

Military Child Education Coalition

December 31, 2022 and 2021

Financial Statements



MILITARY CHILD EDUCATION COALITION

FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

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 nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Military Child Education Coalition as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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)

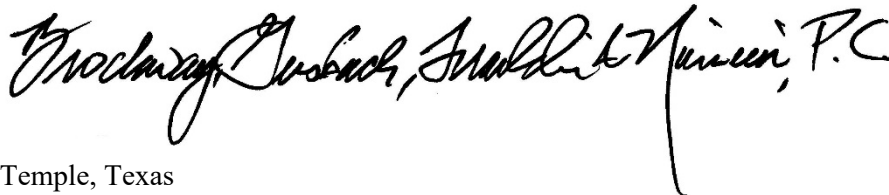
Auditor's Responsibilities for the Audit of the Financial Statements

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 therefore 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 judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 judgment, 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
June 15, 2023

FINANCIAL STATEMENTS

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MILITARY CHILD EDUCATION COALITION
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

ASSETS			
		<u>2022</u>	<u>2021</u>
Current Assets			
Cash and cash equivalents	\$	949,841	\$ 1,637,904
Cash and cash equivalents, restricted		1,485,270	1,944,654
Investments		20,279	-
Accounts receivable		1,527,960	289,515
Accounts receivable, restricted		635,000	821,721
Inventory		19,350	22,187
Prepaid expenses		<u>73,842</u>	<u>40,974</u>
Total Current Assets		4,711,542	4,756,955
Property and equipment, net		<u>1,357,740</u>	<u>1,383,395</u>
Total Assets		<u><u>\$ 6,069,282</u></u>	<u><u>\$ 6,140,350</u></u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$	93,994	\$ 91,386
Accrued expenses		66,333	34,245
Deferred revenue		<u>152,105</u>	<u>290,750</u>
Total Liabilities		312,432	416,381
Net Assets			
Without donor restrictions		3,636,580	2,957,594
With donor restrictions		<u>2,120,270</u>	<u>2,766,375</u>
Total Net Assets		<u>5,756,850</u>	<u>5,723,969</u>
Total Liabilities and Net Assets		<u><u>\$ 6,069,282</u></u>	<u><u>\$ 6,140,350</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Service contract revenue	\$ 513,493	\$ -	\$ 513,493
Contributions	191,470	525,989	717,459
Membership dues	18,365	-	18,365
Conference income	148,037	-	148,037
Products and services	33,369	-	33,369
Grants	-	1,697,699	1,697,699
Fundraising events	2,042	29,000	31,042
Interest and dividends	15,927	-	15,927
Employee retention credit	1,631,508	-	1,631,508
Miscellaneous revenue	7,544	-	7,544
Net assets released from restrictions	2,898,793	(2,898,793)	-
Total Revenues, Gains and Other Support	5,460,548	(646,105)	4,814,443
Expenses			
Program services			
Professional development support	308,561	-	308,561
Student initiatives	472,245	-	472,245
Parent initiatives	745,769	-	745,769
School professionals	222,132	-	222,132
Strategic communications	382,651	-	382,651
Products and services	164,735	-	164,735
Research and curriculum	434,738	-	434,738
Website and technology resources	156,055	-	156,055
Global Training Summit	853,748	-	853,748
Total program services	3,740,634	-	3,740,634
Supporting services			
Management and general	448,633	-	448,633
Fundraising	592,295	-	592,295
Total Expenses	4,781,562	-	4,781,562
Change in net assets	678,986	(646,105)	32,881
Net Assets			
Beginning of year	2,957,594	2,766,375	5,723,969
End of year	\$ 3,636,580	\$ 2,120,270	\$ 5,756,850

