

**Military Child Education Coalition**

**December 31, 2019 and 2018**

***Financial Statements***



**BROCKWAY  
GERSBACH  
FRANKLIN &  
NIEMEIER, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**MILITARY CHILD EDUCATION COALITION**

**FINANCIAL STATEMENTS AS OF**

**December 31, 2019 and 2018**

**TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON**



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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Military Child Education Coalition

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, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to financial statements.

### **Management's Responsibility 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

**INDEPENDENT AUDITORS' REPORT  
(CONTINUED)**

**Opinion**

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, 2019 and 2018, 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.

**Other Matters**

Contract revenue secured by the fund development team has been reclassified from philanthropic revenue to contract revenue as described in Note 14. The reclassification was done to more appropriately match the presentation of these transactions in the financial statement with the nature of the transactions.

A handwritten signature in black ink, reading "Brockway Cusack, Matthew Nieren, P.C." The signature is written in a cursive, flowing style.

Temple, Texas  
June 22, 2020

**MILITARY CHILD EDUCATION COALITION**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2019 and 2018**

**ASSETS**

	<u>2019</u>	<u>2018</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,915,657	\$ 1,984,292
Cash and cash equivalents, restricted	451,519	336,051
Accounts receivable	190,994	404,635
Accounts receivable, restricted	350,900	60,000
Inventory	152,575	144,523
Prepaid expenses	<u>61,205</u>	<u>103,135</u>
Total Current Assets	3,122,850	3,032,636
Property and equipment, net	<u>1,531,876</u>	<u>1,605,238</u>
Total Assets	<u><u>\$ 4,654,726</u></u>	<u><u>\$ 4,637,874</u></u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts payable	\$ 155,660	\$ 159,140
Accrued expenses	190,465	185,995
Deferred revenue	<u>657,290</u>	<u>645,537</u>
Total Liabilities	1,003,415	990,672
<b>Net Assets</b>		
Without donor restrictions	2,848,892	3,251,151
With donor restrictions	<u>802,419</u>	<u>396,051</u>
Total Net Assets	<u>3,651,311</u>	<u>3,647,202</u>
Total Liabilities and Net Assets	<u><u>\$ 4,654,726</u></u>	<u><u>\$ 4,637,874</u></u>

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



**MILITARY CHILD EDUCATION COALITION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>			
Service contract revenue	\$ 2,318,333	\$ -	\$ 2,318,333
Philanthropic contract revenue	1,333,777	-	1,333,777
Contributions	202,801	856,604	1,059,405
Membership dues	44,852	-	44,852
Conference income	416,483	-	416,483
Products and services	62,775	-	62,775
Grants	529,009	589,000	1,118,009
Fundraising events	916	27,500	28,416
Interest and dividends	25,726	-	25,726
Miscellaneous revenue	24,805	-	24,805
Net assets released from restrictions	1,066,736	(1,066,736)	-
Total Revenues, Gains and Other Support	6,026,213	406,368	6,432,581
<b>Expenses</b>			
Program services			
Student initiatives	345,981	-	345,981
Parent initiatives	952,250	-	952,250
Professional development	782,637	-	782,637
Military student transition consultant	1,167,355	-	1,167,355
Strategic communications	556,914	-	556,914
Products and services	246,123	-	246,123
Research	189,073	-	189,073
Website and technology resources	190,088	-	190,088
Grants	128,923	-	128,923
National training seminar	932,204	-	932,204
Total program services	5,491,548	-	5,491,548
Supporting services			
Management and general	441,281	-	441,281
Fundraising	495,643	-	495,643
Total Expenses	6,428,472	-	6,428,472
Change in net assets	(402,259)	406,368	4,109
<b>Net Assets</b>			
Beginning of year	3,251,151	396,051	3,647,202
End of year	\$ 2,848,892	\$ 802,419	\$ 3,651,311

