

**Military Child Education Coalition**

**December 31, 2021 and 2020**

**Financial Statements**



**MILITARY CHILD EDUCATION COALITION**

**FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2021 and 2020**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT THEREON**



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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Military Child Education Coalition

### **Opinion**

We have audited the accompanying financial statements of Military Child Education Coalition (a non-profit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Military Child Education Coalition as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Military Child Education Coalition and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### 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 there for is not a guarantee that an audit conducted in accordance with generally accepted 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Military Child Education Coalition's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Military Child Education Coalition's ability to continue as a going concern for a reasonable period of time.

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



Temple, Texas  
May 25, 2022

**MILITARY CHILD EDUCATION COALITION**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2021 and 2020**

**ASSETS**

	<u>2021</u>	<u>2020</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,637,904	\$ 1,780,443
Cash and cash equivalents, restricted	1,944,654	2,021,976
Accounts receivable	289,515	176,027
Accounts receivable, restricted, as restated	821,721	615,000
Inventory	22,187	91,305
Prepaid expenses	<u>40,974</u>	<u>98,279</u>
Total Current Assets	4,756,955	4,783,030
Property and equipment, net	<u>1,383,395</u>	<u>1,468,363</u>
Total Assets	<u><u>\$ 6,140,350</u></u>	<u><u>\$ 6,251,393</u></u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts payable	\$ 91,386	\$ 266,797
Accrued expenses	34,245	83,849
Deferred revenue, as restated	290,750	505,594
Paycheck protection program loan	<u>-</u>	<u>439,600</u>
Total Liabilities	416,381	1,295,840
<b>Net Assets</b>		
Without donor restrictions	2,957,594	2,318,577
With donor restrictions, as restated	<u>2,766,375</u>	<u>2,636,976</u>
Total Net Assets	<u>5,723,969</u>	<u>4,955,553</u>
Total Liabilities and Net Assets	<u><u>\$ 6,140,350</u></u>	<u><u>\$ 6,251,393</u></u>

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



**MILITARY CHILD EDUCATION COALITION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>			
Service contract revenue	\$ 740,451	\$ -	\$ 740,451
Philanthropic contract revenue	520,190	-	520,190
Contributions	214,008	518,432	732,440
Membership dues	46,072	-	46,072
Products and services	55,855	-	55,855
Grants	331,438	2,181,822	2,513,260
Fundraising events	5,672	-	5,672
Interest and dividends	21,734	-	21,734
Paycheck protection program loan forgiveness	822,908	-	822,908
Miscellaneous revenue	6,987	-	6,987
Net assets released from restrictions	2,570,855	(2,570,855)	-
Total Revenues, Gains and Other Support	5,336,170	129,399	5,465,569
<b>Expenses</b>			
Program services			
Professional development	381,095	-	381,095
Student programs	378,630	-	378,630
Parent support programs	951,858	-	951,858
School professional programs	694,934	-	694,934
Strategic communications	378,806	-	378,806
Products and services	244,196	-	244,196
Research	349,101	-	349,101
Website and technology resources	169,288	-	169,288
Grants	10,414	-	10,414
National training seminar	122,989	-	122,989
Total program services	3,681,311	-	3,681,311
Supporting services			
Management and general	434,817	-	434,817
Fundraising	581,025	-	581,025
Total Expenses	4,697,153	-	4,697,153
Change in net assets	639,017	129,399	768,416
<b>Net Assets</b>			
Beginning of year	2,318,577	2,636,976	4,955,553
End of year	\$ 2,957,594	\$ 2,766,375	\$ 5,723,969

