

EARLY LEARNING VENTURES

Consolidated Financial Statements and Single Audit
For the Year Ended December 31, 2020
(With Summarized Financial Information
For the Year Ended December 31, 2019)

Together With Independent Auditors' Report

JDS professional
group

certified public accountants, consultants and advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Early Learning Ventures:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Early Learning Ventures and its subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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10303 E. Dry Creek Road, Suite 400 • Englewood, CO 80112 • 303 771 0123 • 303 771 0078 fax

Independent Auditors' Report (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Early Learning Ventures as of December 31, 2020, 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.

Reporting on Summarized Comparative Information

We have previously audited the Organization's December 31, 2019, consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated August 19, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of the management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Independent Auditors' Report (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated August 26, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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 Organization'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 Organization's internal control over financial reporting and compliance.

JDS Professional Group

August 26, 2021

EARLY LEARNING VENTURES

Consolidated Statement Of Financial Position

As Of December 31, 2020

(With Summarized Financial Information For The Year Ended December 31, 2019)

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ASSETS	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash	\$ 1,625,300	\$ 1,000,681
Receivables:		
Grants receivable	644,838	708,716
Promises to give	50,000	325,000
Prepaid expenses and other assets	<u>94,104</u>	<u>167,519</u>
TOTAL ASSETS	<u><u>\$ 2,414,242</u></u>	<u><u>\$ 2,201,916</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 539,354	\$ 479,010
Accrued liabilities	237,609	93,845
Refundable advance	34,027	49,745
Refundable advance - PPP Loan	76,188	
Due to related parties	<u>12,263</u>	<u>32,498</u>
Total Liabilities	<u><u>899,441</u></u>	<u><u>655,098</u></u>
Net Assets:		
Without donor restrictions	1,426,090	1,221,818
With donor restrictions	<u>88,711</u>	<u>325,000</u>
Total Net Assets	<u><u>1,514,801</u></u>	<u><u>1,546,818</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,414,242</u></u>	<u><u>\$ 2,201,916</u></u>

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

EARLY LEARNING VENTURES

Consolidated Statement Of Activities
For the Year Ended December 31, 2020

(With Summarized Financial Information For The Year Ended December 31, 2019)

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	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Support and Revenue:				
Federal grants	\$ 5,933,935		\$ 5,933,935	\$ 3,867,795
Nonfederal grants	214,248	125,000	339,248	1,128,490
Membership dues, net of scholarships of \$84,177 and \$33,902	143,663		143,663	155,390
Contributions	3,331		3,331	20,021
Other income	16,479		16,479	18,576
Net assets released from restrictions:				
Satisfaction of program restrictions	361,289	(361,289)		
Total Support and Revenue	<u>6,672,945</u>	<u>(236,289)</u>	<u>6,436,656</u>	<u>5,190,272</u>
Expenses:				
Program services	5,999,533		5,999,533	4,454,353
Supporting services -				
Management and general	453,387		453,387	343,861
Fundraising	15,753		15,753	26,425
Total Supporting Services	<u>469,140</u>		<u>469,140</u>	<u>370,286</u>
Total Expenses	<u>6,468,673</u>		<u>6,468,673</u>	<u>4,824,639</u>
CHANGES IN NET ASSETS FROM OPERATIONS	204,272	(236,289)	(32,017)	365,633
Net Assets, Beginning Of Year	1,221,818	325,000	1,546,818	1,181,185
NET ASSETS, END OF YEAR	<u>\$ 1,426,090</u>	<u>\$ 88,711</u>	<u>\$ 1,514,801</u>	<u>\$ 1,546,818</u>

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

EARLY LEARNING VENTURES

Consolidated Statement Of Functional Expenses

For The Year Ended December 31, 2020

(With Summarized Financial Information For The Year Ended December 31, 2019)

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	Program Services	Management and General	Fundraising	2020 Total	2019 Total
Tuition	\$ 2,596,701	\$	\$	\$ 2,596,701	\$ 1,857,189
Salaries	1,507,018	286,712		1,793,730	1,527,201
Professional services	429,185	157,737	15,753	602,675	518,004
Supplies	917,835	68		917,903	411,423
Technology	239,019			239,019	217,168
Travel	33,576	2,519		36,095	89,651
Other	4,935	91		5,026	18,527
Seminars and training	160,830	38		160,868	94,537
Marketing	28,038			28,038	20,478
Telephone	17,547	940		18,487	18,335
Office expenses	56,721	5,282		62,003	29,675
Meetings	254			254	3,198
Dues and subscriptions	7,874			7,874	19,253
Total	<u>\$ 5,999,533</u>	<u>\$ 453,387</u>	<u>\$ 15,753</u>	<u>\$ 6,468,673</u>	<u>\$ 4,824,639</u>

The accompanying notes are in integral part of these consolidated financial statements.

