development	-	203	4,324	12,338	16,865
Supplies	1,894	12,034	17,917	11,502	43,347
Travel	250	4,525	19,902	15,542	40,219
<b>TOTAL EXPENSES</b>	<b>\$ 11,859,944</b>	<b>\$ 579,211</b>	<b>\$ 590,243</b>	<b>\$ 593,899</b>	<b>\$ 13,623,297</b>

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, 2020 AND 2019**

	<b>2020</b>	<b>2019 (As Restated)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (200,886)	\$ 7,565
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	2,367	625
Gain on disposal of assets	(1,000)	-
Changes in assets and liabilities:		
Due from the State of Florida	(1,643,491)	(23,742)
Due from other early learning coalitions	-	6,781
Prepaid expenses	29,409	(34,583)
Accounts payable	211,916	(540)
Accrued payroll	(5,038)	(7,918)
Refundable advances	1,428,807	-
Due to Office of Early Learning	-	167,327
Due to service providers	783,174	(54,946)
Net cash flows provided by operating activities	<u>605,258</u>	<u>60,569</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(19,799)	(4,774)
Proceeds from sale of assets	1,000	-
Net cash flows provided by (used in) investing activities	<u>(18,799)</u>	<u>(4,774)</u>
<b>NET CHANGE IN CASH</b>	586,459	55,795
<b>CASH AT BEGINNING OF YEAR</b>	<u>918,970</u>	<u>863,175</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 1,505,429</u></u>	<u><u>\$ 918,970</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, 2020 AND 2019**

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## **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 offices in Fort Walton Beach and Crestview, Florida.

The Coalition is primarily funded by support from federal and state agencies contracted through the Florida Office of Early Learning (OEL). 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 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* – 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 child care 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, 2020 AND 2019**

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**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 Office of Early Learning**

Due to the Office of Early Learning represents amounts owed back to the Florida OEL for funds improperly recorded in the OEL reporting system.

**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, 2020 AND 2019**

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**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 child care, 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.

**New Accounting Pronouncement**

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958)*. The update provides clarification on the accounting guidance for contributions received and made. The Coalition adopted ASU 2018-08 on July 1, 2019 and it did not result in any changes to net assets in the presentation of the financial statements.

**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, 2020 and May 27, 2021, 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, 2020 AND 2019**

## **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, 2020 and 2019, 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><b>2020</b></u>	<u><b>2019</b></u>
Financial assets at year end:		
Cash	\$ 1,505,429	\$ 918,970
Due from the State of Florida	<u>1,875,141</u>	<u>231,650</u>
Total financial assets at year end	3,380,570	1,150,620
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:		
Grant advances subject to return	(1,198,550)	-
Amounts due back to Florida OEL	(167,327)	(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>\$ 1,824,592</u></u>	<u><u>\$ 793,192</u></u>

## **3. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	<u><b>2020</b></u>	<u><b>2019</b></u>
Furniture and equipment	\$ 57,250	\$ 43,568
Less accumulated depreciation	<u>(33,141)</u>	<u>(36,891)</u>
Property and equipment, net	<u><u>\$ 24,109</u></u>	<u><u>\$ 6,677</u></u>

Depreciation expense was \$2,367 and \$625 for the years ended June 30, 2020 and 2019, 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, 2020 AND 2019**

#### **4. REFUNDABLE ADVANCES**

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

	<u><b>2020</b></u>	<u><b>2019</b></u>
Grant advance – school readiness program	\$ 340,219	\$ -
Grant advance – voluntary pre-kindergarten program	58,331	-
Grant advance – CARES Act	800,000	-
Paycheck Protection Program (PPP) loan	<u>230,257</u>	<u>-</u>
	<u><u>\$ 1,428,807</u></u>	<u><u>\$ -</u></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. The Coalition will apply for loan forgiveness in the subsequent fiscal year. However, as of the issuance date of these financial statements, notice of forgiveness has not been received from the lender. Therefore, the Coalition has recorded the PPP loan proceeds as a refundable advance in the accompanying statement of financial position.

#### **5. NET ASSETS WITH DONOR RESTRICTIONS**

As of June 30, 2020 and 2019, the Coalition's net assets with donor restrictions, as restricted by the Florida Office of Early Learning (FOEL), are comprised as follows:

	<u><b>2020</b></u>	<u><b>2019</b></u>
Net proceeds from sale of Coalition land and building	\$ 187,510	\$ 187,510
Net contribution from dissolved related party Okaloosa- Walton Childcare Services	<u>2,591</u>	<u>2,591</u>
	<u><u>\$ 190,101</u></u>	<u><u>\$ 190,101</u></u>

The net proceeds from the Coalition's sale of land and buildings in 2018 are required to be restricted as directed by the FOEL. The Coalition may use these proceeds for School Readiness expenditures as allowed by the FOEL. The funds are to be expended no later than June 30, 2021.