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

**MILITARY CHILD EDUCATION COALITION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>			
Service contract revenue, as restated	\$ 1,125,272	\$ -	\$ 1,125,272
Philanthropic contract revenue	1,191,546	-	1,191,546
Contributions	274,070	1,327,290	1,601,360
Membership dues	33,321	-	33,321
Products and services	181,956	-	181,956
Grants, as restated	324,841	1,855,999	2,180,840
Fundraising events	16,669	-	16,669
Interest and dividends	25,661	-	25,661
Miscellaneous revenue	2,431	-	2,431
Net assets released from restrictions, as restated	1,348,732	(1,348,732)	-
<b>Total Revenues, Gains and Other Support</b>	4,524,499	1,834,557	6,359,056
<b>Expenses</b>			
Program services			
Professional development	379,955	-	379,955
Student programs	221,583	-	221,583
Parent support programs	838,998	-	838,998
School professional programs	960,439	-	960,439
Strategic communications	565,428	-	565,428
Products and services	337,942	-	337,942
Research	413,314	-	413,314
Website and technology resources	179,768	-	179,768
Grants	88,222	-	88,222
National training seminar	143,972	-	143,972
<b>Total program services</b>	4,129,621	-	4,129,621
Supporting services			
Management and general	426,546	-	426,546
Fundraising	498,647	-	498,647
<b>Total Expenses</b>	5,054,814	-	5,054,814
<b>Change in net assets, as restated</b>	(530,315)	1,834,557	1,304,242
<b>Net Assets</b>			
Beginning of year	2,848,892	802,419	3,651,311
End of year, as restated	\$ 2,318,577	\$ 2,636,976	\$ 4,955,553

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

**MILITARY CHILD EDUCATION COALITION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2021**

	Program Services			
	Professional Development	Student Programs	Parent Support Programs	School Professional Programs
Payroll	\$ 270,575	\$ 169,434	\$ 607,296	\$ 568,338
Payroll taxes	20,656	12,582	46,612	42,367
Other employee benefits	8,466	9,072	13,926	27,924
Service fees	820	1,276	241,190	2,553
Advertising	-	-	-	-
Office expenses	52,736	118,476	34,109	36,728
Information technology	-	-	-	-
Occupancy	3,640	-	-	-
Travel	11,472	42,469	310	3,829
Insurance	2,108	-	-	-
Other program expenses	4,880	24,545	5,922	12,960
Contingency expense	-	-	-	-
Accounting and legal fees	-	-	-	-
Total expenses before depreciation	375,353	377,854	949,365	694,699
Depreciation	5,742	776	2,493	235
Total Expenses	<u>\$ 381,095</u>	<u>\$ 378,630</u>	<u>\$ 951,858</u>	<u>\$ 694,934</u>

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

**MILITARY CHILD EDUCATION COALITION**  
**STATEMENT OF FUNCTIONAL EXPENSES (Continued)**  
**For the Year Ended December 31, 2021**

	Program Services			Website and
	Strategic	Products		Technology
	Communications	and Services	Research	Resources
Payroll	\$ 275,690	\$ 101,690	\$ 293,883	\$ 43,110
Payroll taxes	20,792	6,940	21,904	3,076
Other employee benefits	8,568	12,344	20,428	5,937
Service fees	712	1,089	6,867	128
Advertising	16,704	-	-	-
Office expenses	17,070	9,026	1,436	307
Information technology	-	-	-	78,578
Occupancy	2,730	13,195	910	910
Travel	711	-	-	-
Insurance	1,581	7,641	527	527
Other program expenses	30,333	74,019	-	-
Contingency expense	-	-	-	-
Accounting and legal fees	-	-	-	-
Total expenses before depreciation	374,891	225,944	345,955	132,573
Depreciation	3,915	18,252	3,146	36,715
Total Expenses	<u>\$ 378,806</u>	<u>\$ 244,196</u>	<u>\$ 349,101</u>	<u>\$ 169,288</u>

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

**MILITARY CHILD EDUCATION COALITION**  
**STATEMENT OF FUNCTIONAL EXPENSES (Continued)**  
**For the Year Ended December 31, 2021**

	Program Services		
	Grants	National Training Seminar	Total Program Services
Payroll	\$ 3,718	\$ 71,005	\$ 2,404,739
Payroll taxes	284	5,439	180,652
Other employee benefits	129	1,412	108,206
Service fees	-	255	254,890
Advertising	-	-	16,704
Office expenses	1,509	9,338	280,735
Information technology	-	-	78,578
Occupancy	-	-	21,385
Travel	-	7,806	66,597
Insurance	-	-	12,384
Other program expenses	178	27,395	180,232
Contingency expense	-	-	-
Accounting and legal fees	-	-	-
Total expenses before depreciation	5,818	122,650	3,605,102
Depreciation	4,596	339	76,209
Total Expenses	<u>\$ 10,414</u>	<u>\$ 122,989</u>	<u>\$ 3,681,311</u>

