

**ESCAMBIA COUNTY SCHOOL
READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF
ESCAMBIA COUNTY**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2022 AND 2021



www.warrenaverett.com

The report accompanying this deliverable was issued
by Warren Averett, LLC.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
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JUNE 30, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Escambia County School Readiness Coalition, Inc.
d/b/a Early Learning Coalition of Escambia County

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Escambia County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Escambia County (the Coalition) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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 Chapter 10.650, *Rules of the State of Florida Auditor General*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits 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 December 4, 2023, 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 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.

Warren Averett, LLC

Pensacola, Florida
December 4, 2023

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

ASSETS		
	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 998,885	\$ 2,247,125
Grants receivable	945,525	220,720
Other current assets	10,502	8,405
Total current assets	1,954,912	2,476,250
COMPUTERS AND EQUIPMENT, NET	11,727	19,245
TOTAL ASSETS	\$ 1,966,639	\$ 2,495,495
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 247,524	\$ 766,902
Accrued expenses	105,447	126,228
Due to service providers	1,484,900	1,394,437
Total current liabilities	1,837,871	2,287,567
NET ASSETS		
Without donor restrictions	128,768	207,928
TOTAL LIABILITIES AND NET ASSETS	\$ 1,966,639	\$ 2,495,495

See notes to the financial statements.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
PUBLIC SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS		
Federal and state grants	\$ 24,716,460	22,800,473
Local match - Escambia County	238,875	218,969
Local grants	71,252	71,650
Miscellaneous	36,003	5,061
TOTAL PUBLIC SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS	25,062,590	23,096,153
EXPENSES		
Program services:		
Subsidized child care	20,186,249	18,970,076
Voluntary Pre-K	3,922,433	3,124,164
Other programs	79,764	68,291
Total program services	24,188,446	22,162,531
Supporting services:		
Administrative and general	953,304	918,596
TOTAL EXPENSES	25,141,750	23,081,127
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(79,160)	15,026
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	207,928	192,902
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	\$ 128,768	\$ 207,928

See notes to the financial statements.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	Program Services			Total Program Services	Administrative and General	2022 Total
	Subsidized Child Care	Voluntary Pre-K	Other Programs			
PERSONNEL COSTS						
Salaries and wages	\$ 1,162,686	\$ -	\$ 5,974	\$ 1,168,660	\$ 570,539	\$ 1,739,199
Employee benefits	318,025	-	479	318,504	188,523	507,027
Total personnel costs	1,480,711	-	6,453	1,487,164	759,062	2,246,226
OPERATING EXPENSES						
Contract expenses	18,024,613	3,922,433	24,667	21,971,713	8	21,971,721
Professional services	50,567	-	-	50,567	40,585	91,152
Equipment and supplies	406,073	-	45,994	452,067	31,693	483,760
Rentals	63,180	-	-	63,180	32,393	95,573
Travel	20,080	-	-	20,080	6,200	26,280
Depreciation	7,518	-	-	7,518	-	7,518
Communications	22,170	-	-	22,170	12,211	34,381
Dues and fees	31,682	-	350	32,032	5,628	37,660
Insurance and bond premium	3,411	-	-	3,411	8,530	11,941
Miscellaneous	17,936	-	2,300	20,236	33	20,269
Other purchased services	-	-	-	-	34,161	34,161
Computer software	15,097	-	-	15,097	10,282	25,379
Repair and maintenance	24,535	-	-	24,535	8,251	32,786
Staff development	12,082	-	-	12,082	1,513	13,595
Utilities	6,594	-	-	6,594	2,754	9,348
Total operating expenses	18,705,538	3,922,433	73,311	22,701,282	194,242	22,895,524
TOTAL EXPENSES	\$ 20,186,249	\$ 3,922,433	\$ 79,764	\$ 24,188,446	\$ 953,304	\$ 25,141,750