EARLY LEARNING VENTURES

Consolidated Statement Of Cash Flows
For The Year Ended December 31, 2020

(With Summarized Financial Information For The Year Ended December 31, 2019)

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	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Changes in net assets from operations	\$ (32,017)	\$ 365,633
Adjustments to reconcile changes in net assets from operations to net cash provided by operating activities:		
Changes in current assets and liabilities:		
Decrease in accounts receivable		3,950
Decrease (increase) in grants receivable	63,878	(221,470)
Decrease (increase) in promises to give	275,000	(325,000)
Decrease (increase) in prepaid expenses and other assets	73,415	(22,342)
Increase in accounts payable	60,344	115,331
Increase in accrued liabilities	143,764	26,472
(Decrease) increase in refundable advances	(15,718)	49,745
(Decrease) increase in due to/from related parties	(20,235)	40,593
Net cash provided by operating activities	<u>548,431</u>	<u>32,912</u>
Cash flows from financing activities:		
Proceeds from refundable advance - PPP loan	<u>76,188</u>	
Net cash provided by financing activities	<u>76,188</u>	
NET INCREASE IN CASH	624,619	32,912
Cash, Beginning Of Year	<u>1,000,681</u>	<u>967,769</u>
CASH, END OF YEAR	<u>\$ 1,625,300</u>	<u>\$ 1,000,681</u>

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

EARLY LEARNING VENTURES

Notes To Financial Statements
For The Year Ended December 31, 2020

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(1) Nature Of The Organization

Early Learning Ventures (ELV), a non-profit corporation, was incorporated in the State of Colorado on January 14, 2009 and is tax-exempt under Section 501(c)(3) of the United States Internal Revenue Code. ELV is dedicated to expanding access to quality, affordable child care and focuses its efforts on improving the quality of early child care programs offered at the nation's center- and home-based child care facilities.

(2) Summary Of Significant Accounting Policies

Method Of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

Principles Of Consolidation

The consolidated financial statements include the accounts of ELV and ELV Colorado Alliance, LLC, a wholly owned subsidiary (collectively, the "Organization"). All material intercompany accounts and transactions have been eliminated in consolidation.

Basis Of Presentation

Financial statement presentation follows the recommendations of *Financial Statements for Not-for-Profit Organizations*. Under this standard, the Organization is required to report information regarding financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.

EARLY LEARNING VENTURES

Notes To Financial Statements
For The Year Ended December 31, 2020

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Use Of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Risks and Uncertainties

The global community has been under a significant threat from coronavirus ("COVID-19"). The extent to which the COVID-19 pandemic impacts the Organization's business, results of operations and financial condition will depend on future developments, which are still uncertain and cannot be predicted. Even after the COVID-19 pandemic has subsided, the Organization may continue to experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Organization cannot reasonably estimate the impact at this time.

Measure Of Operations

The consolidated statement of activities reports all changes in net assets, including changes in net assets from operating and non operating activities. Operating activities consists of those items attributable to the Organization's ongoing program services and investment earnings. Nonoperating activities are limited to activities considered to be of a more unusual or nonrecurring nature.

Cash

The Organization's cash consists solely of demand deposits that are held at financial institutions in which deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). As of December 31, 2020, the Organization's cash demand deposits exceeded the FDIC insurance limit by \$1,268,362. As of December 31, 2020, the Organization did not have any cash equivalents.

Accounts Receivable

Accounts receivable consist of miscellaneous receivables arising in the ordinary course of providing early childcare program support. As of December 31, 2020, the Organization had no accounts receivable.

The Organization uses the allowance method of accounting for doubtful accounts, estimating the amounts of uncollectible receivable and recording allowances based upon historical bad debt experience and management's assessment of collectibility. No allowances were deemed necessary for the year ended December 31, 2020.