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

**MILITARY CHILD EDUCATION COALITION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>			
Service contract revenue	\$ 2,864,645	\$ -	\$ 2,864,645
Philanthropic contract revenue	1,335,518	-	1,335,518
Contributions	309,766	842,437	1,152,203
Membership dues	66,436	-	66,436
Conference income	439,888	-	439,888
Products and services	94,117	-	94,117
Grants	355,411	700,991	1,056,402
Fundraising events	3,133	26,000	29,133
Interest and dividends	21,462	-	21,462
Miscellaneous revenue	14,627	-	14,627
Net assets released from restrictions	1,715,027	(1,715,027)	-
Total Revenues, Gains and Other Support	7,220,030	(145,599)	7,074,431
<b>Expenses</b>			
Program services			
Student initiatives	404,632	-	404,632
Parent initiatives	662,407	-	662,407
Professional development	986,232	-	986,232
Military student transition consultant	1,127,908	-	1,127,908
Strategic communications	513,204	-	513,204
Products and services	243,289	-	243,289
Research	148,322	-	148,322
Website and technology resources	155,758	-	155,758
Grants	1,077,028	-	1,077,028
National training seminar	678,484	-	678,484
Total program services	5,997,264	-	5,997,264
Supporting services			
Management and general	479,208	-	479,208
Fundraising	507,550	-	507,550
Total Expenses	6,984,022	-	6,984,022
Change in net assets	236,008	(145,599)	90,409
<b>Net Assets</b>			
Beginning of year	3,015,143	541,650	3,556,793
End of year	\$ 3,251,151	\$ 396,051	\$ 3,647,202

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, 2019**

	Program Services			Military Student
	Student Initiatives	Parent Initiatives	Professional Development	Transition Consultant
Payroll	\$ 153,164	\$ 552,701	\$ 247,678	\$ 999,306
Payroll taxes	11,288	40,879	18,492	72,999
Other employee benefits	1,840	10,232	18,786	47,685
Service fees	760	257,452	3,286	4,081
Advertising	-	-	-	-
Office expenses	38,430	60,572	174,499	19,432
Information technology	-	-	-	-
Occupancy	-	-	5,772	-
Travel	99,652	12,183	159,367	21,535
Insurance	-	-	2,380	-
Other program expenses	40,847	12,620	131,259	2,082
Accounting and legal fees	-	-	-	-
Total expenses before depreciation	345,981	946,639	761,519	1,167,120
Depreciation	-	5,611	21,118	235
Total Expenses	<u>\$ 345,981</u>	<u>\$ 952,250</u>	<u>\$ 782,637</u>	<u>\$ 1,167,355</u>

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

(Continued)

**MILITARY CHILD EDUCATION COALITION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2019**

	Program Services			Website and
	Strategic	Products		Technology
	Communications	and Services	Research	Resources
Payroll	\$ 415,665	\$ 108,991	\$ 158,676	\$ 62,478
Payroll taxes	30,767	7,818	11,733	4,626
Other employee benefits	19,003	10,680	9,998	6,037
Service fees	2,495	1,721	1,112	205
Advertising	762	-	-	-
Office expenses	41,564	10,509	1,123	466
Information technology	-	-	-	68,681
Occupancy	4,329	20,922	1,443	1,443
Travel	1,943	-	-	-
Insurance	3,453	6,224	2,859	429
Other program expenses	29,583	60,915	-	-
Accounting and legal fees	-	-	-	-
Total expenses before depreciation	549,564	227,780	186,944	144,365
Depreciation	7,350	18,343	2,129	45,723
Total Expenses	<u>\$ 556,914</u>	<u>\$ 246,123</u>	<u>\$ 189,073</u>	<u>\$ 190,088</u>

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

(Continued)

**MILITARY CHILD EDUCATION COALITION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2019**

	Program Services		
	Grants	National Training Seminar	Total Program Services
Payroll	\$ 102,302	\$ 125,311	\$ 2,926,272
Payroll taxes	7,538	9,297	215,437
Other employee benefits	7,925	3,294	135,480
Service fees	606	4,848	276,566
Advertising	-	-	762
Office expenses	3,122	58,836	408,553
Information technology	-	-	68,681
Occupancy	-	-	33,909
Travel	1,255	147,203	443,138
Insurance	556	1,944	17,845
Other program expenses	2,061	581,236	860,603
Accounting and legal fees	-	-	-
Total expenses before depreciation	125,365	931,969	5,387,246
Depreciation	3,558	235	104,302
Total Expenses	<u>\$ 128,923</u>	<u>\$ 932,204</u>	<u>\$ 5,491,548</u>

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

(Continued)