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

**MILITARY CHILD EDUCATION COALITION**  
**STATEMENT OF FUNCTIONAL EXPENSES (Continued)**  
**For the Year Ended December 31, 2021**

	Management and General	Fundraising	2021 Total
Payroll	\$ 294,501	\$ 459,898	\$ 3,159,138
Payroll taxes	22,157	34,170	236,979
Other employee benefits	16,367	17,343	141,916
Service fees	22,815	3,095	280,800
Advertising	-	-	16,704
Office expenses	18,360	53,835	352,930
Information technology	-	-	78,578
Occupancy	4,135	1,820	27,340
Travel	-	2,844	69,441
Insurance	5,990	1,054	19,428
Other program expenses	-	3,353	183,585
Contingency expense	3,346	-	3,346
Accounting and legal fees	39,550	-	39,550
Total expenses before depreciation	427,221	577,412	4,609,735
Depreciation	7,596	3,613	87,418
Total Expenses	<u>\$ 434,817</u>	<u>\$ 581,025</u>	<u>\$ 4,697,153</u>

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

**MILITARY CHILD EDUCATION COALITION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2020**

	Program Services			
	Professional Development	Student Programs	Parent Support Programs	School Professional Programs
Payroll	\$ 244,635	\$ 136,696	\$ 524,251	\$ 816,234
Payroll taxes	17,214	10,426	40,078	62,148
Other employee benefits	15,732	5,220	10,147	39,300
Service fees	1,672	595	188,574	2,190
Advertising	-	-	-	-
Office expenses	44,578	40,103	60,055	32,142
Information technology	-	-	-	-
Occupancy	4,588	-	-	-
Travel	31,134	15,405	2,176	7,830
Insurance	1,622	-	-	-
Other program expenses	13,437	12,205	10,484	130
Accounting and legal fees	-	-	-	-
Total expenses before depreciation	374,612	220,650	835,765	959,974
Depreciation	5,343	933	3,233	465
Total Expenses	<u>\$ 379,955</u>	<u>\$ 221,583</u>	<u>\$ 838,998</u>	<u>\$ 960,439</u>

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

**MILITARY CHILD EDUCATION COALITION**  
**STATEMENT OF FUNCTIONAL EXPENSES (Continued)**  
**For the Year Ended December 31, 2020**

	Program Services			Website and Technology Resources
	Strategic Communications	Products and Services	Research	
Payroll	\$ 453,193	\$ 105,816	\$ 205,019	\$ 59,722
Payroll taxes	34,055	8,056	15,542	4,589
Other employee benefits	11,458	12,372	18,818	6,713
Service fees	1,454	840	7,429	158
Advertising	11,249	-	-	-
Office expenses	22,763	8,946	162,591	45
Information technology	-	-	-	50,368
Occupancy	3,441	16,631	1,147	1,147
Travel	-	-	-	-
Insurance	1,216	5,879	405	405
Other program expenses	22,414	161,227	-	-
Accounting and legal fees	-	-	-	-
Total expenses before depreciation	561,243	319,767	410,951	123,147
Depreciation	4,185	18,175	2,363	56,621
Total Expenses	<u>\$ 565,428</u>	<u>\$ 337,942</u>	<u>\$ 413,314</u>	<u>\$ 179,768</u>

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



**MILITARY CHILD EDUCATION COALITION**  
**STATEMENT OF FUNCTIONAL EXPENSES (Continued)**  
**For the Year Ended December 31, 2020**

	Program Services		
	Grants	National Training Seminar	Total Program Services
Payroll	\$ 51,759	\$ 99,374	\$ 2,696,699
Payroll taxes	3,899	7,315	203,322
Other employee benefits	596	263	120,619
Service fees	2,199	116	205,227
Advertising	-	-	11,249
Office expenses	19,609	9,052	399,884
Information technology	-	-	50,368
Occupancy	-	-	26,954
Travel	934	717	58,196
Insurance	-	-	9,527
Other program expenses	5,599	26,981	252,477
Accounting and legal fees	-	-	-
Total expenses before depreciation	84,595	143,818	4,034,522
Depreciation	3,627	154	95,099
Total Expenses	<u>\$ 88,222</u>	<u>\$ 143,972</u>	<u>\$ 4,129,621</u>

