The Florida Center For Early Childhood, Inc.

FINANCIAL STATEMENTS

June 30, 2022 and 2021

Table of Contents

REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Florida Center for Early Childhood, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Florida Center for Early Childhood, Inc. (a nonprofit organization), (Center), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Florida Center for Early Childhood, Inc. as of June 30, 2022 and the changes in its net assets and its cash flows for the year 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 Center 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Center'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 Center'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 Center'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.

Report on Summarized Comparative Information

We have previously audited The Florida Center for Early Childhood, Inc.'s 2021 financial statements, and our report dated March 24, 2022, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2023, on our consideration of the Center'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 Center'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 Center's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Bradenton, Florida
February 21, 2023

FINANCIAL STATEMENTS

The Florida Center For Early Childhood, Inc.
Statements of Financial Position

June 30,			**2022**	2021
Assets	Without Donor Restriction	With Donor Restriction	**Total**	Summarized Comparative Total
Current assets				
Cash and Cash Equivalents	$ 244,805	$ 223,609	**$ 468,414**	$ 1,105,304
Investments	832,284	-	**832,284**	894,969
Receivables:				
Grant Receivables	1,001,260	-	**1,001,260**	479,618
Contract Receivables	35,406	-	**35,406**	20,336
Patient accounts receivable, net	207,287	-	**207,287**	90,513
Prepaid expenses	4,375	-	**4,375**	12,811
Total current assets	2,325,417	223,609	**2,549,026**	2,603,551
Other Assets				
Security deposit	3,252	-	**3,252**	3,252
Property and equipment, net	77,830	-	**77,830**	113,185
Total assets	$ 2,406,499	$ 223,609	**$ 2,630,108**	$ 2,719,988
Liabilities				
Current Liabilities				
Accounts payable	$ 164,591	$ -	**$ 164,591**	$ 107,300
Accrued payroll and benefits	115,840	-	**115,840**	305,432
Refundable advances	38,500	220,306	**258,806**	361,785
Notes payable, current portion	40,346	-	**40,346**	40,209
Line of credit	200,000	-	**200,000**	-
Total current liabilities	559,277	220,306	**779,583**	814,726
Other Liabilities				
Notes payable, long term	27,832	-	**27,832**	68,216
Total liabilities	587,109	220,306	**807,415**	882,942
Net assets				
Without donor restrictions	1,819,390	-	**1,819,390**	1,827,943
With donor restrictions	-	3,303	**3,303**	9,103
Total net assets	1,819,390	3,303	**1,822,693**	1,837,046
Total liabilities and net assets	$ 2,406,499	$ 223,609	**$ 2,630,108**	$ 2,719,988

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

The Florida Center For Early Childhood, Inc.
Statements of Activities

For the year ended June 30,			**2022**	2021
	Without Donor Restrictions	With Donor Restrictions	**Total**	Summarized Comparative Total
Revenues, gains and other support:				
Governmental grants	$ 5,290,626	$ -	**$ 5,290,626**	$ 4,465,777
Private contracts	336,378	-	**336,378**	342,231
Private grants	879,835	-	**879,835**	811,306
Patient service revenue, net	1,417,513	-	**1,417,513**	1,096,369
Contributions of non financial assets	609,179	-	**609,179**	603,910
PPP loan revenue	-	-	**-**	373,808
Contributions	426,972	-	**426,972**	193,671
Training Institute	45,589	-	**45,589**	36,813
Rental	96,021	-	**96,021**	96,021
Miscellaneous income	1,206	-	**1,206**	6,557
Special events, net of expenses of $57,114	134,561	-	**134,561**	59,345
Investment return (loss), net	(62,685)	-	**(62,685)**	167,172
Net assets released from restrictions	5,800	(5,800)	**-**	-
Total revenues, gains and other support	9,180,995	(5,800)	**9,175,195**	8,252,980
Expenses:				
Program services				
Healthy Families	2,390,672	-	**2,390,672**	2,347,417
Starfish Academy	1,058,530	-	**1,058,530**	984,567
Early Intervention Services	1,466,065	-	**1,466,065**	1,172,355
Mental Health Services	2,997,137	-	**2,997,137**	2,543,285
Fetal Alcohol Diagnosis Clinic	595,574	-	**595,574**	336,112
Supporting services				
Management and General	320,250	-	**320,250**	431,237
Development and Fundraising	361,320	-	**361,320**	195,814
Total expenses	9,189,548	-	9,189,548	8,010,787
Changes in net assets	(8,553)	(5,800)	**(14,353)**	242,193
Net assets, beginning of year	1,827,943	9,103	**1,837,046**	1,594,853
Net assets, end of year	$ 1,819,390	$ 3,303	**$ 1,822,693**	$ 1,837,046

