

DRAFT
1/29/2026

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

Financial Statements

June 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Early Learning Coalition of Okaloosa and Walton Counties, Inc. (the "Coalition") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Coalition as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Coalition's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and State of Florida Chapter 10.650, *Rules of the Auditor General*, and special audit guidance provided by the Division of Early Learning, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2026, on our consideration of the Coalition's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Coalition's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coalition's internal control over financial reporting and compliance.

Winter Park, Florida
February 3, 2026

STATEMENTS OF FINANCIAL POSITION

June 30, 2025 and 2024

	2025	2024
ASSETS		
Current assets:		
Cash	\$ 1,382,226	\$ 1,927,443
Due from the Division of Early Learning	945,538	175,643
Other receivables	49,063	96,580
Prepaid expenses	14,367	67,020
Total current assets	2,391,194	2,266,686
Intangible assets, net	170,952	331,704
Operating lease right-of-use asset	341,386	239,635
Property and equipment, net	2,094	3,972
Total assets	<u>\$ 2,905,626</u>	<u>\$ 2,841,997</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 126,432	\$ 583,955
Due to service providers	967,888	1,435,791
Due to Division of Early Learning	1,078,188	17,147
Accrued payroll	87,815	79,131
Other accrued liabilities	-	1,793
Deferred revenues	43,950	39,790
Operating lease liability	120,926	116,355
Total current liabilities	2,425,199	2,273,962
Non-current operating lease liability	204,503	81,668
Total liabilities	2,629,702	2,355,630
Net assets:		
Without donor restriction	275,924	486,367
Total net assets	275,924	486,367
Total liabilities and net assets	<u>\$ 2,905,626</u>	<u>\$ 2,841,997</u>

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

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

**DRAFT
1/29/2026**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND OTHER REVENUES			
Public support			
Federal funding	\$ 10,368,455	\$ -	\$ 10,368,455
State funding	6,135,629	-	6,135,629
Total public support	16,504,084	-	16,504,084
Other revenues			
Local match contributions	78,581	-	78,581
Teenage parent program	2,825	-	2,825
Other support	1,196	-	1,196
Total other revenues	82,602	-	82,602
TOTAL PUBLIC SUPPORT AND OTHER REVENUE	16,586,686	-	16,586,686
EXPENSES			
Program services			
Direct child care	14,744,763	-	14,744,763
Non-direct child care	607,818	-	607,818
Quality initiatives	653,308	-	653,308
Total program services	16,005,889	-	16,005,889
Support services			
Management and general	791,240	-	791,240
TOTAL EXPENSES	16,797,129	-	16,797,129
CHANGES IN NET ASSETS	(210,443)	-	(210,443)
NET ASSETS AT BEGINNING OF YEAR	486,367	-	486,367
NET ASSETS AT END OF YEAR	\$ 275,924	\$ -	\$ 275,924

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

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

**DRAFT
1/29/2026**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND OTHER REVENUES			
Public support			
Federal funding	\$ 13,940,733	\$ -	\$ 13,940,733
State funding	6,049,074	-	6,049,074
Total public support	19,989,807	-	19,989,807
Other revenues			
Local match contributions	107,096	-	107,096
Teenage parent program	8,172	-	8,172
Other support	23,663	-	23,663
Net assets released from donor restrictions	2,591	(2,591)	-
Total other revenues	141,522	(2,591)	138,931
TOTAL PUBLIC SUPPORT AND OTHER REVENUE	20,131,329	(2,591)	20,128,738
EXPENSES			
Program services			
Direct child care	16,055,735	-	16,055,735
Non-direct child care	566,856	-	566,856
Quality initiatives	2,428,823	-	2,428,823
Total program services	19,051,414	-	19,051,414
Support services			
Management and general	777,530	-	777,530
TOTAL EXPENSES	19,828,944	-	19,828,944
CHANGES IN NET ASSETS	302,385	(2,591)	299,794
NET ASSETS AT BEGINNING OF YEAR	183,982	2,591	186,573
NET ASSETS AT END OF YEAR	\$ 486,367	\$ -	\$ 486,367

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

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

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STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2025