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

**MILITARY CHILD EDUCATION COALITION**  
**STATEMENT OF FUNCTIONAL EXPENSES (Continued)**  
**For the Year Ended December 31, 2020**

	Management and General	Fundraising	2020 Total
Payroll	\$ 280,042	\$ 368,649	\$ 3,345,390
Payroll taxes	21,254	28,156	252,732
Other employee benefits	26,267	21,901	168,787
Service fees	7,595	2,762	215,584
Advertising	-	-	11,249
Office expenses	20,174	60,221	480,279
Information technology	-	-	50,368
Occupancy	5,075	2,294	34,323
Travel	-	2,932	61,128
Insurance	7,192	811	17,530
Other program expenses	15,563	7,305	275,345
Accounting and legal fees	35,489	-	35,489
Total expenses before depreciation	418,651	495,031	4,948,204
Depreciation	7,895	3,616	106,610
Total Expenses	<u>\$ 426,546</u>	<u>\$ 498,647</u>	<u>\$ 5,054,814</u>

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

**MILITARY CHILD EDUCATION COALITION**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash Flows (Used) Provided by Operating Activities</b>		
Change in net assets, as restated	\$ 768,416	\$ 1,304,242
Adjustments to reconcile change in nets assets to net cash provided by operating activities:		
Depreciation	87,418	106,610
Gain (loss) on disposal of assets	296	(501)
(Increase) decrease in:		
Accounts receivable	(113,488)	(33)
Accounts receivable, restricted, as restated	(206,721)	(249,100)
Inventory	69,118	61,270
Prepaid expenses	57,305	(37,074)
Increase (decrease) in:		
LT Debt	(439,600)	439,600
Accounts payable	(175,411)	111,137
Accrued liabilities	(49,604)	(106,616)
Deferred revenue, as restated	(214,844)	(151,696)
Net adjustment	<u>(985,531)</u>	<u>173,597</u>
Net cash (used) provided by operating activities	(217,115)	1,477,839
<b>Cash Flows Used by Investing Activities</b>		
Purchase of property and equipment	<u>(2,746)</u>	<u>(42,596)</u>
Net cash used by investing activities	<u>(2,746)</u>	<u>(42,596)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(219,861)	1,435,243
<b>Cash and cash equivalents</b>		
Beginning of year	<u>3,802,419</u>	<u>2,367,176</u>
End of year	<u><u>\$ 3,582,558</u></u>	<u><u>\$ 3,802,419</u></u>
<b>Cash and cash equivalents:</b>		
Unrestricted	\$ 1,637,904	\$ 1,780,443
Restricted	<u>1,944,654</u>	<u>2,021,976</u>
	<u><u>\$ 3,582,558</u></u>	<u><u>\$ 3,802,419</u></u>

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

## **MILITARY CHILD EDUCATION COALITION NOTES TO FINANCIAL STATEMENTS**

### **1. Description of the Organization**

The Military Child Education Coalition® (hereafter referred to as MCEC), is a 501(c)(3) global, nonprofit organization focused exclusively on the well-being and needs of America's military-connected children. Since 1998, MCEC has been the only military service organization nonprofit who solely focuses all efforts to address the needs of military-connected children. MCEC specifically targets the areas of academic opportunity and excellence, school transition support, and developmental needs. Our core constituency is children and youth whose parents are serving or have served in our nation's military – to include Active Duty, Reserve, and National Guard. MCEC proudly supports the children of those who serve us all and endeavors to provide sustainable resources and on-going support to ensure all military-connected children, regardless of their location, are college-, work-, and life-ready.

MCEC supports all military-connected children by educating, advocating, and collaborating to resolve education challenges associated with military lifestyle.