**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, 2020 AND 2019**

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**6. CONCENTRATIONS**

For each of the years ended June 30, 2020 and 2019, the Coalition received 100% of its public support from the FOEL. The funding received from FOEL is derived from both federal and state sources. The schedule below shows the allocation of funds received from FOEL.

Source	Fiscal year ended June 30,	
	2020	2019
Federal	63%	58%
State	37%	42%
	<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, 2020 and 2019, was \$189,793 and \$179,377, respectively. Future estimated noncancelable lease payments as of June 30, 2020, are as follows:

2021	\$ 154,297
2022	158,926
2023	<u>108,049</u>
	<u>\$ 421,272</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, 2020 and 2019, the Coalition exceeded the FDIC insured limits at financial institutions by approximately \$1,199,000 and \$710,000, 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.



**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, 2020 AND 2019**

**9. PRIOR PERIOD ADJUSTMENT AND SUBSEQUENT EVENT**

In May 2021, the OEL completed their fiscal monitoring report of the Coalition for the period of September 1, 2018 through August 2020. The report disclosed instances of noncompliance which resulted in the Coalition having to return \$167,327 to the OEL. Since this overage was received in the year ended June 30, 2019 and it is a correction of an error, the following amounts were restated:

	Amounts Previously Reported	Correction of the Error	Amounts as Restated
Statement of financial position			
Liabilities			
Due to Office of Early Learning	\$ -	\$ 167,327	\$ 167,327
Net Assets			
Without donor restrictions	\$ 274,581	\$ (167,327)	\$ 107,254
Statement of activities			
Public support, without donor restrictions			
Federal funding	\$ 7,984,795	\$ (167,327)	\$ 7,817,468
Change in net assets without donor restrictions	\$ 174,982	\$ (167,327)	\$ 7,655
Statement of cash flows			
Cash flows from operating activities			
Change in net assets	\$ 174,982	\$ (167,327)	\$ 7,655
Due to Office of Early Learning	\$ -	\$ 167,327	\$ 167,327

## 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, 2020**

<b>Federal/State Agency Pass-Through Entity Federal Program/State Project</b>	<b>CFDA CSFA Number</b>	<b>Contract/ Grant Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>			
Indirect programs			
Passed-through from Florida's Office of Early Learning			
<i>Child Care and Development Fund Cluster</i>			
Child Care and Development Block Grant	93.575	EL 350	\$ 4,584,361
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL 350	<u>3,006,867</u>
<i>Total Child Care and Development Fund Cluster</i>			7,591,228
ESSA / Preschool Development Grants	93.434	EL 350	45,442
Temporary Assistance for Needy Families	93.558	EL 350	2,040,931
Social Services Block Grant (SSBG)	93.667	EL 350	<u>5,780</u>
Total U.S. Department of Health and Human Services			<u>9,683,381</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 9,683,381</u></u>
<b>Florida Office of Early Learning</b>			
Direct programs			
Voluntary Pre-Kindergarten Education Program	48.108	EL 350; OA350	<u>\$ 5,747,197</u>
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>			<u><u>\$ 5,747,197</u></u>

**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, 2020**

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**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, 2020. 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 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 child care, 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, 2020, 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 May 27, 2021.

**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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompany schedule of findings and questioned costs as items 2020-001 and 2020-002, that we consider to be material weaknesses.

**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 2020-001 and 2020-002.

**The Coalition's Response to Findings**

The Coalition's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Coalition's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.



Fort Walton Beach, FL  
May 27, 2021

**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 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 *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Coalition's major federal programs and state projects and the special audit guidance provided by the Florida Office of Early Learning (FOEL) for the year ended June 30, 2020. 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 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 Auditor General*. 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 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 each of its major federal programs and state projects and requirements set forth by FOEL for the year ended June 30, 2020.

### **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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 Auditor General*. Accordingly, this report is not suitable for any other purpose.

*Warren Averett, LLC*

Fort Walton Beach, FL  
May 27, 2021



**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, 2020**

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**I. SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

<u>  X  </u>	Yes	<u>      </u>	No
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***Federal Awards and State Financial Assistance***

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs: Unmodified

- |   |               |     |              |    |
|---|---------------|-----|--------------|----|
| • Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance and Chapter 10.650, <i>Rules of the Auditor General</i> ? | <u>      </u> | Yes | <u>  X  </u> | No |
|---|---------------|-----|--------------|----|

Identification of major programs:

CFDA 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
CSFA 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, 2020**

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**I. SUMMARY OF AUDITORS' RESULTS – CONTINUED**

Dollar threshold used to distinguish between type A and type B programs for federal awards:			<u>\$750,000</u>
Dollar threshold used to distinguish between type A and type B programs for state awards:			<u>\$750,000</u>
Auditee qualified as a federal low-risk auditee?	<u>  X  </u>	Yes	<u>      </u> No

**II. FINANCIAL STATEMENT FINDINGS**

***Finding 2020-001 – Application of Match Funds***

Criteria: The General Appropriations Act requires match funding from local sources for eligible participants in the SR program unless a waiver is granted by the awarding agency. Section 440.10, Match Reporting, of OEL's Program Guidance, states that the Coalition shall secure and document the receipt and expenditure of local match funds. The Coalition must then report the match dollars collected and expended each month to OEL.