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
Revenues, Gains and Other Support			
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	<u>2,570,855</u>	<u>(2,570,855)</u>	<u>-</u>
Total Revenues, Gains and Other Support	5,336,170	129,399	5,465,569
Expenses			
Program services			
Professional development support	381,095	-	381,095
Student initiatives	378,630	-	378,630
Parent initiatives	951,858	-	951,858
School professionals	694,934	-	694,934
Strategic communications	378,806	-	378,806
Products and services	244,196	-	244,196
Research and curriculum	349,101	-	349,101
Website and technology resources	169,288	-	169,288
Grants	10,414	-	10,414
Global Training Summit	<u>122,989</u>	<u>-</u>	<u>122,989</u>
Total program services	3,681,311	-	3,681,311
Supporting services			
Management and general	434,817	-	434,817
Fundraising	<u>581,025</u>	<u>-</u>	<u>581,025</u>
Total Expenses	<u>4,697,153</u>	<u>-</u>	<u>4,697,153</u>
Change in net assets	639,017	129,399	768,416
Net Assets			
Beginning of year	<u>2,318,577</u>	<u>2,636,976</u>	<u>4,955,553</u>
End of year	<u><u>\$ 2,957,594</u></u>	<u><u>\$ 2,766,375</u></u>	<u><u>\$ 5,723,969</u></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, 2022

	Program Services			
	Professional Development Support	Student Initiatives	Parent Initiatives	School Professionals
Payroll	\$ 185,004	\$ 198,798	\$ 589,622	\$ 182,423
Payroll taxes	14,048	15,220	50,009	13,590
Other employee benefits	20,702	2,486	7,849	5,539
Service fees	3,409	80,730	46,242	730
Advertising	-	-	-	-
Office expenses	-	-	172	667
Information technology	-	-	-	-
Occupancy	4,070	-	-	-
Travel	26,548	89,767	8,143	2,983
Insurance	2,369	-	-	-
Other program expenses	44,746	85,244	41,411	15,982
Contingency expense	-	-	-	-
Accounting and legal fees	-	-	-	-
Total expenses before depreciation	300,896	472,245	743,448	221,914
Depreciation	7,665	-	2,321	218
Total Expenses	<u>\$ 308,561</u>	<u>\$ 472,245</u>	<u>\$ 745,769</u>	<u>\$ 222,132</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, 2022

	Program Services			
	Strategic Communications	Products and Services	Research and Curriculum	Website and Technology Resources
Payroll	\$ 260,023	\$ 82,183	\$ 357,802	\$ 36,389
Payroll taxes	18,904	5,790	25,784	2,721
Other employee benefits	29,195	8,444	29,802	1,927
Service fees	14,416	700	11,171	365
Advertising	12,337	-	-	-
Office expenses	10,247	6,272	5,288	457
Information technology	-	-	-	99,138
Occupancy	3,053	14,755	1,018	1,018
Travel	24,026	-	-	-
Insurance	1,777	8,589	592	592
Other program expenses	4,041	19,613	-	-
Contingency expense	-	-	-	-
Accounting and legal fees	-	-	-	-
Total expenses before depreciation	378,019	146,346	431,457	142,607
Depreciation	4,632	18,389	3,281	13,448
Total Expenses	<u>\$ 382,651</u>	<u>\$ 164,735</u>	<u>\$ 434,738</u>	<u>\$ 156,055</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, 2022

	Program Services		
	Grants	Global Training Summit	Total Program Services
Payroll	\$ -	\$ 125,677	\$ 2,017,921
Payroll taxes	-	9,472	155,538
Other employee benefits	-	5,313	111,257
Service fees	-	2,715	160,478
Advertising	-	-	12,337
Office expenses	-	401	23,504
Information technology	-	-	99,138
Occupancy	-	-	23,914
Travel	-	324,829	476,296
Insurance	-	-	13,919
Other program expenses	-	385,141	596,178
Contingency expense	-	-	-
Accounting and legal fees	-	-	-
Total expenses before depreciation	-	853,548	3,690,480
Depreciation	-	200	50,154
Total Expenses	<u>\$ -</u>	<u>\$ 853,748</u>	<u>\$ 3,740,634</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, 2022

	Management and General	Fundraising	2022 Total
Payroll	\$ 280,168	\$ 445,134	\$ 2,743,223
Payroll taxes	20,990	33,197	209,725
Other employee benefits	22,263	24,769	158,289
Service fees	17,005	32,493	209,976
Advertising	-	-	12,337
Office expenses	22,540	36,061	82,105
Information technology	-	-	99,138
Occupancy	4,503	2,035	30,452
Travel	380	7,463	484,139
Insurance	6,291	1,186	21,396
Other program expenses	-	6,318	602,496
Contingency expense	19,026	-	19,026
Accounting and legal fees	44,140	-	44,140
Total expenses before depreciation	437,306	588,656	4,716,442
Depreciation	11,327	3,639	65,120
Total Expenses	<u>\$ 448,633</u>	<u>\$ 592,295</u>	<u>\$ 4,781,562</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, 2021