**Student 2 Student** – Student 2 Student® (S2S™) is a student-led and faculty-advised program with the mission to take care of new students at the high school, middle/junior high school, or elementary levels. An S2S™ program introduces the new students to campus, culture, and community, and impacts the entire student body by uniting the campus to create a culture of inclusion. The desired results are improved academic performance and positive peer-to-peer interactions. In 2021, MCEC saw large increases in S2S™ training because more districts requested training for multiple schools and they were able to deliver more training virtually. With programs in 34 states and 9 countries, MCEC hosted 61 hybrid and virtual programs – a 135% increase from 2020, and trained 235 schools with S2S programming – a 380% increase from 2020.

**Parent Support** - The MCEC Parent Support Program is focused on empowering parents to be their child's strongest advocate on educational, social-emotional and transition issues. Workshops are offered through community-based teams, one-day education seminars, and via online webinars and podcasts. While parent program events were up slightly in 2021, the number of participants declined due to shifts away from in-person delivery and presumed screen fatigue for students and parents working from home. MCEC hosted approximately 1,200 virtual and hybrid events – a 7% increase from 2020.

**Professional Development** - MCEC's Professional Development program delivers one-day face-to-face training, asynchronous online learning, as well as live virtual courses designed to enhance the current capabilities, competency, and awareness of professionals who serve and support military-connected children and youth. New this year and in response to COVID-19-induced limitations on gathering, MCEC introduced live virtual training, designed to engage professionals in a meaningful way with quality curriculum in the ideal learning environment – their own home or wherever helps maximize their time. MCEC hosted 60 virtual and hybrid training events – a 15% increase from 2020, training nearly 2,000 youth-serving professionals.

## **MILITARY CHILD EDUCATION COALITION NOTES TO FINANCIAL STATEMENTS**

**Military Student Consultant Service Center** - MCEC Military Student Consultants (MSCs) are highly specialized education professionals who provide personalized concierge support directly to students, parents, and professionals who serve military-connected (Active Duty Military, Veteran, National Guard, Reserve, ROTC Cadre and Recruiter) families, no matter where they are in the world. MSCs advocate for and provide support to students and parents who experience academic or social-emotional challenges, and/or need direct problem-solving support or resources. MSCs supported 268 help requests from contacts in 32 states and 8 countries – a 108% increase from 2020, and made 1,815 referrals to MCEC and other partners' specialized resources.

**Military Student Transition Consultant (MSTC) And Military Student Transition Affiliate (MSTA) Programs** - The MSTC is a full time MCEC employee embedded within school districts, able to work with students, parents, and staff daily, serving as an expert navigator. Their support helped decrease the turbulence in family life while building resiliency in students so they could more successfully cope with and overcome the unique challenges they face while meeting their academic goals. The MSTA affiliates are employees of the local education agency, supported by MCEC, and designated by the school districts they serve, who assume additional work responsibilities in support of military-connected students. Together, these program partners conducted 80 professional and academic trainings and 90 dedicated military-student events – a 181% increase from 2020.

**Purple Star Schools** - MCEC is the National Advocate for the Purple Star Schools Program™. The Purple Star Schools designation is typically approved at the state level and reflects the schools and districts that have demonstrated prioritization to support the social-emotional and academic challenges of military-connected students. While MCEC does not designate Purple Star Schools, it advocates for and assists with education and readiness for schools seeking the designation through their state. MCEC helped grow statewide programs from nine at the beginning of 2021 to 28 by the close of the year. Seven additional states at year-end had Purple Star Schools legislation working its way through committees. MCEC trained 134 education professionals to help their districts and campuses become Purple Star ready.

**SchoolQuest** - SchoolQuest™ launched in April 2021. It is a free interactive tool designed to support highly mobile military-connected parents and students with making the best choices before, during, and after a transition to improve academic success and social well-being. SchoolQuest™ is a comprehensive resource including academic trackers to monitor and plan a student's academic career progress. Additionally, student profiles can be customized to each student to track deadlines, courses, and topics of interest. There are a variety of resources on academic topics as well as scholarships that are available. 2,065 registrants utilized the tool, accessing 329 educational and transition resources – 12 of which are translated into Spanish.