	Program Services			Support Services	
	Direct Child Care	Non-Direct Child Care	Quality Initiatives	Management and General	Total
Operating expenses					
Communications	\$ -	\$ 8,886	\$ 6,715	\$ 7,212	\$ 22,813
Direct services - child care	14,744,763	-	-	-	14,744,763
Depreciation and amortization	-	-	-	162,630	162,630
Dues	-	63	119	11,679	11,861
Insurance	-	5,008	3,770	23,921	32,699
Leased equipment	-	708	514	588	1,810
Other administrative costs	-	16	14	8,926	8,956
Postage, freight and delivery	-	-	-	239	239
Professional services	-	17,969	123,534	42,053	183,556
Quality	-	-	42,050	12,551	54,601
Occupancy	-	55,193	41,621	71,415	168,229
Salaries and benefits	-	513,999	388,120	428,562	1,330,681
Scholarships	-	-	31,370	-	31,370
Software and support	-	3,899	2,851	4,839	11,589
Supplies	-	1,943	1,401	1,689	5,033
Travel	-	134	11,229	14,936	26,299
Total expenses	\$ 14,744,763	\$ 607,818	\$ 653,308	\$ 791,240	\$ 16,797,129

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

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

**DRAFT
1/29/2026**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2024

	Program Services			Support Services	
	Direct Child Care	Non-Direct Child Care	Quality Initiatives	Management and General	Total
Operating expenses					
Communications	\$ -	\$ 10,571	\$ 7,608	\$ 8,994	\$ 27,173
Direct services - child care	12,850,046	-	-	-	12,850,046
Direct services - grants to providers	1,930,301	-	-	15,613	1,945,914
Depreciation and amortization	-	-	-	16,688	16,688
Dues	-	-	23,220	20,960	44,180
Insurance	-	3,796	2,708	21,700	28,204
Leased equipment	-	685	480	14,959	16,124
Other administrative costs	-	757	650	9,136	10,543
Postage, freight and delivery	-	3	3	173	179
Professional services	38,708	11,824	238,551	44,462	333,545
Quality	131,730	-	1,737,076	118,332	1,987,138
Occupancy	-	59,445	43,875	81,439	184,759
Salaries and benefits	-	469,168	344,445	394,759	1,208,372
Scholarships	1,104,950	-	2,925	250	1,108,125
Software and support	-	6,313	4,953	18,323	29,589
Staff development	-	130	269	96	495
Supplies	-	2,034	1,535	2,049	5,618
Travel	-	2,130	20,525	9,597	32,252
Total expenses	\$ 16,055,735	\$ 566,856	\$ 2,428,823	\$ 777,530	\$ 19,828,944

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

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (210,443)	\$ 299,794
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	162,630	16,688
Non-cash rent	25,655	28,195
Changes in assets and liabilities:		
Due from the Division of Early Learning	(769,895)	(140,741)
Other receivables	47,517	(39,384)
Prepaid expenses	52,653	(13,805)
Account payable	(457,523)	1,211,490
Accrued payroll	8,684	(38,163)
Other liabilities	(1,793)	-
Refundable advances	4,160	5,476
Due to Division of Early Learning	1,061,041	1,530
Due to service providers	(467,903)	(168,217)
Net cash flows (used in) provided by operating activities:	(545,217)	1,162,863
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of intangible assets	-	(345,100)
Net cash flows used in investing activities	-	(345,100)
NET (DECREASE) INCREASE IN CASH	(545,217)	817,763
CASH - BEGINNING OF YEAR	1,927,443	1,109,680
CASH - END OF YEAR	\$ 1,382,226	\$ 1,927,443
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Operating lease right-of-use asset	\$ 243,761	\$ -
Operating lease liability	(243,761)	-

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 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 Coalition is primarily funded by support from federal and state agencies contracted through Florida's Division of Early Learning (the "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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 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 restriction.

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. As of June 30, 2025 and 2024, there were no net assets with donor restrictions.

Cash

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

Due from the Division of Early Learning

Funds due from the Division of Early Learning as reimbursement for contract services are considered past due if not received in accordance with contract terms. Management believes an allowance for credit losses 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.

Intangible Assets

Software subscriptions over \$1,000 are capitalized and stated at cost, and are amortized using the straight-line method over the term of the agreement, generally one to three years.

Due to Service Providers

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

Due to the Division of Early Learning

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

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

The Coalition also follows ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASC 958), which clarifies how transactions should be accounted for as contributions (nonreciprocal transactions) or exchange transactions and whether a contribution is conditional.

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 and changes in net assets. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Coalition determines if an arrangement is or includes a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. Under ASU 2016-02, *Topic 842 Leases*, (Topic 842), a contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Coalition also considers whether its service arrangements include the right to control the use of an asset.