**MILITARY CHILD EDUCATION COALITION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2019**

	Management and General	Fundraising	2019 Total
Payroll	\$ 303,561	\$ 387,881	\$ 3,617,714
Payroll taxes	22,988	28,922	267,347
Other employee benefits	8,721	17,742	161,943
Service fees	7,492	7,004	291,062
Advertising	-	-	762
Office expenses	12,512	27,154	448,219
Information technology	-	-	68,681
Occupancy	7,180	2,886	43,975
Travel	-	11,379	454,517
Insurance	5,309	1,963	25,117
Other program expenses	30,717	7,163	898,483
Accounting and legal fees	35,200	-	35,200
Total expenses before depreciation	433,680	492,094	6,313,020
Depreciation	7,601	3,549	115,452
Total Expenses	<u>\$ 441,281</u>	<u>\$ 495,643</u>	<u>\$ 6,428,472</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, 2018**

	Program Services			Military Student
	Student Initiatives	Parent Initiatives	Professional Development	Transition Consultant
Payroll	\$ 150,802	\$ 456,556	\$ 314,793	\$ 941,125
Payroll taxes	11,462	34,044	23,245	70,928
Other employee benefits	1,123	5,818	8,003	53,340
Service fees	-	5,628	9,414	3,987
Advertising	-	-	-	-
Office expenses	58,215	66,840	221,382	15,842
Information technology	-	-	-	-
Occupancy	1,804	1,804	1,859	-
Travel	122,431	76,749	188,751	16,971
Insurance	-	-	4,186	-
Other program expenses	57,786	8,903	182,377	21,645
Accounting and legal fees	-	-	-	-
Total expenses before depreciation	403,623	656,342	954,010	1,123,838
Depreciation	1,009	6,065	32,222	4,070
Total Expenses	<u>\$ 404,632</u>	<u>\$ 662,407</u>	<u>\$ 986,232</u>	<u>\$ 1,127,908</u>

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

(Continued)

**MILITARY CHILD EDUCATION COALITION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2018**

	Program Services			Website and
	Strategic	Products		Technology
	Communications	and Services	Research	Resources
Payroll	\$ 391,342	\$ 105,096	\$ 71,014	\$ 56,905
Payroll taxes	29,311	7,971	5,231	4,303
Other employee benefits	16,397	11,971	7,151	5,628
Service fees	3,645	725	49,442	242
Advertising	7,146	-	-	-
Office expenses	26,495	13,336	11,098	297
Information technology	-	-	-	58,748
Occupancy	4,101	19,821	1,367	1,367
Travel	1,443	-	-	-
Insurance	4,020	5,756	1,840	397
Other program expenses	24,577	62,134	-	-
Accounting and legal fees	-	-	-	-
Total expenses before depreciation	508,477	226,810	147,143	127,887
Depreciation	4,727	16,479	1,179	27,871
Total Expenses	<u>\$ 513,204</u>	<u>\$ 243,289</u>	<u>\$ 148,322</u>	<u>\$ 155,758</u>

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

(Continued)



**MILITARY CHILD EDUCATION COALITION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2018**

	Program Services		
	Grants	National Training Seminar	Total Program Services
Payroll	\$ 436,303	\$ 126,808	\$ 3,050,744
Payroll taxes	32,651	9,068	228,214
Other employee benefits	15,718	110	125,259
Service fees	257,428	4,855	335,366
Advertising	-	-	7,146
Office expenses	72,903	40,694	527,102
Information technology	-	-	58,748
Occupancy	-	-	32,123
Travel	191,189	48,114	645,648
Insurance	699	2,540	19,438
Other program expenses	69,491	446,060	872,973
Accounting and legal fees	-	-	-
Total expenses before depreciation	1,076,382	678,249	5,902,761
Depreciation	646	235	94,503
Total Expenses	<u>\$ 1,077,028</u>	<u>\$ 678,484</u>	<u>\$ 5,997,264</u>

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

(Continued)