**2021 National Training Seminar** - MCEC's signature annual event is a professional development and training opportunity, including an outstanding array of keynote speakers, informative distinguished lecturers, and breakout sessions, featuring workshops with usable, relevant information focused on supporting military-connected children. Due to the ongoing pandemic, the 2021 NTS was fully virtual, which allowed MCEC to increase event participation by 65% over the previous seminar. In addition, post-event surveys indicated high levels of satisfaction, with more than 90% of respondents assessing the content as impactful on their ability to support military-connected students and their ability or willingness to analyze personal and professional practices. In 2021 and going forward, the NTS is rebranded as the MCEC Global Summit (MGS) and will have similar offerings and objectives to the NTS.

## **MILITARY CHILD EDUCATION COALITION NOTES TO FINANCIAL STATEMENTS**

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Accounting***

The financial statements of MCEC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. MCEC receives funds primarily from membership fees, contributions, contracts, and grants.

#### ***Basis of Presentation***

MCEC reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions—These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions—These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

#### ***Revenue and Cost Recognition***

MCEC recognizes revenues from fixed-price contracts once trainings are completed. Costs associated with trainings are allocated to the program initiatives once they are completed. Program costs include all direct materials and labor costs and those indirect costs related to initiative performance, such as indirect labor and supplies.

#### ***Functional Allocation of Expenses***

The cost of providing the programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the benefiting program and supporting services.

#### ***Recognition of Donor Restrictions***

Contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/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, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions.

## **MILITARY CHILD EDUCATION COALITION NOTES TO FINANCIAL STATEMENTS**

### ***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### ***Cash and Cash Equivalents***

Cash and cash equivalents include savings and checking with a maturity of less than one year.

### ***Accounts Receivable***

Accounts receivable consist of individual, business organization, school district, and military installation memberships, grants, and contracts.

The direct-write off policy is to remove individuals when their accounts become 90 days or more past due. Business organizations, school districts, and military installations are removed when their accounts become six months past due. All grant and contract receivables are deemed collectible.

### ***Inventory***

Inventory is recorded at the lower of cost or market and is expensed as used in the first-in, first-out method.

### ***Fixed Assets***

Equipment is stated at cost at date of acquisition or fair market value at date of donation in the case of donations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of buildings are estimated at 39-45 years and all other assets are estimated at 2-7 years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. It is MCEC's policy to capitalize expenditures for these items in excess of \$ 1,000.

### ***Income Taxes***

MCEC is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code.

### ***Contributions***

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. For the years ended December 31, 2021 and 2020, \$ -0- and \$ 45,005, respectively, of in-kind revenues were included in contributions. Expenses were recognized in the same amounts in management and general supporting services, or allocated to program services.

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**3. Cash and Cash Equivalents**

At December 31, 2021 and 2020, cash temporarily restricted for specific programs was \$ 1,944,654 and \$ 2,021,976, respectively. These amounts are reported as net assets with donor restrictions.

The Lockheed Martin Corporation requires grant funds from its organization to be deposited in a separate bank account. The balance of this account at December 31, 2021 and 2020 was \$ 17,600 and \$ 97,073, respectively. These funds are reported as net assets with donor restrictions.

**4. Accounts Receivable**

Accounts receivable consisted of the following at December 31, 2021 and 2020:

	2021	2020
Contracts	\$ 287,409	\$ 172,764
Grants and contributions	821,721	618,128
Membership dues and other	2,106	135
	<u>1,111,236</u>	<u>791,027</u>
Accounts Receivable, net	<u>\$ 1,111,236</u>	<u>\$ 791,027</u>
Accounts Receivable:		
Unrestricted	\$ 289,515	\$ 176,027
Restricted	821,721	615,000
	<u>\$ 1,111,236</u>	<u>\$ 791,027</u>

**5. Inventory**

Inventory consists of professional development materials, books, products and other resources and operating supplies totaling \$ 22,187 and \$ 91,305 at December 31, 2021 and 2020, respectively.

**6. Prepaid Expenses**

MCEC prepays various expenses that are held as assets until the services are rendered or the goods are received. The balance of the prepaid expense account is \$ 40,974 and \$ 98,279 at December 31, 2021 and 2020, respectively.