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

The Florida Center For Early Childhood, Inc.
Statement of Functional Expenses

For the year ended June 30, 2022

	Program Services						Supporting Services			
	Healthy Families	Starfish Academy	Early Intervention Services	Mental Health Services	Fetal Alcohol Diagnosis Clinic	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 1,300,346	$ 548,613	$ 958,635	$ 2,038,952	$ 246,047	$ 5,092,593	$ 560,454	$ 236,959	$ 797,413	$ 5,890,006
Fringe benefits	216,350	104,633	126,998	244,624	21,327	713,932	66,241	19,284	85,525	799,457
Payroll taxes and fees	112,345	34,908	79,147	169,545	21,807	417,752	19,482	22,082	41,564	459,316
Total compensation and benefits	1,629,041	688,154	1,164,780	2,453,121	289,181	6,224,277	646,177	278,325	924,502	7,148,779
Equipment rental & maintenance	11,950	7,135	6,103	5,390	3,109	33,687	8,065	4,222	12,287	45,974
Insurance	35,765	8,723	12,213	17,425	7,000	81,126	4,362	1,745	6,107	87,233
Supplies	79,842	10,494	11,685	26,863	15,622	144,506	20,771	13,934	34,705	179,211
Facility	120,560	74,291	30,676	31,233	8,834	265,594	56,403	-	56,403	321,997
Professional services	10,213	6,589	16,974	52,438	150,198	236,412	52,167	17,685	69,852	306,264
Bank charges and fees	-	2,380	-	4	-	2,384	16,619	1,535	18,154	20,538
Telephone	36,429	8,514	11,228	19,753	1,526	77,450	7,323	1,880	9,203	86,653
Postage and shipping	1,528	1,780	1,125	819	368	5,620	655	1,050	1,705	7,325
Travel	60,578	15,389	18,839	2,502	2,448	99,756	3,823	1,107	4,930	104,686
Training and education	4,985	625	6,127	587	1,801	14,125	5,210	1,418	6,628	20,753
Client assistance	37,545	-	225	-	105	37,875	-	-	-	37,875
Dues, licenses and fees	11,857	3,402	7,905	34,708	2,567	60,439	22,326	14,283	36,609	97,048
Marketing and public relations	-	1,020	-	-	310	1,330	1,496	20,536	22,032	23,362
Contributions of non financial assets - rent	130,110	126,600	65,400	64,320	22,320	408,750	184,560	3,600	188,160	596,910
Contributions of nonfinancial assets	9,000	3,269	-	-	-	12,269	-	-	-	12,269
Bad debt expense	-	-	-	-	49,800	49,800	-	-	-	49,800
Depreciation	-	-	-	-	-	-	42,871	-	42,871	42,871
Total other expenses	550,362	270,211	188,500	256,042	266,008	1,531,123	426,651	82,995	509,646	2,040,769
Administration allocation	211,269	100,165	112,785	287,974	40,385	752,578	(752,578)	-	(752,578)	-
Total expenses	$ 2,390,672	$ 1,058,530	$ 1,466,065	$ 2,997,137	$ 595,574	$ 8,507,978	$ 320,250	$ 361,320	$ 681,570	$ 9,189,548

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

The Florida Center For Early Childhood, Inc.
Statement of Functional Expenses

For the year ended June 30, 2021

	Program Services						Supporting Services			
	Healthy Families	Starfish Academy	Early Intervention Services	Mental Health Services	Fetal Alcohol Diagnosis Clinic	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 1,358,887	$ 527,297	$ 733,570	$ 1,713,629	$ 148,274	$ 4,481,657	$ 578,242	$ 135,386	$ 713,628	$ 5,195,285
Fringe benefits	203,406	78,377	106,768	169,907	12,334	570,792	36,580	7,342	43,922	614,714
Payroll taxes and fees	117,539	39,986	64,858	153,190	13,558	389,131	35,546	12,671	48,217	437,348
Total compensation and benefits	1,679,832	645,660	905,196	2,036,726	174,166	5,441,580	650,368	155,399	805,767	6,247,347
Equipment rental & maint	13,691	6,780	4,968	4,820	2,640	32,899	13,210	1,933	15,143	48,042
Insurance	27,598	7,391	9,424	13,463	5,385	63,261	3,366	1,346	4,712	67,973
Supplies	88,967	8,608	9,857	17,689	8,910	134,031	38,206	3,887	42,093	176,124
Facility	75,239	70,901	25,382	25,873	6,106	203,501	35,001	152	35,153	238,654
Professional services	11,779	7,200	16,776	43,813	83,298	162,866	58,687	1,770	60,457	223,323
Bank charges and fees	-	2,021	-	-	14	2,035	14,439	1,027	15,466	17,501
Telephone	35,580	8,334	9,751	18,108	1,164	72,937	6,933	1,433	8,366	81,303
Postage and shipping	1,613	1,853	1,224	822	288	5,800	552	902	1,454	7,254
Travel	12,989	4,291	10,333	1,122	91	28,826	3,546	113	3,659	32,485
Training and education	27,076	539	2,624	20,691	5,499	56,429	20,079	2,327	22,406	78,835
Client assistance	13,524	219	576	-	-	14,319	3,000	-	3,000	17,319
Dues, licenses and fees	11,050	5,688	12,089	46,658	3,711	79,196	24,825	10,988	35,813	115,009
Marketing and public relations	-	1,811	1,250	-	200	3,261	4,434	10,937	15,371	18,632
In-kind Rent	129,610	126,600	65,400	64,320	22,320	408,250	184,560	3,600	188,160	596,410
In-kind donations	7,500	-	-	-	-	7,500	-	-	-	7,500
Depreciation	-	-	-	-	-	-	37,076	-	37,076	37,076
Total other expenses	456,216	252,236	169,654	257,379	139,626	1,275,111	447,914	40,415	488,329	1,763,440
Administration allocation	211,369	86,671	97,505	249,180	22,320	667,045	(667,045)	-	(667,045)	-
Total expenses	$ 2,347,417	$ 984,567	$ 1,172,355	$ 2,543,285	$ 336,112	$ 7,383,736	$ 431,237	$ 195,814	$ 627,051	$ 8,010,787