Condition: The Coalition did not properly report to OEL the match dollars collected and expended.

Context: In November 2020, it was determined the Coalition did not report the local amount receipts of approximately \$81,000 to OEL for the FY 2018-19 grant award. Those local match receipts collected from third parties were retained by the Coalition and were not used to make payments to SR providers as required by the grant agreement.

Cause: Lack of management oversight of match-related documentation and reporting requirements.

Effect: School Readiness provider payments that should have been paid using match funds were instead invoiced to OEL. After this matter was identified, the Coalition had to remit \$81,375 back to OEL.

Recommendation: We recommend the management review the Coalition's existing internal controls, policies and procedures related to match revenue processing to determine if any revisions are needed and conduct staff training to ensure the Coalition staff knows about and can follow established or revised internal controls, policies and procedures.

View of the responsible officials: We concur with the finding and recommendations. Funds have already been remitted to OEL and management plans to revise internal controls related to match revenue processing.

**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, 2020**

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**II. FINANCIAL STATEMENT FINDINGS – CONTINUED**

***Finding 2020-002 – Reporting of Service Provider Overpayments***

Criteria: Payments to service providers should be based on actual not estimated amounts.

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 OEL.

Context: The EFS Mod is an online data management system that OEL rolled out in July 2018 for the Coalitions to report eligibility and enrollment information. The data migration from the old system to the EFS Mod resulted in SR program data mismatches. The issues with the EFS Mod transition prevented the Coalition from complying with monthly reconciliation requirements outlined in OEL's grant agreements. As a result of the issues with the data migration, OEL instructed the Coalition to pay providers based on estimated attendance until a subsequent manual reconciliation to actual attendance records could be performed. The Coalition manually verified/reconciled actual attendance records from provider sign-in sheets to the estimated payments made to providers for each period. Then, the Coalition either increased or reduced the subsequent payment made to the provider to reflect the overpayment or underpayment to the provider based on those actual attendance records.

Cause: Lack of management oversight of the EFS Mod reconciliation process and reporting.

Effect: The amounts overpaid to service providers were withheld from subsequent service provider payments but were never entered into the EFS Mod system, and thus, the Coalition invoiced and received from OEL \$85,952 worth of school readiness provider payments that were subsequently returned by providers.

Recommendation: We recommend the management review the Coalition's existing internal controls, policies and procedures related to the EFS Mod reconciliation process to determine if any revisions are needed and conduct staff training to ensure the Coalition staff knows about and can follow established or revised internal controls, policies and procedures.

View of the responsible officials: We concur with the finding and recommendations. Funds have already been remitted to OEL and management plans to revise internal controls related to the EFS Mod reconciliation process.

**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, 2020**

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**IV. COMMUNICATIONS REQUIRED BY THE OFFICE OF EARLY LEARNING (OEL)**

- |  |     |
|--|-----|
| 1. Enhanced Fields System Modernization (EFS Mod) is reconciled monthly to the Coalition's financial records. Due to software glitches and other idiosyncrasies noted during the transition to the EFS Mod system during the previous fiscal year, the Coalition was unable to perform a monthly reconciliation of its financial records to the official Single Statewide Information System, EFS Mod, per the special testing requirements specified by the grant agreement. However, Coalition management determined to use an alternative manual system to perform internal reconciliation processes. | No  |
| 2. Processes are in place to identify and correct errors during monthly reconciliations.   | No  |
| 3. The Coalition's financial records reconcile and agree to FOEL records provided as of June 30, 2020.   | Yes |
| 4. Audit work papers documenting verification of reconciliations available to OEL staff  | Yes |

**V. OTHER ISSUES**

There were no prior audit findings as described in the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*.

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



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DeFuniak Springs, Florida 32433  
Office: (850) 951-0588 Fax: (850) 951-9807

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## **CORRECTIVE ACTION PLAN**

### ***Finding 2020-001 – Application of Match Funds***

Condition: The Coalition did not properly report the match dollars collected and expended to OEL.

Corrective Action Plan: Funds have already been remitted to OEL and management plans to revise internal controls related to match revenue processing.

### ***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 OEL.

Corrective Action Plan: Funds have already been remitted to OEL and management plans to revise internal controls related to the EFS Mod reconciliation process.