**MILITARY CHILD EDUCATION COALITION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2018**

	Management and General	Fundraising	2018 Total
Payroll	\$ 323,572	\$ 393,818	\$ 3,768,134
Payroll taxes	22,937	29,514	280,665
Other employee benefits	30,843	19,482	175,584
Service fees	6,223	7,461	349,050
Advertising	-	-	7,146
Office expenses	13,297	17,342	557,741
Information technology	-	-	58,748
Occupancy	26,849	2,734	61,706
Travel	-	22,174	667,822
Insurance	4,317	2,237	25,992
Other program expenses	5,883	9,816	888,672
Accounting and legal fees	36,500	-	36,500
Total expenses before depreciation	470,421	504,578	6,877,760
Depreciation	8,787	2,972	106,262
Total Expenses	<u>\$ 479,208</u>	<u>\$ 507,550</u>	<u>\$ 6,984,022</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, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash Flows Provided by Operating Activities</b>		
Change in net assets	\$ 4,109	\$ 90,409
Adjustments to reconcile change in nets assets to net cash provided by operating activities:		
Depreciation	115,452	106,262
Gain (loss) on disposal of assets	(503)	675
(Increase) decrease in:		
Accounts receivable	213,641	(116,457)
Accounts receivable, restricted	(290,900)	60,000
Inventory	(8,052)	12,182
Prepaid expenses	41,930	(49,929)
Increase in:		
Accounts payable	(3,480)	32,002
Accrued liabilities	4,470	32,827
Deferred revenue	11,753	28,239
	<u>84,311</u>	<u>105,801</u>
Net adjustment		
	<u>88,420</u>	<u>196,210</u>
<b>Cash Flows Used by Investing Activities</b>		
Purchase of property and equipment	(41,587)	(118,927)
Net cash used by investing activities	<u>(41,587)</u>	<u>(118,927)</u>
<b>Net increase in cash and cash equivalents</b>	46,833	77,283
<b>Cash and cash equivalents</b>		
Beginning of year	<u>2,320,343</u>	<u>2,243,060</u>
End of year	<u><u>\$ 2,367,176</u></u>	<u><u>\$ 2,320,343</u></u>
<b>Cash and cash equivalent:</b>		
Unrestricted	\$ 1,915,657	\$ 1,984,292
Restricted	451,519	336,051
	<u><u>\$ 2,367,176</u></u>	<u><u>\$ 2,320,343</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 approximately four million military-connected children, specifically in 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. Our goal is to ensure that every military-connected child grows and thrives through good and challenging times to be college, workplace, and ultimately, life-ready. For over 20 years, MCEC has successfully delivered student, parent, and professional development programs and services for the Department of Defense, all branches of the military, and their supporting installations, as well as public and private schools serving military families throughout the country. Since its inception in 1998, MCEC has spearheaded numerous initiatives addressing the education needs of military-connected children as they face their unique challenges related to a military lifestyle characterized by mobility, transition, deployments and family separation. MCEC Programs, Trainings and Initiatives are as follows:

***Student Initiatives*** - MCEC provides support to military-connected children through their peer-to-peer mentoring programs:

***Student 2 Student®***, - MCEC Student Programs for elementary, middle school, and high school levels help students transition into new schools. S2S is a student-led program with the mission to take care of new students. An S2S program shows students their new campus and community. The team plans fun ways for new students to get to know other students, to build new peer groups, and to perform better academically. S2S team members will make a difference as they work together to serve their campus, community, and the world. These programs are in schools both in the United States and overseas. School personnel and students are trained to develop a program that assists other students in finding their way, relationships, academics, service and leadership in their school and community through our peer-to-peer mentoring programs. MCEC actively supports trained programs through newsletters, webinars, recorded teleconferences, and student team challenges. This program encourages teams to do their best and work to reach every student that transitions in and out of their schools.

***Frances Hesselbein Student Leadership Program (FHSLP)*** - The mission of the FHSLP is to grow and sustain the Student 2 Student® (S2S™) Program on the local campus. Established by Military Child Education in 2006, the FHSL Program offers an intensive experience for selected 10<sup>th</sup> and 11<sup>th</sup> Student 2 Student members to enrich their leadership and team building skills. The program is offered twice a year at West Point in October and Air Force Academy in spring.

***West Point*** - The students learn leadership skills from West Point faculty, distinguished guest lecturers, and hands-on activities. These experiences are similar to what our future military leaders learn prior to starting their careers as officers. The evening activities include building lifelong connections with their teammates and sharing their own S2S programs and goal setting with their new teammates.

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

***US Air Force Academy*** - A team of senior cadets majoring in Behavioral Science and Leadership build the annual Frances Hesselbein program starting the fall of their senior year. The week's learning is structured around the core leadership principles taught to the cadets. The students are taught by the cadets and are provided experiences that build on the leadership principles. The week ends with a goal setting session for students to take back to their campus and implement.