The Coalition has elected to apply the short-term lease exception to all leases with a term of one year or less. For all other leases, the Coalition recognizes right-of-use (ROU) asset and lease liabilities based on the present value of lease payments over the lease term at the commencement date of the lease. The Coalition has also elected to use the risk-free discount rate for its leases. The risk-free discount rates were obtained using U.S. Treasury securities as posted on the Federal Reserve website.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index).

The Coalition's leases may include non-lease components representing additional services transferred to the Coalition, such as common area maintenance for real estate. The Coalition made an accounting policy election to account for each separate lease component and the non-lease components associated with that lease component as a single lease component. Non-lease components that are variable in nature are recorded in variable lease expense in the period incurred.

Contributed Non-Financial Assets

The Coalition follows ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-financial Assets*, for monitoring and tracking of gifts in kind by asset category, and notes any donor-imposed restrictions, if any.

Subsequent Events

The Coalition has evaluated events and transactions that occurred between June 30, 2025 and February 3, 2026, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

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, 2025 and 2024 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 financial position to meet general expenditures.

	2025	2024
Cash	\$ 1,382,226	\$ 1,927,443
Due from the Division of Early Learning	945,538	175,643
Other receivables	49,063	96,580
Total financial assets available to meet general expenditures over the next year	<u>\$ 2,376,827</u>	<u>\$ 2,199,666</u>

NOTE 3 – PROPERTY AND EQUIPMENT

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

	2025	2024
Furniture and equipment	\$ 57,250	\$ 57,250
Less: accumulated depreciation	(55,156)	(53,278)
Total property and equipment, net	<u>\$ 2,094</u>	<u>\$ 3,972</u>

Depreciation expense was \$1,878 and \$3,292 for the years ended June 30, 2025 and 2024, respectively.

NOTE 4 – REFUNDABLE ADVANCES

Refundable advances as of June 30 consisted of the following:

	2025	2024
Unspent local grant matching contributions	\$ 43,950	\$ 39,790
	<u>\$ 43,950</u>	<u>\$ 39,790</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 5 – CONCENTRATIONS

For each of the years ended June 30, 2025 and 2024, 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,	
	2025	2024
Federal	63%	70%
State	37%	30%
	<u>100%</u>	<u>100%</u>

NOTE 6 – OPERATING LEASE

The Coalition has elected to apply the short term lease exception to all leases with a term of one year or less. As of June 30, 2025, the Coalition has four short-term leases for storage units.

The Coalition leases its office space under an operating lease that expires upon the expiration of its renewal option of February 28, 2026. In December 2025, the lease was renewed through February 28, 2028. This lease is the only lease required to be included on the statement of financial position under FASB ASU 2016-02. As of June 30, 2025, the right-of-use (ROU) asset had a balance of \$341,386, as shown in the statement of financial position; the current lease liability is (\$120,926) and the non-current portion is (\$204,503).

Additional information about the Coalition's leases for fiscal 2025 are as follows:

Lease cost (included in occupancy):

Operating lease cost	<u>\$ 148,495</u>
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Total lease cost	<u>\$ 148,495</u>
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Other information:

Cash paid for amounts included in measuring operating lease liability:

Operating cash flows from operating lease	<u>\$ 122,840</u>
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Total cash paid for amounts included in measuring operating lease liability	<u>\$ 122,840</u>
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Remaining lease terms (years)	2.67
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Discount rate	5.04%
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NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 6 – OPERATING LEASE (continued)

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

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

2026	\$ 135,697
2027	119,661
2028	<u>84,842</u>
Total lease payments	340,200
Less: interest	<u>(14,771)</u>
Present value of lease liability	<u>\$ 325,429</u>

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Concentrations 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, 2025 and 2024, the Coalition exceeded the FDIC insured limits at financial institutions by approximately \$1,132,000 and \$2,136,000, 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.

Litigation

In the normal course of conducting its operations, the Coalition occasionally becomes party to various legal actions and proceedings. At this time, management is aware that the Coalition has been named in litigation that might have material impact on the Coalition's financial position, results of operations or cash flows. While management believes that the Coalition has adequate general and professional liability coverage, current or subsequent claims could result in additional costs to the Coalition.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 8 – INTANGIBLE ASSETS

Intangible assets of at June 30, 2025 consist of the following:

Amortized intangible asset	Remaining Term	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Hatch Early Learning software subscription	23 Months	\$ 70,800	\$ (25,571)	\$ 45,229
MarcoPolo software subscription	11 Months	274,300	(148,577)	125,723
Total		<u>\$ 345,100</u>	<u>\$ (174,148)</u>	<u>\$ 170,952</u>

Amortization expense for the years ended June 30, 2025 and 2024, totaled \$160,752 and \$13,396, respectively.