EARLY LEARNING VENTURES

Notes To Financial Statements
For The Year Ended December 31, 2019

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Revenue And Revenue Recognition

Membership revenue is recognized over the annual term of the membership. The performance obligation consists of delivering the membership services required by the membership contract. Revenue is recognized as the services are met. Monthly membership dues are paid to the Organization during the month the services are provided and performance obligations satisfied. Membership revenue is reported net of scholarships of \$84,177 for the year ended December 31, 2020.

The Organization recognizes contributions when cash, securities or other assets, or an unconditional promise to give is received. Unconditional promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year. As of the December 31, 2020, there was no discount related to promises to give as all are expected to be received within one year.

Conditional promises to give with a measurable performance or other barrier and a right of return/right or release are not recognized until the conditions on which they depend have been met. As of December 31, 2020, the Organization received advances on conditional promises to give of \$63,275 and spent \$29,248, resulting in \$34,027 which is recognized in the consolidated statement of financial position as refundable advances.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. Grants receivable represents amounts owed to the Organization under cost-reimbursable contracts for which qualifying expenses have been incurred. The Organization was awarded cost-reimbursable grants of \$2,800,059 that have not been recognized at December 31, 2020, because qualifying expenditures have not yet been incurred.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

EARLY LEARNING VENTURES

Notes To Financial Statements
For The Year Ended December 31, 2020

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Methods Used for Allocation of Expenses from Management and General Activities

The cost of providing program and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, wages and related payroll	Time and effort

Prior Year Financial Information

Certain prior-year comparative information has been reclassified to conform to the current year presentation. In addition, the consolidated financial statements include certain prior-year summarized comparative information in total but not by functional expense class. 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 Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Reclassifications

Certain amounts have been reclassified in the prior year for comparative purposes.

Subsequent Events

The Organization has performed an evaluation of subsequent events through August 26, 2021, which is the date the consolidated financial statements were available to be issued, and has considered any relevant matters in the preparation of the consolidated financial statements and footnotes.

(3) Tax Exempt Status And Deferred Tax

In February 2016, the Organization applied for termination of its private foundation status, instead electing to operate as a public charity. This was approved by the Internal Revenue Service for a 60-month advance ruling period beginning retroactively on January 1, 2016. During the 60-month period, the Organization must meet the requirements of a public charity described under Section 509(a) of the Internal Revenue Code. If the requirements are met, the Organization will be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, in which donors will be entitled to a charitable deduction for their contribution to the Organization. The Organization is required to file Form 990-PF until it completes the 60-month termination and is classified as a public charity.

EARLY LEARNING VENTURES

Notes To Financial Statements
For The Year Ended December 31, 2020

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Subsequent to year-end, the Organization submitted the required information to the Internal Revenue Service and is pending notification of its new classification as a public charity. Accordingly, the accompanying financial statements contain no provision for income taxes.

The Organization follows *Accounting for Uncertainty in Income Taxes* which requires the Organization to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. During the year ended December 31, 2020, the Organization's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an affect on its tax-exempt status.

The Organization is no longer subject to U.S. federal tax audits on its Form 990-PF for years prior to 2018. The years subsequent to these years contain matters that could be subject to differing interpretations of applicable tax laws and regulations. Although the outcome of tax audits is uncertain, the Organization believes no issues would arise.

(4) Commitments And Contingencies

Government Contracts

The Organization receives certain revenues from contracts with governmental agencies. The disbursement of funds received under these contracts generally requires compliance with terms and conditions specified in the contracts and is subject to audit by the contracting agencies. The amount of charges to these contracts that may be disallowed, if any, by such audits cannot presently be determined and no provision for any liability that may result has been made in the consolidated financial statements. However, management believes the Organization is in compliance with its requirements, and no material liability has arisen in the past or is currently expected.