***Parent Initiatives*** - The MCEC Parent to Parent <sup>TM</sup> program is focused on empowering parents to be their child's strongest advocate on educational and transition issues. A team of parents from installation areas are trained to bring the MCEC Parent Workshops to their local communities and implement effective solutions to transition challenges. Parent-to-Parent workshops are offered through the community-based teams, 1-day education seminars, and via on-line webinars and podcasts. The Parent to Parent teams also coordinate and deliver the MCEC Tell Me A Story® program, which is an initiative created to empower our military connected children by using literature and their own stories. This early literacy program is geared toward children ages 4-12.

***Professional Development*** - The MCEC Professional Development delivers online training as well as one-day, live courses designed to enhance the current capabilities, competency, and awareness of professionals who serve and support military-connected children and youth. This program includes the following courses:

***Supporting Military Children through School Transitions: Foundations*** <sup>TM</sup> - Examines how elements of transition impact a military family and analyzes current practices for successfully supporting military-connected students through these changes.

***Supporting Military Children through School Transitions: Social/Emotional*** <sup>TM</sup> - Designed for professionals who serve and support military-connected children and youth, this training focuses on the social and emotional concerns that impact students during school transitions. Whether difficult behaviors or falling behind academically, professionals learn to evaluate the effects of separation and loss and develop practical methods and strategies to ease the challenges associated with repeated school transitions.

***Supporting Veterans' Children through Transitions*** <sup>TM</sup> - Explores the unique academic and social-emotional challenges children often face when their parents transition from military to civilian life, and discovers new resources and positive strategies to support them.

***Responding to the Military Child with Exceptional Needs*** <sup>TM</sup> - Identifies the amplified transition challenges that impact military-connected students with exceptional needs, and explores strategies that support these unique learners as they transition from school to school.

***Living in the New Normal: Helping Children Thrive through Good and Challenging Times*** <sup>TM</sup> - Examines the topics of grief, fostering resilience through positive psychology, coping with change, post-traumatic stress and the impact on children, as well as responding to challenges through the developmental lens. Professionals will learn to recognize how a family member's military experience affects the child, then develop practical strategies to encourage and support resilience skills.

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

***Helping Military Children Discover Their SPARC: Strength, Potential, Aspirations, Resourcefulness, Confidence™*** - By exploring research informed concepts associated with thriving, professionals who serve and support military-connected children and youth will learn how to help students identify their sparks and interests as well as develop skills that contribute to a growth mindset. With support to discover their SPARC, students can not only meet but exceed personal and academic goals.

***The Journey from “Welcome Home” to Now: Reunion, Reconnecting, Routine™*** - Designed for professionals who serve and support military-connected children and youth, this training teaches strategies for successful adjustment during reintegration and reestablishment of routines following a family member’s return after an extended absence.

***Social Emotional Learning and the Military Child*** - This course guides professionals to understand how social and emotional development programs positively impact academic achievement. Additionally, professionals will learn how to integrate SEL into their practice and explore the CASEL model of interrelated cognitive, affective, and behavioral competencies: self-awareness, self-management, social awareness, relationship skills, and responsible decision making.

***We Serve Too: National Guard and Reserve Children*** - This course guides professionals to identify the social, emotional, and academic impact for children of National Guard and Reserve service members, and discover resources to help alleviate their often misunderstood and overlooked challenges. Learn to identify the unique challenges associated with their parent’s service and understand the academic impact for these part-military, part-civilian children and youth.

**Military Student Transition Consultants Programs** - This MCEC initiative is in partnership with the local school system (LEA). There are two options for campus or district professional experts to support the transition needs of students.

***Military Student Transition Consultant™ (MSTC)*** – The MSTC is a full-time, highly specialized education professional embedded within the school district. They work directly with children, parents, and school personnel on a daily basis and serve as expert “navigators”. MSTCs advocate for military-connected students and their families to help decrease the turbulence in family life by building resiliency in students so that they can more successfully cope and overcome the unique challenges they face to meet their academic goals. The MSTC provides an ongoing, continuum of care to help students and parents traverse the often-confusing paths associated with school transitions. This immediate and ongoing care is accomplished by addressing challenges and needs, facilitating connections to school, installation, and community resources, and educating others on the unique needs of military-connected students and how to provide the best support possible. Smooth transitions to or exiting from school and community mean that both parents and students gain access to a professional who can respond to individual needs and anxieties in a timely and effective way.