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

Years ending June 30:	
2026	\$ 149,327
2027	21,625
	<u>\$ 170,952</u>

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

SUPPLEMENTAL INFORMATION

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

**DRAFT
1/29/2026**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2025

Federal/State Agency Pass-Through Entity Federal Program/State Project	ALN/CFSA	Contract/ Grant Number	Expenditures
U.S. Department of Health and Human Services			
Indirect programs			
<i>Passed through from Florida's Division of Early Learning</i>			
<i>Child Care and Development Fund Cluster</i>			
Child Care and Development Block Grant	93.575	EL355	\$ 4,464,703
<i>Child Care and Development Fund Cluster</i>			
Child Care and Development Block Grant	93.575	EL356	848,476
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL355	3,233,651
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL356	<u>55,102</u>
Total Child Care and Development Fund Cluster			8,601,932
Temporary Assistance for Needy Families	93.558	EL355	1,751,060
Temporary Assistance for Needy Families	93.558	EL356	<u>3,665</u>
Total Temporary Assistance for Needy Families			1,754,725
Social Services Block Grant (SSBG)	93.667	EL355	<u>4,987</u>
Total U.S. Department of Health and Human Services			<u>\$ 10,361,644</u>
Total Expenditures of Federal Awards			<u><u>\$ 10,361,644</u></u>
State of Florida Department of Education			
Direct programs			
<i>Passed through State of Florida's Division of Early Learning</i>			
Voluntary Pre-Kindergarten Education Program	48.108	EL355	\$ 6,061,235
Voluntary Pre-Kindergarten Education Program	48.108	EL356	<u>73,285</u>
Total Voluntary Pre-Kindergarten Education Program			6,134,520
State General Revenue Unrestricted - School Readiness Plus	N/A	2024-25 SGU	525
State General Revenue Unrestricted - School Readiness Plus	N/A	2025-26 SGU	<u>424</u>
Total State General Revenue Unrestricted - School Readiness Plus			<u>949</u>
Total Expenditures of State Financial Assistance			<u>\$ 6,135,469</u>
Total Expenditures of Federal Awards and State Financial Awards			<u><u>\$ 16,497,113</u></u>

See independent auditor's report

**NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

Year Ended June 30, 2025

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedule") includes the federal and state award activity of Early Learning Coalition of Okaloosa and Walton Counties, Inc. (the "Coalition") under programs of the federal government and the state of Florida for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* 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.

NOTE 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 AUDITOR'S 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 of
Early Learning Coalition of Okaloosa and Walton Counties, Inc.
d/b/a Early Learning Coalition of the Emerald Coast
Shalimar, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Early Learning Coalition of The Okaloosa and Walton Counties, Inc. (the "Coalition") (a nonprofit organization), which is comprised of the statement of financial position as of June 30, 2025, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 3, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coalition's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Winter Park, Florida
February 3, 2026

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

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

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited the Early Learning Coalition of Okaloosa and Walton Counties, Inc.'s (the "Coalition") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, and special audit guidance provided by the Division of Early Learning that could have a direct and material effect on each of Coalition's major federal programs and state projects for the year ended June 30, 2025. The Coalition's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Coalition complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General* (Chapter 10.650). Our responsibilities under those standards, the Uniform Guidance and Chapter 10.650 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Coalition's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Coalition's compliance with the requirements of the federal programs or state projects as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Coalition's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Coalition's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2025

Section I – Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of Major Programs

<u>Name of Federal Programs</u>	<u>ALN</u>
Temporary Assistance for Needy Families	93.558
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2025

Section I – Summary of Auditor’s Results (continued)

State Financial Assistance

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

Identification of major projects:

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

Section II – Enhanced Fields System Modernization (EFS Mod) Monthly Reconciliation

- | | |
|--|-----|
| 1. EFS Mod reconciled monthly | Yes |
| 2. Processes in place to identify and correct errors during monthly reconciliations to EFS Mod | Yes |
| 3. Coalition’s financial records reconcile and agree to EFS Mod records as of program year ended June 30, 2025 | Yes |
| 4. Audit work papers documenting verification of reconciliations available to DEL staff | Yes |

Section III – Financial Statement Findings

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

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

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

Section V – Status of Prior Year Audit Findings

There were no prior year findings.