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**7. Property and Equipment**

Property and Equipment consisted of the following at December 31, 2021 and 2020:

	2021	2020
Land	\$ 245,000	\$ 245,000
Building	1,487,008	1,487,008
Computers and equipment	373,197	373,197
Furniture and fixtures	313,155	313,736
	<u>2,418,360</u>	<u>2,418,941</u>
Less: accumulated depreciation	<u>(1,034,965)</u>	<u>(950,578)</u>
Property and Equipment, net	<u><u>\$ 1,383,395</u></u>	<u><u>\$ 1,468,363</u></u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$ 87,418 and \$ 106,610, respectively.

**8. Deferred Revenue**

Deferred revenue consists of the following at December 31, 2021 and 2020:

	2021	2020
The USAA Foundation Inc.	\$ 155,968	\$ 273,403
U.S. Air Force	72,293	24,170
U.S. Navy	38,550	30,667
School districts/military installation membership dues	17,598	23,073
El Paso County ISD #49 (Falcon)	6,341	7,917
Alabama State Plan	-	92,115
South Carolina State Plan	-	7,975
Cumberland County Schools	-	42,353
Colleges and universities	-	2,458
Health Insurance Rebate	-	833
Norfolk Public Schools	<u>-</u>	<u>630</u>
Deferred Revenue	<u><u>\$ 290,750</u></u>	<u><u>\$ 505,594</u></u>

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**9. Net Assets**

Net assets without donor restrictions represent funds received primarily from membership fees, contributions, contracts, grants, and the sale of products by MCEC without any restrictions and may be used for purposes determined by the Board of Directors. As of December 31, 2021 and 2020, there were net assets without donor restrictions designated by the Board for reserves in the amount of \$ 482,593.

Net assets with donor restrictions represent assets that have donor-imposed restrictions that can be removed by the actions of management or the passage of time, or, under certain circumstances that can never be removed. As of December 31, 2021 and 2020, net assets with donor restrictions consisted of the following:

	2021	2020
Alabama State Plan	\$ 1,108,060	\$ 800,000
South Carolina State Plan	504,463	143,646
The USAA Foundation Inc.	320,277	230,630
Veterans United Foundation	158,855	22,570
Boeing	104,643	90,000
Lockheed Martin Corp	103,758	167,757
May & Stanley Smith Charitable Trust	100,000	-
Wounded Warrior Project	83,941	306,603
USAA	69,745	553,859
HEB	63,989	59,081
Utley Education Foundation	37,751	22,889
Sid W. Richardson Foundation	34,000	-
Donor Contributions	25,717	34,257
Star Market Charity Golf Classic	17,158	-
Lockheed Martin Foundation	16,912	95,182
Micron Foundation	12,747	12,834
TEGNA	4,359	14,852
PAE	-	36,868
AT&T Foundation	-	25,000
Lockheed Martin Space	-	20,948
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Net Assets With Donor Restrictions	<u><u>\$ 2,766,375</u></u>	<u><u>\$ 2,636,976</u></u>

Net assets released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended December 31, 2021 and 2020 totaled \$ 2,570,855 and \$ 1,348,732, respectively.

At December 31, 2021 and 2020, MCEC had no net assets with donor restrictions which contain restrictions that can never be removed.

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**10. Paycheck Protection Program Loans**

During fiscal years 2021 and 2020, MCEC obtained loans under the Paycheck Protection Program (PPP) in the amount of \$ 383,308 and \$ 439,600, respectively. Those funds were used for payroll and other costs as approved under the guidelines of use for the PPP. The full amount of the first loan is shown as a separate line item under long-term liabilities on the balance sheet for 2020. MCEC received forgiveness in full for both loans during 2021, and the amount forgiven is reported as miscellaneous income in 2021.

**11. Employee Retention Credit**

The Employee Retention Credit (ERC) was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020. It was intended to help businesses retain their workforces and avoid layoffs during the coronavirus pandemic. It provides a per employee credit to eligible businesses based on a percentage of qualified wages and health insurance benefits paid to employees. It works as a refundable payroll tax credit claimed quarterly, and it can provide reductions to payroll taxes or cash refunds. For the years ended December 31, 2021 and 2020, MCEC qualified for a total of \$ 1,150,036 and \$ 468,333, respectively, in ERC which will be received in the form of cash refunds. The amounts to be received in ERC have not been recorded, as they will likely not be received until 2023.