	Program Services			
	Professional Development Support	Student Initiatives	Parent Initiatives	School Professionals
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			
	Strategic Communications	Products and Services	Research and Curriculum	Website and Technology 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	Global Training Summit	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
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows Used by Operating Activities		
Change in net assets	\$ 32,881	\$ 768,416
Adjustments to reconcile change in nets assets to net cash provided by operating activities:		
Depreciation	65,120	87,418
Gain on disposal of assets	988	296
Unrealized loss on investments	2,054	-
(Increase) decrease in:		
Accounts receivable	(1,238,445)	(113,488)
Accounts receivable, restricted	186,721	(206,721)
Inventory	2,837	69,118
Prepaid expenses	(32,868)	57,305
Increase (decrease) in:		
Long-term debt	-	(439,600)
Accounts payable	2,608	(175,411)
Accrued liabilities	32,088	(49,604)
Deferred revenue	(138,645)	(214,844)
Net adjustment	<u>(1,117,542)</u>	<u>(985,531)</u>
Net cash used by operating activities	(1,084,661)	(217,115)
Cash Flows Used by Investing Activities		
Purchase of property and equipment	(40,453)	(2,746)
Purchase of investments	<u>(22,333)</u>	<u>-</u>
Net cash used by investing activities	<u>(62,786)</u>	<u>(2,746)</u>
Net decrease in cash and cash equivalents	(1,147,447)	(219,861)
Cash and cash equivalents		
Beginning of year	<u>3,582,558</u>	<u>3,802,419</u>
End of year	<u><u>\$ 2,435,111</u></u>	<u><u>\$ 3,582,558</u></u>
Cash and cash equivalents:		
Unrestricted	\$ 949,841	\$ 1,637,904
Restricted	<u>1,485,270</u>	<u>1,944,654</u>
	<u><u>\$ 2,435,111</u></u>	<u><u>\$ 3,582,558</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.

Organization's Signature Programs:

Personal Connections to address individual problems military families face, as well as provide information and referrals, is accomplished at the local level through Community Coordinators and across the world through the Military Student Consultant Service Center.

- **Community Coordinators** ensure military-connected students, their parents, educators, administrators, other youth-serving professionals and community organizations have the information and resources they need to support military-connected students and their families as they navigate the unique challenges associated with a military lifestyle.
- **Military Student Consultant Service Center** serves as first responders for military-connected families to help them transition from one location to another and address other challenges associated with the military-family lifestyle. This team also addresses the needs of National Guard, Reserve, ROTC Cadre and Recruiter families often located in a low-density military community with limited support systems.

Training enlightens and informs parents, educators and other youth-serving professionals to better understand, appropriately respond and help mitigate the unique challenges presented by the military lifestyle.

- **MCEC Global Training Summit**, held annually since 1998, is a professional development and training opportunity with measurable and clearly defined outcomes. Each event includes an array of keynote speakers, informative distinguished lecturers and breakout sessions, featuring usable, relevant information focused on supporting military-connected children.
- **Professional Development for Educators, Other Youth-Serving Professionals**, trains professionals across disciplines such as education, healthcare, childcare and business, along with parents and caregivers, to address the unique challenges facing military-connected children.

MILITARY CHILD EDUCATION COALITION NOTES TO FINANCIAL STATEMENTS

- **Workshops, Webinars and Podcasts** provide pertinent and timely information to parents, educators and other youth-serving professionals and address academic, social and emotional issues associated with a military family lifestyle.

Student Enrichment opportunities are provided through peer-to-peer mentoring programs, leadership training, family literacy and STEM-related instruction.

Student 2 Student® campus mentoring programs at the high, middle and elementary school levels bring military and civilian students together to welcome new students, support academic excellence and ease transitions as students pass in or out of schools.