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

***Military Student Transition Consultant™ - Affiliate (MSTA)*** - The MSTA is an employee of the local education agency (LEA) able to assume additional work responsibilities in support of military-connected students. Affiliates are on site and able to build relationships in order to problem-solve at the local level. The purpose of the Affiliate is transition support for military-connected students. Average time commitment of Affiliates is defined by each LEA and based on campus, population needs. The Affiliate will receive MCEC training in smooth transition support for military-connected students. Affiliate on-boarding training will target the goals of the LEA as defined in the Memorandum of Understanding with the MCEC. The MCEC will provide direct, consistent and purposeful support for the LEA Affiliate.

***Strategic Communications*** - This initiative includes trade shows and conferences, outreach, government relations, public relations, social media and marketing. The MCEC communication team also develops and publishes, in addition to our bi-annual On the Move® magazine, policy papers and reference materials.

***Products and Services*** - Offers a variety of resources from pre-conception through high school and helping them prepare for college. We have a variety of books and Growing Learning and Understanding kits (GLU Kits) that focus on military kids facing separation, PCS moves, special needs and loss.

***Research*** - The MCEC conducts major research and other studies to discover more about the needs and strengths of military-connected children, their parents and the support systems. The MCEC research is primarily focused on transition, unique challenges related to being part of a military-connected family, and (PK-20) educational issues.

***Website and Technology Resources*** - This initiative includes technological maintenance and support for MCEC, and MCEC website, education resource center and software.

***Grants*** - Various grants obtained by MCEC are used to fund a variety of programs including MSTC, professional development, student and parent initiatives, and others.

***National Training Seminar*** - The annual seminar is a professional development and training opportunity inside of a two-day highly structured format with measurable and clearly defined outcomes. Participants have the option of earning continuing education or graduate credit. Each seminar includes an outstanding array of keynote speakers, informative distinguished lecturers and breakout sessions, featuring workshops with useable, relevant information focused on the subject of supporting military-connected children.

***Other Program Services*** - The Pete Taylor Partnership of Excellence Awards program recognizes and promotes partnerships between installations, local education agencies and communities. The Member Services program offers benefits such as access to MCEC communications and publications, and discount on attendance fees to the National Training Seminar.

## **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, 2019 and 2018, \$ 13,233 and \$ 81,551, 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.

# MILITARY CHILD EDUCATION COALITION

## NOTES TO FINANCIAL STATEMENTS

### *New Accounting Pronouncement*

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. MCEC adopted the new standard effective January 1, 2019, the first day of MCEC’s fiscal year, using the full retrospective method.

The adoption of this ASU did not have a significant impact on MCEC’s financial statements. The majority of MCEC’s revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on MCEC’s evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption and no changes were required to currently reported revenues as a result of the adoption of this ASU.

### **3. Cash and Cash Equivalents**

At December 31, 2019 and 2018, cash temporarily restricted for specific programs was \$ 451,519 and \$ 336,051, 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, 2019 and 2018 was \$ 150,000 and \$ -0-, respectively. These funds are reported as net assets with donor restrictions.

### **4. Accounts Receivable**

Accounts receivable consisted of the following at December 31, 2019 and 2018:

	2019	2018
Contracts	\$ 175,233	\$ 381,734
Grants and contributions	364,855	60,000
Membership dues and other	1,806	22,901
	<u>\$ 541,894</u>	<u>\$ 464,635</u>
Accounts Receivable, net	<u>\$ 541,894</u>	<u>\$ 464,635</u>
Accounts Receivable:		
Unrestricted	\$ 190,994	\$ 404,635
Restricted	350,900	60,000
	<u>\$ 541,894</u>	<u>\$ 464,635</u>

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

**5. Inventory**

Inventory consists of professional development materials, books, products and other resources and operating supplies totaling \$ 152,575 and \$ 144,523 at December 31, 2019 and 2018, 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 \$ 61,204 and \$ 103,135 at December 31, 2019 and 2018, respectively.

**7. Property and Equipment**

Property and Equipment consisted of the following at December 31, 2019 and 2018:

	2019	2018
Land	\$ 245,000	\$ 245,000
Building	1,487,008	1,487,008
Computers and equipment	373,197	802,519
Furniture and fixtures	281,312	283,805
Construction-in-progress	7,626	-
	<u>2,394,143</u>	<u>2,818,332</u>
Less: accumulated depreciation	<u>(862,267)</u>	<u>(1,213,094)</u>
Property and Equipment, net	<u><u>\$ 1,531,876</u></u>	<u><u>\$ 1,605,238</u></u>

Depreciation expense at December 31, 2019 and 2018 was \$ 115,452 and \$ 106,262, respectively.