See notes to the financial statements.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES – CONTINUED
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	Program Services			Total Program Services	Administrative and General	2021 Total
	Subsidized Child Care	Voluntary Pre-K	Other Programs			
PERSONNEL COSTS						
Salaries and wages	\$ 1,106,090	\$ -	\$ 82	\$ 1,106,172	\$ 618,155	\$ 1,724,327
Employee benefits	385,537	-	6	385,543	152,039	537,582
Total personnel costs	1,491,627	-	88	1,491,715	770,194	2,261,909
OPERATING EXPENSES						
Contract expenses	17,048,855	3,124,164	41,000	20,214,019	2,440	20,216,459
Professional services	27,439	-	-	27,439	33,637	61,076
Equipment and supplies	195,756	-	23,966	219,722	26,281	246,003
Rentals	54,325	-	-	54,325	16,600	70,925
Travel	5,539	-	-	5,539	2,046	7,585
Depreciation	13,468	-	-	13,468	3,857	17,325
Communications	29,032	-	-	29,032	8,963	37,995
Dues and fees	1,029	-	-	1,029	6,579	7,608
Insurance and bond premium	-	-	-	-	10,301	10,301
Miscellaneous	17,543	-	3,237	20,780	-	20,780
Other purchased services	30,053	-	-	30,053	21,693	51,746
Computer software	14,494	-	-	14,494	4,887	19,381
Repair and maintenance	21,938	-	-	21,938	6,426	28,364
Staff development	6,001	-	-	6,001	767	6,768
Utilities	12,977	-	-	12,977	3,925	16,902
Total operating expenses	17,478,449	3,124,164	68,203	20,670,816	148,402	20,819,218
TOTAL EXPENSES	\$ 18,970,076	\$ 3,124,164	\$ 68,291	\$ 22,162,531	\$ 918,596	\$ 23,081,127

See notes to the financial statements.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (79,160)	\$ 15,026
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	7,518	17,325
Change in operating assets and liabilities:		
Grants receivable	(724,805)	(140,810)
Other current assets	(2,097)	503
Accounts payable	(519,378)	443,869
Accrued expenses	(20,781)	121,205
Grant advance	-	(97,596)
Due to service providers	<u>90,463</u>	<u>(390,304)</u>
Net cash used in operating activities	(1,248,240)	(30,782)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of computers and equipment	<u>-</u>	<u>(26,240)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,248,240)	(57,022)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,247,125</u>	<u>2,304,147</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 998,885</u>	<u>\$ 2,247,125</u>

See notes to the financial statements.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Escambia County School Readiness Coalition, Inc. d/b/a Early Learning Coalition of Escambia County (the Coalition) was formed in 2000, as result of the implementation of the School Readiness Act, Chapter 411 Florida Statutes. Its mission is to identify and meet the needs of children and families in Escambia County, Florida, and to lay the foundation for lifetime success. This comprehensive program is achieved by maximizing each child's potential, preparing children to enter school ready to learn and by helping families achieve economic self-sufficiency.

A majority of revenues are received from federal and state sources through the Florida Division of Early Learning (DEL). Other revenues are received through local sources. The following are descriptions of the Coalition's significant programs:

School Readiness/Subsidized Childcare (SR) – This 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. All services are provided in accordance with the Escambia County School Readiness Plan and state and federal laws and regulations.

Voluntary Pre-Kindergarten (VPK) – This program consists of state mandated funding 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.

Basis of Accounting

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

Basis of Presentation

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

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

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Assets with Donor Restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met by the 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. The Coalition had no donor-imposed restrictions at June 30, 2022 or June 30, 2021.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. A summary of each of the revenue and support flows are as follows:

Gifts and grants, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Gifts and grants of assets other than cash are recorded at their estimated fair value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in gift and grant revenue in accordance with the donor-imposed restrictions, if any, on the gifts or grants. Gifts or grants with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with restrictions and reclassified to net assets without donor restrictions when such time or purposes restriction has been satisfied.

Gifts of property and equipment are recorded as without donor restrictions, unless the donor explicitly states how such assets should be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. The Coalition reports expirations of donor restrictions when the donated or acquired long-lived asset is placed into service.

Conditional contributions are recorded as revenue when such amounts become unconditional, which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers. Contributions received pending designation by the donor are considered with donor restrictions until known, at which time such are reclassified, if required.

Support funded by grants is recognized as revenue as the Coalition incurs costs associated for program services. Accordingly, as the Coalition incurs direct programmatic expenses eligible for reimbursement under the grant agreements, revenue is recognized along with amounts allowable for overhead. Invoiced and un-invoiced amounts are recorded in grants receivable as such costs are incurred, if grants are funded in advance, as a reduction in the associated deferred revenue from such grantor.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Coalition considers all debt securities purchased within three months of maturity to be cash equivalents. As of June 30, 2022 and 2021, there were no cash equivalents held by the Coalition.

Grants Receivable

Grants receivable represents amounts due for program services performed by the Coalition. An allowance for uncollectible grant receivables has not been recorded, as all amounts are deemed by management to be fully collectible. Grants receivable balances will be written off in the period management deems they are uncollectible. Recoveries of receivables previously written off will be recorded in revenue when received.