(5) Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following purposes as of December 31, 2020:

<u>Subject to expenditure for specified purpose:</u>	
Early Head Start health services/family support	\$ 50,000
Early Head Start Child Care Partnerships	38,711
Total	<u>\$ 88,711</u>

EARLY LEARNING VENTURES

Notes To Financial Statements
For The Year Ended December 31, 2020

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(6) Liquidity And Availability Of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2020:

Financial assets at year end -	
Cash	\$ 1,625,300
Grants receivable	644,838
Promises to give	<u>50,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,320,138</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date. The promises to give are subject to implied time restrictions but are expected to be collected within one year. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(7) Refundable Advance - Paycheck Protection Program

On April 13, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate principal amount of \$76,188 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. Subsequent to year end, the principal amount of the PPP Loan was forgiven under the Paycheck Protection Program and will be recognized as revenue in fiscal year 2021.

(8) Related Party Transactions

The Organization is affiliated with Consolidated Investment Group, LLC and Merage Social Impact, LLC (the "Companies"). Each of the Companies is owned, in whole or in part, by the Organization's founders. Some of the Organization's board members and officers are also owners or officers of the Companies. The Companies provide certain management and administrative services to the Organization. In addition, the Companies provide personnel, office space, and facilities to the Organization free of charge. As of December 31, 2020, the Organization owed the Companies \$4,994, resulting from fees and expenses paid by the Companies on the Organization's behalf. Additionally, the Organization paid the Companies in advance to prefund payroll in the amount of \$47,416 as of December 31, 2020, which has been recorded in prepaid expenses and other assets on the consolidated statement of financial position.

EARLY LEARNING VENTURES

Schedule Of Expenditures Of Federal Awards
For The Year Ended December 31, 2020

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<u>Federal Agency/Pass-through/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
U.S. Department of Heath and Human Services			
Direct Programs:			
Early Head Start			
- Child Care Partnerships**	93.600	08HP000175-01-01	\$ 1,087,231
		08HP000175-02-02	1,250,839
		08HP000175-02-01-COVID 19	12,041
		08HP000279-01-02	2,128,126
		08HP000279-01-03-COVID 19	210,914
		08HP000279-02-01	1,244,784
 TOTAL			 <u>\$ 5,933,935</u>

** Major program

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

EARLY LEARNING VENTURES

Notes To Supplemental Schedule Of Expenditures Of Federal Awards
For The Year Ended December 31, 2020

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(1) Method of Accounting

The schedule of expenditures of federal awards has been prepared on an accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and also 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* for all new federal awards received on or after December 26, 2014, and for funding increments (additional funding on existing awards) with modified terms and conditions that are awarded on or after that date. Because the schedule of expenditures of federal awards presents only a selected portion of the operations of the Organization, it is not intended to, and does not present, the consolidated financial position, consolidated changes in net assets, or consolidated cash flows of the Organization.

The Organization has elected to use the 10% *de minimis* indirect cost rate to recover indirect costs, 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 of
Early Learning Ventures:

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 Early Learning Ventures (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, which collectively comprise the Organization's consolidated financial statements, and have issued our report thereon dated August 26, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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10303 E. Dry Creek Road, Suite 400 • Englewood, CO 80112 • 303 771 0123 • 303 771 0078 fax

www.jdscpagroup.com

Independent Auditors' Report (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JDS Professional Group

August 26, 2021

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the Board of Directors of
Early Learning Ventures:

Report on Compliance for Each Major Federal Program

We have audited Early Learning Venture's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2020. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

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Independent Auditors' Report (Continued)

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration on internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Independent Auditors' Report (Continued)

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 communication is not suitable for any other purpose.

JDS Professional Group

August 26, 2021

EARLY LEARNING VENTURES

Schedule Of Findings And Questioned Costs
For The Year Ended December 31, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes X no

Significant deficiency(s) identified
that are not considered to be material
weaknesses? ___ yes X none reported

Noncompliance material to financial
statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes X no

Significant deficiency(s) identified
that are not considered to be material
weakness(es)? ___ yes X none reported

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

Any audit findings disclosed that are
required to be reported in accordance
with Uniform Guidance 2 CFR §200.516(a)? ___ yes X no

EARLY LEARNING VENTURES

Schedule Of Findings And Questioned Costs (Continued)
For The Year Ended December 31, 2020

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Identification of major programs:

CFDA Or Other
Identifying Number

Name Of Federal Program

93.600

Early Head Start - Child Care Partnerships

Dollar threshold used to distinguish
between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X yes

 no

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

EARLY LEARNING VENTURES

Summary Schedule Of Prior Audit Findings
For The Year Ended December 31, 2020

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None.