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

**8. Deferred Revenue**

Deferred revenue consists of the following at December 31, 2019 and 2018:

	2019	2018
USAA Foundation	\$ 330,465	\$ 445,165
South Carolina State Plan	127,326	1,262
Alabama State Plan	99,705	1,778
U.S. Navy	32,277	65,963
School districts/military installation membership dues	24,467	28,986
U.S. Air Force	21,211	645
Chan Zuckerberg Initiative	11,283	14,593
Texas State Plan	5,839	5,838
Colleges and universities	2,208	1,916
Armed Services YMCA	1,093	-
Norfolk Public Schools	849	5,232
Corporation	567	1,000
Wounded Warrior Project	-	73,159
Deferred Revenue	<u>\$ 657,290</u>	<u>\$ 645,537</u>

**9. 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 at December 31, 2019 and 2018 was \$ 88,256 and \$ 92,743, respectively.

**10. 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, 2019 and 2018, there were net assets without donor restrictions designated by the Board for reserves in the amount of \$ 482,593 and \$ 482,593, respectively.

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.

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

As of December 31, 2019 and 2018, net assets with donor restrictions consisted of the following:

	2019	2018
Lockheed Martin	\$ 163,734	\$ 53,295
Smith Foundation	150,000	-
The USAA Foundation	142,151	108,407
Donor Contributions	80,000	75,000
Veteran's United Fund	74,367	72,697
Wounded Warrior Project	51,065	-
PAE	28,400	-
Star Market	27,500	15,756
HEB	25,813	7,174
Micron	15,500	-
Tegna	15,000	-
Boeing	15,000	-
Utley Education Foundation	8,889	8,889
Dominion	5,000	-
Compatriot Capital	-	23,996
Biden Foundation	-	14,587
Smith Charitable Trust	-	12,412
AT&T Foundation	-	3,838
Net Assets With Donor Restrictions	<u>\$ 802,419</u>	<u>\$ 396,051</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, 2019 and 2018 were \$ 1,066,736 and \$ 1,715,027, respectively.

At December 31, 2019 and 2018, MCEC has no net assets with donor restrictions which contain restrictions that can never be removed.

**11. 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.

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

**12. 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, 2019 and 2018, revenue concentrations are as follows:

	<u>2019</u>	<u>2018</u>
Military departments	14%	12%
State plans	18%	23%

MCEC had receivables from federal contracts, state plans and a foundation which represent a significant concentration of total receivables. At December 31, 2019 and 2018, receivables concentrations are as follows:

	<u>2019</u>	<u>2018</u>
Federal contracts	3%	29%
State plans	2%	24%
Smith Foundation	28%	0%

**13. 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 MCECs financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general expenditures within one year.

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 2,367,176	\$ 2,320,343
Accounts receivable	541,894	464,635
Financial assets, at year-end	<u>2,909,070</u>	<u>2,784,978</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>\$ 2,226,477</u>	<u>\$ 2,102,385</u>

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

**14. Fund Development Revenue**

In addition to philanthropic revenue reported within the contributions and grants classifications, MCEC's fund development team generated \$ 1,333,777 and \$ 1,335,518 in contract revenue in 2019 and 2018, 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.

**15. Subsequent Events**

In response to the COVID-19 pandemic, MCEC headquarters began shelter-in-place on March 15, 2020 following the orders from the Governor of Texas. Remotely working staff followed their own state-of-residence shelter-in-place guidance. All MCEC staff was deemed essential and, due to the strong financial position, there was no need to reduce staff.

The major impact of COVID-19 to MCEC operations was the cancellation and postponement of live student and professional development trainings. In addition, MCEC had to cancel the annual National Training Seminar, planned for July 2020, in Washington D.C. Parent to parent training teams and Military Student Transition Consultants were able to pivot immediately and execute their programs virtually. Their flexibility allowed MCEC to continue reaching out to parents and children. Philanthropic funders continued to support MCEC financially, while others from which we had funds on hand allowed us to change programs supported or extending execution deadlines. The student and professional development program managers accelerated the process of converting their programs to a virtual option and began testing in June 2020.

On April 24, 2020, MCEC obtained a loan under the Paycheck Protection Program (PPP) in the amount of \$ 439,600. The funds will be used for payroll and other costs described in the PPP. The PPP loans are expected to be forgiven by the government in 2020.