- **360 Summits** MCEC 360 Summits provide training support for regional schools pursuing or maintaining the Purple Star designation through their state. These events showcase role models, speakers, and experts who exemplify the requirements for the Purple Star program. At the summit, school professionals, students, and parents are provided experiences and information highlighting the elements of Purple Star Schools.
- **Professional Learning Communities (ECHO)** MCEC® has partnered with the University of New Mexico Health Sciences Department and Project ECHO® to host Professional Learning Communities (PLC) as a NEW way for educators to collaborate with and utilize a network of peers and partners to support military-connected students. Participants have the unique opportunity to identify potential solutions to common challenges related to Purple Star Programs with Subject Matter Experts and peers from across the country.
- **Frances Hesselbein Student Leadership Program**, an intensive leadership training program held at the US Military Academy West Point and the US Air Force Academy, focuses on team building, leadership development, goal setting, resilience, life span human development, character development, community involvement and leadership in action.
- **Tell Me a Story®**, a two-generational, family literacy event, encourages parent and child interactions through shared reading experiences and related activities while supporting the development of resiliency skills.
- **Together We Code**, a two-generational instruction focused on computer science and computational thinking, encourages families to learn to Code together.

Information and Referral is offered through SchoolQuest, En Espanol Team and the MCEC website.

- **SchoolQuest** is a free, online, innovative resource of tips, tools and tactics to help military parents better prepare their child(ren) to be on track for degree completion, workforce preparation and/or military service. SchoolQuest includes an Academic Tracker, Student Profile, Reminders and Notifications, Personalized Checklists, School Search Capabilities and Interactive Resources.
- **MCEC En Espanol Team** makes critical resources available in Spanish as well as provides real-time Spanish translations during workshops, trainings, webinars and podcasts.

MILITARY CHILD EDUCATION COALITION NOTES TO FINANCIAL STATEMENTS

- **MCEC Website**, is a repository of information to assist military-connected children, their parents/caregivers and the educators and other youth serving adults who support them.

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.

MILITARY CHILD EDUCATION COALITION NOTES TO FINANCIAL STATEMENTS

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.

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.

Investments

MCEC uses a fair value hierarchy established by GAAP that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are:

- Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 — Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the assets or liability.
- Level 3 — Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (that is, the inputs are supported by little or no market activity).

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

MILITARY CHILD EDUCATION COALITION NOTES TO FINANCIAL STATEMENTS

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, 2022 and 2021, \$ -0- 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.

Lease Accounting Changes

ASC 2016-02, *Leases* (Topic 842) – This updated lease standard increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that were not previously presented on the statements of financial position. Topic 842 establishes a model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This standard has been adopted by MCEC in fiscal year 2022, and it has no effect on MCEC's financial statements.

MILITARY CHILD EDUCATION COALITION
NOTES TO FINANCIAL STATEMENTS

3. Cash and Cash Equivalents

At December 31, 2022 and 2021, cash temporarily restricted for specific programs was \$ 1,485,270 and \$ 1,944,654, 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, 2022 and 2021 was \$ -0- and \$ 97,073, respectively. These funds are reported as net assets with donor restrictions.

4. Investments

All of the MCEC's investments are level 1 measurements in the fair value hierarchy. As of December 31, 2022 and 2021, MCEC invested in various funds as follows:

Investment Type	2022		2021	
	Historical Cost	Market Value	Historical Cost	Market Value
Cash and money funds	\$ 1	\$ 1	\$ 9,701	\$ 9,701
Mutual fund securities:				
Equities	22,334	20,279	-	-
	<u>\$ 22,335</u>	<u>\$ 20,280</u>	<u>\$ 9,701</u>	<u>\$ 9,701</u>

5. Accounts Receivable

Accounts receivable consisted of the following at December 31, 2022 and 2021:

	2022	2021
Contracts	\$ 123,799	\$ 287,409
Grants and contributions	635,000	821,721
Employee Retention Credit	1,392,382	-
Membership dues and other	11,779	2,106
Accounts Receivable, net	<u>\$ 2,162,960</u>	<u>\$ 1,111,236</u>
Accounts Receivable:		
Unrestricted	\$ 1,527,960	\$ 289,515
Restricted	635,000	821,721
	<u>\$ 2,162,960</u>	<u>\$ 1,111,236</u>

MILITARY CHILD EDUCATION COALITION
NOTES TO FINANCIAL STATEMENTS

6. Inventory

Inventory consists of professional development materials, books, products and other resources and operating supplies totaling \$ 19,350 and \$ 22,187 at December 31, 2022 and 2021, respectively.