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

The Florida Center For Early Childhood, Inc.
Statements of Cash Flows

For the years ended June 30,		**2022**		2021
Cash flows from operating activities:				
Change in net assets	**$**	**(14,353)**	$	242,193
Adjustment to reconcile change in net assets				
to net cash provided (used) by operations:				
Depreciation		**42,871**		37,076
Provision for loss patient service revenue		**112,562**		-
Bad debt expense		**49,800**		80,494
Loss on disposal of assets		**-**		6,347
Unrealized loss (gain) on investments		**73,177**		(163,535)
Increase(decrease) in operating assets and liabilities:				
Contracts and grants receivable		**(586,512)**		13,094
Patient accounts receivable		**(229,336)**		(140,594)
Prepaid expense		**8,436**		(12,273)
Security deposit		**-**		(66)
Accounts payable		**57,291**		(31,626)
Accrued payroll and benefits		**(189,592)**		10,047
Refundable advances		**(102,979)**		(122,845)
Cash flows used by operating activities		**(778,635)**		(81,688)
Cash flows from investing activities:				
Purchase of investments		**(10,492)**		(3,637)
Purchase of property and equipment		**(7,516)**		(53,853)
Cash flows used by investing activities		**(18,008)**		(57,490)
Cash flows from financing activities:				
Payments on notes payable		**(40,247)**		(38,383)
Draws on line of credit		**200,000**		-
Cash flows provided (used) by financing activities		**159,753**		(38,383)
Net decrease in cash		**(636,890)**		(177,561)
Cash and cash equivalents, beginning		**1,105,304**		1,282,865
Cash and cash equivalents, ending	**$**	**468,414**	$	1,105,304
Supplemental cash flow disclosures:				
Cash paid for interest	**$**	**4,534**	$	5,950

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

Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Florida Center for Early Childhood, Inc. ("the Center") is a not-for-profit corporation located in Sarasota, Florida. It was incorporated on June 22, 1979 for the purpose of providing mental health and developmental therapy to at-risk infants and children from the age of zero to nine. The Center also provides professional evaluation, therapy, counseling, education, diagnostic, advocacy, and consultation services for children, adolescents and adults.

Use of 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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Basis of Accounting and Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles of the United States of America (GAAP).

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

Net Assets Without Donor Restriction: Include net assets that are not subject to donor-imposed stipulations and net assets that have been designated for a specific purpose by the Board of Directors.

Net Assets With Donor Restrictions: Include gifts for which donor-imposed restrictions due to time or purpose have not yet been met and gifts that require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Summarized Comparative Information - The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Concentration of Risk - The Center maintains its cash balances at financial institutions located in Sarasota, Florida. Accounts at each financial institution are secured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per customer. From time to time, the balances exceed the FDIC insured limits.

Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as without donor restriction support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as with donor restriction support. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies with donor restriction net assets to without donor restriction net assets at that time.

Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment - Property and equipment are recorded at cost or, if donated, at the fair market value at the date of the donation. The Center capitalizes purchases over $1,000 and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Repairs that do not significantly extend the life of capitalized assets are expensed as incurred.

The estimated useful lives are as follows:

Furniture, fixtures, and equipment	3 - 15 years
Computers and software	3 years
Vehicles	3 years
Leasehold improvements	25 years

Donated Services - Donated services are recognized as contribution in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 958-605, *Not-for-Profit Entities Revenue Recognition.* Contribution of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations, are recorded at their fair values in the period received.

Income Tax Status – The Center has received a letter of determination from the Internal Revenue Service advising that it qualifies as a not-for-profit corporation under Section 501(c)(3) other than a private foundation of the Internal Revenue code.

Management has evaluated the effect of accounting standards relating to accounting for uncertainty in income taxes. Management has determined that the Center had no uncertain income tax positions that could have a significant effect on the financial statements for the years ended June 30, 2022 and 2021.