Computers and Equipment

Computers and equipment are stated at cost. The Coalition's capitalization policy requires applicable costs be capitalized when amounts equal or exceed \$5,000, and the useful life of the asset exceeds one year. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets, which range from three to five years. All computers and equipment of the Coalition were purchased with federal and state government support. As a result, if such assets are disposed, the granting agency that participated in the funding of the purchase has a contractual right to participate in the proceeds from the disposition.

Due to Service Providers

Due to service providers represents the amounts due to independent contractors for contracted services. The Coalition does not have any sub-recipient agencies for which the Coalition acts as a pass-through agency.

Functional Allocation of Expenses

The costs of providing various programs and supporting activities of the Coalition have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among programs and general and administrative expenses based upon allocation guidelines set forth by DEL.

Income Tax

The Coalition is exempt from federal 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 disclosure or accrual in accordance with U.S. GAAP.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

New Accounting Pronouncements

The FASB issued Accounting Standards (ASU) 2016-02, *Leases* (Subtopic 842). The purpose of this ASU is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on their balance sheets and disclosing key information about leasing arrangements. The amendments in this ASU require that lessees recognize the rights and obligations resulting from leases as assets and liabilities on their balance sheets, initially measured at the present value of the lease payments over the term of the lease, including payments to be made in optional periods to extend the lease and payments to purchase the underlying assets if the lessee is reasonably certain of exercising those options. Subtopic 842 requires recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. This guidance is effective for fiscal years beginning after December 15, 2021. Management is currently evaluating the impact this standard will have on the financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. This affects the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from these estimates.

Contribution of Services

Contributed professional services are recognized if services create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills. No amounts have been reflected in the financial statements for donated services because such donations did not meet the required criteria.

Evaluation of Subsequent Events

In preparing the financial statements, the Coalition’s management has evaluated events and transactions for potential recognition or disclosure through December 4, 2023, which is the date the financial statements were available to be issued.

2. GRANTS RECEIVABLE

Grants receivable at June 30, 2022 and 2021, consists of the following:

	<u>2022</u>	<u>2021</u>
Florida Division of Early Learning	\$ 945,525	\$ 200,529
Escambia County Board of Commissioners	-	19,906
Miscellaneous	-	285
Total	<u>\$ 945,525</u>	<u>\$ 220,720</u>

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

3. CONCENTRATIONS

The Coalition maintains its cash accounts at one local financial institution and at times, balances may exceed FDIC insured limits. The balances are insured up to \$250,000 per depositor by the FDIC. At June 30, 2022 and 2021, the Coalition had approximately \$1,307,000 and \$2,230,000 in uninsured cash balances, respectively. The Coalition has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

The Coalition receives a substantial amount of federal and state grants through one state agency. For the fiscal years ended June 30, 2022 and 2021, the agency provided \$24,716,459 and \$22,800,473 of revenue, respectively, which represents 99% of total revenues recorded by the Coalition for each of the fiscal years.

4. EMPLOYEE BENEFIT PLAN

The Coalition sponsors a 401(k) plan for its employees. Employees are eligible for participation in the plan if they have met the service requirement of one month and are at least 21 years old. The Coalition's current discretionary matching contribution to the plan is limited to 50% of the first 7% of an employee's annual compensation. The Coalition's discretionary matching contributions are vested by the employees over five years. Any non-vested amounts forfeited during a plan year are used to reduce future employer contribution obligations. Retirement plan expense totaled \$4,672 and \$16,916 during the years ended June 30, 2022 and 2021, respectively.

5. OPERATING LEASES

The Coalition leases office equipment under an operating lease agreement. The total rent for this office equipment totaled \$7,973 and \$7,925 for the fiscal years ended June 30, 2022 and 2021, respectively. The future rental payment schedule is:

Year Ending June 30,

2023	\$ 7,066
2024	<u>1,767</u>
	<u>\$ 8,833</u>

The Coalition conducted operations from a facility located in Pensacola, Florida, that was leased under an operating lease. The five-year lease expired on June 30, 2021, and continued on a month-to-month basis until the new five-year lease commenced in February 2022.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

5. OPERATING LEASES – CONTINUED

Rental expense totaled approximately \$87,600 and \$63,000 for the years ended June 30, 2022 and 2021, respectively. The future rental payment schedule is:

<u>Year Ending June 30,</u>	
2023	\$ 135,520
2024	138,230
2025	140,995
2026	143,815
2027	84,863
	<u>\$ 643,423</u>

6. RELATED PARTY TRANSACTIONS

The Coalition paid membership dues of \$6,725 to the Association of Early Learning Coalitions, Inc. for each of the years ended June 30, 2022 and 2021.

7. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Coalition has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations and maintaining sufficient reserves. The following table reflects the Coalition’s financial assets, reduced by amounts not available for general expenditures within one year.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 998,885	\$ 2,247,125
Grants receivable	945,525	220,720
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 1,944,410</u>	<u>\$ 2,467,845</u>

COMPLIANCE SECTION

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2022**

Grantor / Pass-through Grantor / Program Title	Assistance Listing	Contract Number	Expenditures	Passed Through to Subrecipients
United States Department of Education				
Passed through Florida Division of Early Learning:				
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	EL172	\$ 14,797	\$ -
United States Department of Health and Human Services				
Passed through Florida Division of Early Learning:				
Temporary Assistance for Needy Families (TANF) Welfare Transition Program	93.558	EL172	3,290,294	-
Child Care and Development Fund Cluster:				
Child Care and Development Block Grant	93.575	EL172	6,159,186	-
COVID-19 Child Care and Development Block Grant	93.575	EL172	6,009,759	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EL172	5,172,511	-
Total Child Care and Development Fund Cluster			17,341,456	-
Social Service Block Grant	93.667	EL172	6,512	-
Total federal awards			20,653,059	-
Florida Division of Early Learning				
Voluntary Pre-Kindergarten Education	48.108	EL172	4,063,401	-
Total state financial assistance			4,063,401	-
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			\$ 24,716,460	\$ -

The accompanying notes are an integral part of this schedule.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2022**

1. BASIS OF PRESENTATION

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* (Uniform Guidance) and Chapter 10.650, *Rules of the State of Florida Auditor General*. Since the schedule presents only a select 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

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity for the year ended June 30, 2022. Expenditures reported on the schedule are reported on the accrual basis of accounting.

3. DE MINIMIS INDIRECT COST RATE ELECTION

The Coalition did not elect to utilize the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**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
Escambia County School Readiness Coalition, Inc.

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 Escambia County School Readiness Coalition, Inc. (the Coalition) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 4, 2023.

Report on 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 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 Coalition'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 deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as item 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coalition's financial statements are free of 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*.

The Coalition's Response to Finding

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

Purpose of This Report

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

Warren Averett, LLC

Pensacola, Florida
December 4, 2023

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

To the Board of Directors
Escambia County School Readiness Coalition, Inc.

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited Escambia County School Readiness Coalition, Inc.'s (the Coalition) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and with the requirements described in the Florida Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of the Coalition's major federal programs and the state project and the special guidance provided by the Florida Division of Early Learning for the year ended June 30, 2022. The Coalition's major federal programs and state project are identified in the summary of auditors' 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 project for the year ended June 30, 2022.

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, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the State of Florida Auditor General*. Our responsibilities under those standards and the Uniform Guidance and Chapter 10.650, *Rules of the State of Florida Auditor General*, are further described in the Auditors' 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 the 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 project.

Auditors' 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, *Rules of the State of Florida Auditor General*, 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 each major federal program and state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.650, *Rules of the State of Florida Auditor General*, 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, *Rules of the State of Florida Auditor General*, 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 Auditors' 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, *Rules of the State of Florida Auditor General*. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC

Pensacola, Florida
December 4, 2023

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified
 Internal control over financial reporting:
 Material weakness(es) identified? X Yes No
 Significant deficiency(ies) identified that are
 not considered to be material weakness(es)? Yes X None Reported
 Noncompliance material to financial statements
 noted? Yes X No

Federal Awards and State Project:

Internal control over major programs/project:
 Material weakness(es) identified? Yes X No
 Significant deficiency(ies) identified that are
 not considered to be material weakness(es)? Yes X None reported

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

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

Identification of major programs/project:

Federal Programs

Federal Assistance Listing Number 93.575/93.596 Child Care and Development Fund Cluster
 Federal Assistance Listing Number 93.558 Temporary Assistance for Needy Families

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

Auditee qualified as low-risk auditee? Yes X No

State Project

State Assistance Listing Number 48.108 Voluntary Pre-Kindergarten Education Program

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

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022**

2. FINDINGS – FINANCIAL STATEMENTS

FINDING 2022-001 – FINANCIAL CLOSE PROCESS (RECURRING)

Criteria

The Coalition's internal control over financial reporting is designed to allow for management and employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, a material misstatement on a timely basis.

Condition

The Coalition's cash, accounts receivable, computers and equipment, accounts payable, and revenues were not appropriately reconciled and adjusted at year-end; furthermore, grant activity did not reconcile to DEL's accounting records.