7. Property and Equipment

Property and Equipment consisted of the following at December 31, 2022 and 2021:

	2022	2021
Land	\$ 245,000	\$ 245,000
Building	1,487,008	1,487,008
Computers and equipment	373,197	373,197
Furniture and fixtures	192,637	313,155
Construction in progress	19,389	-
	<u>2,317,231</u>	<u>2,418,360</u>
Less: accumulated depreciation	<u>(959,491)</u>	<u>(1,034,965)</u>
Property and Equipment, net	<u><u>\$ 1,357,740</u></u>	<u><u>\$ 1,383,395</u></u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$ 65,120 and \$ 87,418, respectively.

8. Deferred Revenue

Deferred revenue consists of the following at December 31, 2022 and 2021:

	2022	2021
The USAA Foundation Inc.	\$ 79,609	\$ 155,968
U.S. Navy	30,895	38,550
U.S. Air Force	28,086	72,293
School districts/military installation membership dues	13,515	17,598
El Paso County ISD #49 (Falcon)	<u>-</u>	<u>6,341</u>
Deferred Revenue	<u><u>\$ 152,105</u></u>	<u><u>\$ 290,750</u></u>

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

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, 2022 and 2021, 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, 2022 and 2021, net assets with donor restrictions consisted of the following:

	2022	2021
Alabama State Plan	\$ 1,016,502	\$ 1,108,060
South Carolina State Plan	414,383	504,463
The USAA Foundation Inc.	247,691	320,277
Wounded Warrior Project	85,684	83,941
Veterans United Foundation	66,533	158,855
Lockheed Martin Corp	50,000	103,758
USAA Bank	50,000	69,745
Boeing	45,675	104,643
Sid W. Richardson Foundation	39,106	34,000
HEB	35,082	63,989
Suzy Carlton Leadership Award	25,280	-
Archer Foundation	15,000	-
James Avery	15,000	-
Micron Foundation	7,834	12,747
Donor Contributions	6,500	25,717
May & Stanley Smith Charitable Trust	-	100,000
Utley Education Foundation	-	37,751
Star Market Charity Golf Classic	-	17,158
Lockheed Martin Foundation	-	16,912
TEGNA	-	4,359
	<hr/>	<hr/>
Net Assets With Donor Restrictions	<u>\$ 2,120,270</u>	<u>\$ 2,766,375</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, 2022 and 2021 totaled \$ 2,898,793 and \$ 2,570,855, respectively.

At December 31, 2022 and 2021, MCEC had no net assets with donor restrictions which contain restrictions that can never be removed.

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

10. Paycheck Protection Program Loans

During 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. 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. These refunds include interest, and \$ 13,139 of interest was received in the year ended December 31, 2022. The amounts that have not been received are included in accounts receivable as of December 31, 2022, and revenue has been recorded in the year ended December 31, 2022, the year in which ERC credits were submitted.

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, 2022 and 2021 was \$ 61,650 and \$ 66,084, 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 various state plans. For the years ended December 31, 2022 and 2021, revenue concentration is as follows:

	<u>2022</u>	<u>2021</u>
State plans	27%	29%

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

MCEC had receivables from state plans, military departments, and the federal government, which represent a significant concentration of total receivables. At December 31, 2022 and 2021, receivables concentrations are as follows:

	2022	2021
Employee Retention Credit	64%	0%
State plans	28%	64%
Military departments	5%	16%
Veterans United Foundation	0%	11%

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, 2022 and 2021, reduced by amounts not available for general expenditures within one year.

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 2,435,111	\$ 3,582,558
Accounts receivable	2,162,960	1,111,236
Investments	20,279	-
	<u>4,618,350</u>	<u>4,693,794</u>
Financial assets, at year-end		
Less those unavailable for general expenditure within one year due to:		
Donor restriction - cash and cash equivalents	1,485,270	1,944,654
Donor restriction - accounts receivable	635,000	821,721
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	100,000	100,000
	<u>1,815,487</u>	<u>1,244,826</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u><u>\$ 1,815,487</u></u>	<u><u>\$ 1,244,826</u></u>

16. Fund Development Revenue

In addition to philanthropic revenue reported within the contributions and grants classifications, MCEC's fund development team generated \$ -0- and \$ 520,190 in contract revenue during the years ended December 31, 2022 and 2021, 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.

MILITARY CHILD EDUCATION COALITION
NOTES TO FINANCIAL STATEMENTS

17. Subsequent Events

Management has reviewed and evaluated subsequent events and transactions through June 15, 2023, 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.