Patient Accounts Receivables – Patient receivables consist of amounts due from patients, Medicaid, and third-party insurance carriers arising from program services provided in the ordinary course of business. The Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. Four health care plans had a balance in excess of 10% of the total patient receivables and comprised 92% of the Center's patient receivables as of June 30, 2022. Three health plans, each with balances in excess of 10% of total patient receivables, comprised 65% of the Center's patient receivables as of June 30, 2021.

The allowance for uncollectible accounts is management's best estimate of the amount of probable losses in patient receivables and is based on a number of factors, including payer collections and adjustments history and review of past due balances, with particular emphasis on past due accounts greater than 90 days old and individual patient self-pay balances. Account balances are written off against the allowance after all means of collection have been exhausted and the likelihood of potential recovery is considered remote. Patient receivables are included in the accompanying statements of financial position net of the allowance for uncollectible accounts, which includes estimated allowances for contractual adjustments and uncollectible accounts, of $63,310 and $18,077 at June 30, 2022 and 2021, respectively.

Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract Receivables - Contract receivables consist of amounts due primarily from Early Learning Coalition, Children First and Training Contracts. Management utilizes the accounts receivable aging report in order to determine if there will be a need for an allowance for doubtful accounts in the current year. Given the lack of aged items as of the end of the year it was deemed not necessary to have an allowance for doubtful accounts for June 30, 2022 and 2021.

Grant Receivables - Grant receivables consist of amounts due primarily from Ounce of Prevention, Florida Department of Health, Sarasota and Manatee County, Sarasota County School Board, Safe Children Coalition, and State Court Administration. Management has determined these receivables are collectable and an allowance for doubtful accounts is not considered necessary for the years ended June 30, 2022 and 2021 due to the lack of aged balances within the accounts receivable aging report used by management.

Refundable Advances

The Center has received funds that are considered to be conditional contributions and are therefore recorded as refundable advances on the statement of financial position until the barriers to entitlement have been met. The barriers to entitlement include incurrence of qualifying expenses. Revenue will be recognized once the conditions have been met.

Revenue Recognition

Government and Private Grants

Grant funds that are received are considered to be available for use when received unless specifically stated by the donor which is communicated through a grant agreement. All grant contracts are reviewed to determine if there is both a barrier and right of return in accordance with ASU 2018-08 – Not-for-Profit Entities: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. If both a barrier and right of return exist, then it is deemed to be a conditional grant where revenue is recognized once the conditions are met. Any funds that are received in advance are recorded as refundable advances until the conditions are met. If there is not a barrier and a right of return present the funds received are deemed to be unconditional and can be recognized when received. For Grants which are determined to be conditional, and for which the donor-imposed conditions and restrictions are met in the same reporting period, they are reported as net assets without donor restrictions.

Contributions

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as contributions with donor restrictions and increases that net asset class. When a restriction expires, the amount is reclassified from net assets with donor restriction to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Contributions with donor restrictions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Special Events

Special event revenue includes revenue earned for sponsorships, ticket sales, raffles and auctions. The Center recorded approximately $23,600 and $23,000, respectively as of June 30, 2022 and 2021, related to the cost of direct benefits to donors in special event revenue. The balance of the revenue is considered a contribution.

All services are recognized as of the date of the event. Obligations for returns and refunds for event tickets and sponsorships are insignificant therefore there is no need for variable consideration of discounts or non-collection of revenue. As of June 30 2022 and 2021, special event revenue is presented net of special event expense of $57,114 and $59,345, respectively, as these events are peripheral to the central activities of the Center.

Private Contracts

This revenue is recorded when the service is provided and the revenue is earned, based on agreed upon rates as stated in the contracts, in accordance with ASU 2014-09 – *Revenue from Contracts with Customers (Topic 606).* Discounts are not allowed in the contracts and as non-collection of revenue historically is nominal, there is no need for variable consideration relating to the non-collection of revenue.

Training Institute and Rental Income

The revenue is recognized when it has been earned. When received in advance it is recorded as a deferred contract liability until earned. Discounts are not allowed in the contracts and as non-collection of revenue historically is nominal, there is no need for variable consideration relating to the non-collection of revenue.

Patient and Third-Party Fees, Net

Patient Service Revenue is reported at an amount that reflects what the Center expects to be entitled to in exchange for providing patient care. The Center derives the patient services revenues from information that is entered into their system by a therapist after a patient has received care. Some of the services provided will include sessions such as individual family therapy in which the therapist will document the session and that is when a bill can then be made for the services. The amount for the services are then due from the patient, Medicaid, Early Steps or other third party insurance. The Center will bill the patients and third party payers after the services have been performed. As a result revenue is recognized as the performance obligation is satisfied.

The Center bills patients without third-party insurance on a sliding scale of 0% to 100% of standard charges, based on the patient’s ability to pay. Charges foregone due to a patient’s inability to pay are not recognized as revenue. A portion of the cost of serving uninsured patients with no ability to pay is funded under the Centers’ contracts with its funding agencies.

Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

<u>Patient and Third-Party Fees, Net (continued)</u>

The Center has agreements with third-party payers that provide for payments at amounts different from its established rates. Medicaid and other governmental programs reimburse providers based on fee schedules, which are determined by the related government agency. The Center also has agreements with managed care and other organizations to provide services based on negotiated fee schedules. Accordingly, the revenues reported in the Centers' financial statements are recorded at the amount that is expected to be received.

The Center must estimate the total amount of contractual discounts from established charges to prepare its financial statements. The Medicaid regulations and various managed care contracts under which these discounts must be calculated are complex and subject to interpretation and adjustment. The Center estimates the allowance for contractual discounts on a payer class basis using its interpretation of the applicable regulations or contract terms. These interpretations sometimes result in payments that differ from initial estimates. Additionally, updated regulations and contract renegotiations occur frequently, necessitating regular review and assessment of the estimation process by management.

Medicaid: The Center will provide services to patients who obtain services and go through Medicaid for payment. The Center will record revenue at the amount that it expects to obtain based upon the services that were performed. Often the invoiced amount by the Center will vary from the expected rate that is entered into the system to be received. Cash receipts will often align with the expected rates. Further, the Center assesses the collectability of the cash receipts based on the accounts receivable aging.

Insurance: The Center will provide services to patients who obtain services that will go through third party insurance. Revenue for these services provided will be recognized when performed. Often times there will be denials or billings that were improperly directed and must be redirected to obtain cash receipt. The Center assesses the collectability of the third party insurance balance based on the accounts receivable aging balances.

Client Pay: The Center will provide services to patients who are client pay and going through Medicaid or another insurance. For the revenues that are related to client pay the service often relates to services such as weekly classroom attendance. As a result they have rates for the child's attendance and the billed amount will align with the expected and cash receipts will be obtained directly. The Center assesses the ultimate collectability of the client pay accounts based on the accounts receivable aging balances.

Early Steps: Revenue is recognized when services are provided to the patient as noted by documentation that is submitted evidencing the child's services being documented. The organization will be billed based on set rates and then within the system there is an expected rate that they believe they will receive. The expected amount often aligns with the payments that are obtained for the services. Any balance that is not paid is assessed by the organization by looking at the accounts receivable aging to determine the collectability of the remaining balance.

Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued

Patient and Third-Party Fees, Net (continued)

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. For expenses that are attributable to one or more supporting services category, management allocates the related expenses based on square footage or time and effort.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 21, 2023. See Note 14 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* which requires a lessee to recognize a right-of-use asset and a lease liability for operating leases, initially measured at the present value of the lease payments in its balance sheet. This standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. This guidance is effective on fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization is evaluating the impact of adopting ASU 2016-02 on its financial position and will base the evaluation on leases outstanding at the time of adoption.

Note 2: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

June 30,	**2022**	2021
Furniture, fixtures, and equipment	**$ 1,042,527**	$ 1,042,527
Computers and software	**248,666**	247,374
Vehicles	**68,435**	62,211
Leasehold improvements	**230,307**	230,307
Total property and equipment	**1,589,935**	1,582,419
Less: accumulated depreciation	**(1,512,105)**	(1,469,234)
Net property and equipment	**$ 77,830**	$ 113,185

Note 3: INVESTMENTS

The components of investments at June 30, 2022 and 2021 are summarized as follows:

June 30, 2022	Cost	Fair Value	Accumulated Unrealized Gain (Loss)
Common stock	$ 434,520	$ 626,649	$ 192,129
Corporate bonds-fixed	97,378	95,120	(2,258)
Money market account	110,515	110,515	-
Total	$ 642,413	$ 832,284	$ 189,871

June 30, 2021	Cost	Fair Value	Accumulated Unrealized Gain (Loss)
Common stock	$ 515,605	$ 774,060	$ 258,455
Corporate bonds-fixed	72,391	74,119	1,728
Money market account	46,790	46,790	-
Total	$ 634,786	$ 894,969	$ 260,183

The net investment returns for 2022 and 2021 fiscal years were ($62,685) and $167,172, respectively.

Note 4: FAIR VALUE MEASUREMENT

The financial statements are prepared in accordance with ASC 820, *Fair Value Measurements*, for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value in the financial statements or on a recurring basis (at least annually). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Valuations derived for similar assets in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Note 4: FAIR VALUE MEASUREMENT (Continued)

Level 3: Unobservable inputs that are not corroborated by market data

The following is a description of valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodology used at June 30, 2022 and 2021.

Common stock: Comprised of common stock valued at the closing price reported in the active market in which the individual securities are traded.

Corporate bonds: Comprised of units/share held in corporate bonds. Each unit is invested in an allocation of actively traded financial instrument that are priced on a daily basis. There are no unfunded commitments within the funds and in addition there are no significant restrictions on the Center's ability to sell the investments.