Cause

The bank reconciliation at year-end included significant errors, the depreciation schedule had not been reviewed, and a reconciliation from the general ledger to the DEL revenue confirmation was not completed.

Effect

Audit adjustments were proposed and accepted by management to properly reconcile accounts.

Recommendation

Management should reconcile general ledger accounts on a monthly basis. Any large or unusual reconciling items should be investigated. The DEL revenue confirmation should be reconciled to the general ledger on a fiscal year-end basis.

Management's Response and Planned Corrective Actions

We agree with the finding and the recommended procedures have been implemented.

FINDING 2022-002 – ANNUAL FINANCIAL REPORT

Criteria

CFR Section 200.512(a) of the Uniform Guidance requires the reporting package and Data Collection Form (DCF) to be submitted to the Federal Audit Clearinghouse the earlier of 30 calendar days after the reports are received from the auditor or nine months after fiscal year-end.

Condition

The Coalition did not meet the filing requirements for the fiscal year ended June 30, 2022.

Cause

The Coalition transitioned bookkeeping systems during the fiscal year, and there has been turnover in the finance director position that prevented the Coalition from providing timely information for the completion of the audit.

Effect

The Coalition is not in compliance with Uniform Guidance requirements.

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022**

2. FINDINGS – FINANCIAL STATEMENTS - CONTINUED

Recommendation

Management should reconcile general ledger accounts on a monthly basis. Reconciling accounts on a frequent basis will help alleviate delays and keep the completion of the audit on a timely basis.

Management's Response and Planned Corrective Actions

We agree with the finding and the recommended procedures have been implemented.

2. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

There were no findings that were required to be reported in accordance with the Uniform Guidance.

3. FINDINGS AND QUESTIONED COSTS – MAJOR STATE FINANCIAL ASSISTANCE

There were no findings that were required to be reported in accordance with Chapter 10.650, *Rules of the State of Florida Auditor General*.

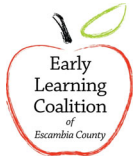
4. COMMUNICATIONS REQUIRED BY THE FLORIDA DIVISION OF EARLY LEARNING

- | | |
|---|-----|
| 1. A reconciliation of the Coalition's financial records to the Single Statewide Information System (SSIS) is performed monthly. | Yes |
| 2. The Coalition has processes in place to identify and correct errors noted during the monthly reconciliation process to SSIS. | Yes |
| 3. The Coalition's financial records and the SSIS records were reconciled and in agreement as of June 30, 2022. | Yes |
| 4. The audit work papers include documentation to verify the above tasks were performed. The work papers are available to review by DEL staff upon request. | Yes |

5. OTHER MATTERS

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

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



Early Learning Coalition of Escambia County

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
SCHEDULE OF PRIOR YEAR FINDINGS AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022**

SCHEDULE OF PRIOR YEAR FINDINGS

FINDING 2021-001

Condition

The Coalition's grant revenues and expenditures, including unearned revenues and receivables, did not reconcile to DEL's accounting records.

Current Status

A similar finding was noted during the 2022 audit procedures. See Finding 2022-001.

CORRECTIVE ACTION PLAN

The finding from the December 4, 2023, schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

Name of Contact Person for Completing Corrective Action Plan:

Walter B. Watson, Jr., Executive Director

Bwatson@elcescambia.org

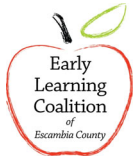
850-595-5400

FINDING 2022-001 FINANCIAL CLOSE PROCESS

The Coalition's cash, accounts receivable, computer and equipment, accounts payable and revenues were not appropriately reconciled and adjusted at year-end; furthermore, grant activity did not reconcile to DEL's accounting records.

Management's Response

The Finding is correct in that a proper reconciliation to close out Fiscal 2021-2022 had not been made at the time the audit was scheduled to be conducted. The reason this occurred was primarily due to a turnover in the Finance Director position. The new Finance Director has received proper training and is reconciling accounts on a monthly basis.



Early Learning Coalition of Escambia County

**ESCAMBIA COUNTY SCHOOL READINESS COALITION, INC.
D/B/A EARLY LEARNING COALITION OF ESCAMBIA COUNTY
SCHEDULE OF PRIOR YEAR FINDINGS AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING 2022-002 – ANNUAL FINANCIAL REPORT

The Coalition did not meet the Federal Audit Clearinghouse filing requirements for the fiscal year ended June 30, 2022.

Management's Response

Management reconciles general ledger accounts on a monthly basis. Reconciling accounts on a frequent basis, and ensuring a thorough end of year reconciliation is accomplished, will help alleviate delays and keep the completion of the audit on a timely basis.