**12. Retirement Plan**

MCEC has a SIMPLE retirement plan. MCEC matches employees' contributions on a graduating scale up to 4.0% of their compensation. MCEC's retirement plan expense for the years ended December 31, 2021 and 2020 was \$ 66,084 and \$ 86,756, respectively.

**13. Commitments and Contingencies**

MCEC's financial records are subject to review by federal agencies. Such reviews can result in the adjustment and denial of certain contract expenditures. The federal government has the authority to request a reimbursement from MCEC for the denied expenditures. No assurances can be given regarding the future outcome, if any, of such reviews.

**14. Concentrations**

MCEC receives a material amount of its funding through contracts with the various military departments and through various state plans. For the years ended December 31, 2021 and 2020, revenue concentrations are as follows:

	<u>2021</u>	<u>2020</u>
Military departments	2%	6%
State plans	29%	20%

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MCEC had receivables from state plans, military departments, and a foundation, which represent a significant concentration of total receivables. At December 31, 2021 and 2020, receivables concentrations are as follows:

	<u>2021</u>	<u>2020</u>
State plans	64%	77%
Military departments	16%	9%
Veterans United Foundation	11%	0%

**15. Liquidity and Reserves**

MCEC has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects MCEC's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general expenditures within one year.

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 3,582,558	\$ 3,802,419
Accounts receivable	<u>1,111,236</u>	<u>791,027</u>
Financial assets, at year-end	<u>\$ 4,693,794</u>	<u>\$ 4,593,446</u>
Less those unavailable for general expenditure within one year due to:		
Board-imposed three-month cash reserve	\$ (482,593)	\$ (482,593)
Board-approved building & capital reserve fund	(100,000)	(100,000)
Board-approved opportunity & reserve fund	<u>(100,000)</u>	<u>(100,000)</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 4,011,201</u>	<u>\$ 3,910,853</u>

**16. Fund Development Revenue**

In addition to philanthropic revenue reported within the contributions and grants classifications, MCEC's fund development team generated \$ 520,190 and \$ 1,191,546 in contract revenue in 2021 and 2020, respectively. These revenues are from contracts with various school districts who were awarded federal grants with the assistance of the fund development team. The school districts use those federal awards to fund MCEC's MSTC programs in these schools.

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**17. Prior Period Adjustment**

During fiscal year 2021, management determined the agreements with Alabama and South Carolina should be considered grants instead of contracts. Therefore, revenue should have been recognized when granted instead of at contract execution. The following prior period adjustments were recorded to reflect the change in revenue recognition consideration:

Alabama State Plan: The State of Alabama granted MCEC \$ 800,000 during 2020, \$ 200,000 of which was received in 2020 and previously included in deferred revenue due to none of the funds being executed during the year. The remaining \$ 600,000 was not recorded during 2020. Therefore, the prior period adjustment reduced deferred revenue by \$ 200,000, increased accounts receivable by \$ 600,000, and recognized grant revenue of \$ 800,000.

South Carolina State Plan: The State of South Carolina granted MCEC \$ 350,000 during 2020, which was received in full during the year. MCEC executed all but \$ 143,646 of the \$ 350,000 granted during 2020. Therefore, deferred revenue of \$ 143,646 and service contract revenue of \$ 206,354 were recognized as grant revenue of \$ 350,000.

	Without Donor Restrictions	With Donor Restrictions	Change in Net Assets
Net assets as of December 31, 2020, as previously reported	\$ 2,318,577	\$ 1,693,330	\$ 4,011,907
Previously unrecognized state plan contributions	-	943,646	943,646
Net assets as of December 31, 2020, as restated	<u>\$ 2,318,577</u>	<u>\$ 2,636,976</u>	<u>\$ 4,955,553</u>

The net effect of the prior period adjustments on net assets and on change in net assets was an increase of \$ 943,646, resulting in the restated net assets of \$ 4,955,553 and the restated change in net assets of \$ 1,304,242.

**MILITARY CHILD EDUCATION COALITION**  
**NOTES TO FINANCIAL STATEMENTS**

**18. Subsequent Events**

Management has reviewed and evaluated subsequent events and transactions through May 25, 2022, which is the date the financial statements were available to be issued. There were no subsequent events requiring adjustment to or disclosure in the financial statements.