Money market account: Comprised of money markets which are valued at the closing price reported in the active market in which the assets are held at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Center's assets and liabilities valued on a recurring basis as of June 30, 2022 and 2021:

Description	June 30, 2022	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock	$ 626,649	$ 626,649	$ -	$ -
Corporate bonds - fixed	95,120	95,120	-	-
Money market funds	110,515	110,515	-	-
Total financial assets at fair value	$ 832,284	$ 832,284	$ -	$ -

Description	June 30, 2021	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock	$ 774,060	$ 774,060	$ -	$ -
Corporate bonds - fixed	74,119	74,119	-	-
Money market funds	46,790	46,790	-	-
Total financial assets at fair value	$ 894,969	$ 894,969	$ -	$ -

Note 4: FAIR VALUE MEASUREMENT (Continued)

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require transfer of financial instruments from one fair value to another. In such instances, the transfer is reported at the beginning of the reporting period. There were no such transfers in the current year.

Note 5: PATIENT ACCOUNTS RECEIVABLE

The Center grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers as of the years ended June 30, 2022 and 2021, are as follows:

	Percent	
Payor	2022	2021
Medicaid	85%	85%
Commercial	15%	15%
Patients	0%	0%
Early Steps	0%	0%
	100%	100%

Note 6: PATIENT SERVICE REVENUE

Patient service revenue, net of contractual allowances and discounts and the provision for uncollectible accounts is recognized for the years ended June 30, 2022 and 2021, respectively, as follows:

For the year ended June 30,	2022	2021
Medicaid	$ 1,287,663	$ 961,774
Commercial	46,180	50,840
Private pay	83,670	81,402
Early Steps	-	2,353
	$ 1,417,513	$ 1,096,369

Three health care plans had a balance in excess of 10% of the total patient service revenue, and comprised 51% of the Center's patient service revenue as of June 30, 2022. Three health plans, each with balances in excess of 10% of total patient service revenue, comprised 63% of the Center's patient service revenue as of June 30, 2021.

Note 7: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes.

For the year ended June 30,	2022	2021
Fetal Alcohol Clinic	$ -	$ 5,800
Sensory Garden	3,303	3,303
	$ 3,303	$ 9,103

Note 8: RETIREMENT PLAN

The Center provides a contributory tax-deferred annuity plan for its employees. After one year of employment, the Center will match up to 5% of the employee's contributions to their retirement plans. Retirement expense was $136,782 and $107,807 for the years ended June 30, 2022 and 2021, respectively.

Note 9: NOTES PAYABLE

The Center signed a 60-month, $22,127 auto loan on February 23, 2018. The monthly loan payment is $462 per month and carries an annual interest rate of 9.24%. The loan is collateralized by the vehicle with a net book value of $0 as of June 30, 2022.

The Center refinanced the line of credit to a term loan in March 2020. The term loan is a 48 month, $142,766 loan on March 27, 2020. The monthly loan payment of principal and interest is $3,232 where the annual interest rate is 4.14%. The loan is collateralized by all accounts, inventory, equipment, general intangibles, investment property, all instruments of payment both held now and in the future as well as all assets and personal property held both now and in the future can be used, per the loan agreement. The Center has $2,430,842 of financial assets available within one year of the statement of financial position date consisting of cash and cash equivalents of $304,805, investments of $832,284, and accounts receivable of $1,293,753.

The table below shows the Center's commitments for future periods:

Fiscal Year	Amount
2023	$ 40,346
2024	27,832
2025	-
	$ 68,178

Note 10: LINE OF CREDIT

On February 7, 2021, the Center obtained a line of credit in the amount of $200,000. The line will automatically extend each year on the anniversary date for a period of one year unless the lender gives notice of least 30 days prior to the anniversary date that the note will not be extended. Therefore the note is considered current and is included in the current liabilities in the statement of financial positon. The interest rate is the Fifth Third Bank, National Association Prime Rate plus 1% (5.75% as of June 30, 2022). Interest payments are due monthly.

Note 11: CONTRIBUTIONS OF NONFINANCIAL ASSETS

The Center has annually renewable leases of $1 per year for its North Sarasota and North Port locations that provide for administrative and service facilities. In addition, the Charlotte County School Board provides space in two schools and is recorded at fair market value of the leased space. Further, ELC of Florida Heartland provides training space, Healthy Families Charlotte provides space for parent group meetings, and Family Services Center provides office and conference room space. The donated spaces are valued at fair value of similar properties available in commercial real estate listings. In addition the Center received a donation of blankets which were used in the Healthy Families program and a plumber donated materials and labor to repair restrooms for starfish academy. Donated space and materials were used and recognized as follows:

For the year ended June 30, 2022:

Program or Supporting Service	Donated Space	Donated Goods	Total
Healthy families	$ 130,110	$ 9,000	$ 139,110
Starfish academy	126,600	3,269	129,869
Early intervention services	65,400	-	65,400
Mental health services	64,320	-	64,320
Fetal alcohol diagnosis clinic	22,320	-	22,320
Management and general	184,560	-	184,560
Development and fundraising	3,600	-	3,600
Total	$ 596,910	$ 12,269	$ 609,179

For the year ended June 30, 2021:

Program or Supporting Service	Donated Space	Donated Goods	Total
Healthy families	$ 129,610	$ 7,500	$ 137,110
Starfish academy	126,600	-	126,600
Early intervention services	65,400	-	65,400
Mental health services	64,320	-	64,320
Fetal alcohol diagnosis clinic	22,320	-	22,320
Management and general	184,560	-	184,560
Development and fundraising	3,600	-	3,600
Total	$ 596,410	$ 7,500	$ 603,910

Note 12: COMMITMENTS AND CONTINGENCIES

Based on the nature of the Center's business, the Center is subject to regulatory and monitoring reviews or other investigations by various state insurance and health care regulatory authorities and other state and federal regulatory authorities. These authorities regularly scrutinize the business practices of health care companies and their reviews focus on numerous facets of the Centers' business, including claims payment practices, physician credentialing, competitive practices, privacy issues and utilization management practices, among others. Such reviews could result in future assessments of fines and/or sanctions that may be material to the financial statements. The Center did not incur fines and/or sanctions related to these reviews during the years ended June 30, 2022 and 2021.

Professional and General Liability
The Center is subject to claims and legal actions in the ordinary course of business, including claims relating to patient treatment, employment practices and personal injuries. To cover these types of claims, the Center maintains general and professional liability insurance on a claims-made basis through commercial insurance carriers in amounts that the Center believes to be sufficient for its operations. It is at least reasonably possibly that some claims may exceed the scope of coverage in effect.

Laws and Regulations
The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to accreditation, licensure, and government healthcare program participation requirements, reimbursement for patient services, and Medicaid fraud and abuse.

In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) to implement a Recovery Audit Contractor (RAC) program on a permanent and nationwide basis no later than 2010. The program uses RACs to search for potentially improper Medicare/Medicaid payments that may have been made to health care providers that were not dated through existing CMS program integrity efforts, on payments that have occurred at least one year ago but not longer than three years ago. Once a RAC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicaid reimbursement in an amount estimated to equal the overpayment.

The Center will deduct from revenue any amounts assessed under the RAC audits at the time a notice is received until such time that estimates of net amounts due can be reasonably estimated. RAC assessments are possible; however, the outcome of such assessments is unknown and cannot be reasonably estimated.

Violations of these laws and regulations could result in exclusion from government healthcare program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Center is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Center's financial position.

Note 13: LIQUIDITY

The Center has $2,321,042 of financial assets available within one year of the statement of financial position date consisting of cash and cash equivalents of $244,805, investments of $832,284, and accounts receivable of $1,243,953. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The current liabilities not subject to donor or other contractual restrictions are reported as $559,277. There are adequate amounts of current assets to cover the current obligations. Management closely monitors cash flow and strives to stay within the board approved budget.

Note 14: SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 21, 2023, which is the date the financial statements were available to be issued.

On September 13, 2022, the Center entered into a term loan agreement in the amount of $411,000 with a financial institution. It is a 60 month note with principle and interest payable monthly at $8,038. The loan is secured by the investment account. The interest rate is fixed and was 6.48%.

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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*

Board of Directors
The Florida Center for Early Childhood, Inc.
Sarasota, 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 Florida Center for Early Childhood, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Florida Center for Early Childhood, Inc.'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 Florida Center for Early Childhood, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Florida Center for Early Childhood, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Florida Center for Early Childhood, Inc.'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*.

The Florida Center for Early Childhood, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on The Florida Center for Early Childhood Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Florida Center for Early Childhood, Inc.'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Bradenton, Florida
February 21, 2023

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Board of Directors
The Florida Center for Early Childhood, Inc.
Sarasota, Florida

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Florida Center for Early Childhood, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Florida Center for Early Childhood, Inc.'s major federal programs for the year ended June 30, 2022. The Florida Center for Early Childhood, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Florida Center for Early Childhood, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance 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 Florida Center for Early Childhood, Inc. 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. Our audit does not provide a legal determination of The Florida Center for Early Childhood, Inc.'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 Florida Center for Early Childhood, Inc.'s federal programs.

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 Florida Center for Early Childhood, Inc.'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*, and the Uniform Guidance 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 Florida Center for Early Childhood, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, 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 Florida Center for Early Childhood, Inc.'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 Florida Center for Early Childhood, Inc.'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, but not for the purpose of expressing an opinion on the effectiveness of The Florida Center for Early Childhood, Inc.'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 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 will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Bradenton, Florida
February 21, 2023

The Florida Center For Early Childhood, Inc.
Schedule of Expenditures of Federal Awards and State Financial Assistance

June 30, 2022

Federal/State Grantor/Pass Through Grantor/ Program Title	Federal ALN/State CSFA Number	Contract/Grant Number	Federal/State Expenditures	Transfers to Subrecipients
U.S. Department of Health and Human Services				
Passed through State of Florida, Department of Children and Family:				
Passed through Ounce of Prevention Fund of Florida, Inc.:				
Promoting Safe and Stable Families	93.556	20-21-06	$ 328,425	-
Temporary Assistance for Needy Families Block Grant	93.558	20-21-06	601,244	-
Total U.S. Department of Health and Human Services			929,669	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 929,669	-
State of Florida, Department of Health:				
Direct:				
Fetal Alcohol Spectrum Disorder Program	64.066		$ 555,000	-
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			$ 555,000	-
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			$ 1,484,669	-

The Florida Department of Children and Families and Ounce of Prevention provide the following state matching dollars not included in the above schedule:

Grantor/Pass Through Grantor/ Program Title	Federal ALN/State CSFA Number	Contract Number	Expenditures	Transfers to Subrecipients
Passed through Florida Department of Children and Families and Ounce of Prevention	NA	20-21-06	$ 35,326	-
Passed through Florida Department of Children and Families and Ounce of Prevention	NA	20-21-06	1,055,772	-
Total expenditures of state matching dollars			$ 1,091,098	-

The accompanying notes to the SEFA are an integral part of this schedule.

Note 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (Schedule) includes the federal and state grant activity of The Florida Center for Early Childhood, Inc. (Center) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Center has elected to not use the 10% de Minimis Indirect Cost Rate.

The Centers' federal awards do not include loans or loan guarantees.

The Center did not receive any federal non-cash assistance for the fiscal year ended June 30, 2021.

Note 3: MATCH

The Center's contract includes state match for a total of $1,091,098. The allocation of state and federal funding to the program is determined by the Department of Children and Families.

Also as required in the contract, the Center must obtain other contributions in cash or in-kind services totaling $408,128.

Note 4: CONTINGENCIES

Grant monies received and disbursed by the Florida Center for Early Childhood are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Center does not believe that such disallowance, if any, would have a material effect on the financial position of the Center. As of February 21, 2023, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

1. Type of auditor's report issued:	Unmodified
2. Internal control over financial reporting:	
a. Material weakness(es) identified?	None
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
c. Noncompliance material to financial statements noted?	None

Federal Awards:

1. Type of auditors' report issued on compliance for major programs	Unmodified
2. Internal control over major programs:	
a. Material weaknesses identified?	None
b. Significant deficiencies identified not considered to be material weaknesses?	None noted
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None
4. Identification of major program:	

ALN Number	Name of Program
93.558	TANF: Temporary Assistance for Needy Families Block Grant

5. Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
6. Auditee qualified as low-risk auditee under 2 CFR 200.520	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

2022-001 Allowance for Uncollectible Accounts Receivable

Condition: Accounts receivable related to patient accounts should be considered for amounts that are not expected to be collectible and an allowance should be recorded. Medicaid contracts were signed late in the fiscal year with the understanding that the contract would be effective beginning February 1, 2022, however the contracts were not back dated. This resulted in journal entries totaling approximately $112,000 to be included in an allowance for uncollectible accounts.

Criteria: The Center should follow the matching principle and whereby revenue recognized and related expenses (bad debt) should be recognized in the same period. Therefore there should be estimates of the amounts not expected to be collected and allowance should be recognized.

Cause: An allowance for uncollectible amounts was not considered for the Medicaid contract which was not back dated and resulted in older accounts that have not been paid.

Effect: This situation overstates accounts receivable and revenue and does not match revenue and expense in the same period.

Recommendation: We recommend that the Center consider the collectability of accounts receivable at least quarterly. If necessary an allowance for uncollectible accounts should be recorded. The gross accounts receivable should be reconciled to the patient detail in Lauris. If an account has been identified as uncollectible and is included in the allowance for uncollectible accounts, when or if it is ultimately written off the reserve should be reduced at that time against the accounts receivable in the general ledger.

Views of Management/officials: Management agrees with the recommendation and will begin analyzing the accounts receivable for uncollectible amounts on at least a quarterly basis and record an appropriate allowance as necessary.

SECTION III – FEDERAL AWARD FINDINGS

None noted

SECTION IV – SUMMARY OF PRIOR YEAR AUDIT FINDINGS

None noted

THE FLORIDA CENTER
FOR EARLY CHILDHOOD
Building Strong Families … One Child at a Time.

2/21/2023

The Florida Center for Early Childhood, Inc.
Management's Corrective Action Plan
For the Fiscal year ended June 30, 2022

Item 2022-01
Item Noted: Note old receivables which needed to be considered in an allowance for doubtful accounts analysis. This resulted in receivables being overstated and bad debt expense being understated.
Suggestion: Recommended that management consider all receivables in an analysis for uncollectible accounts on at least a quarterly basis such that revenue and expense are matched in the same period.
Management Action: Analysis for uncollectable accounts will take place on a quarterly basis versus semi-annually.
Anticipated Date of Completion: September 30, 2022, ongoing.
Responsible contact person: Charmian Miller, CFO

Kristie Skoglund
Dr. Kristie Skoglund, CEO

Early Learning Coalition of Sarasota County
Sarasota County
The Ounce of Prevention Fund of Florida
Florida Department of HEALTH
United Way

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