

**Military Child
Education Coalition**

**September 30, 2023 and
December 31, 2022**

Financial Statements



MILITARY CHILD EDUCATION COALITION

FINANCIAL STATEMENTS

**For the Nine-Month Period Ended September 30, 2023
and the Year Ended December 31, 2022**

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT THEREON

CONTENTS

Independent Auditor’s Report	1 - 2
Financial Statements:	
Statements of Financial Position	5
Statement of Activities – For the Nine-Month Period Ended September 30, 2023	6
Statement of Activities – For the Year Ended December 31, 2022	7
Statement of Functional Expenses – For the Nine-Month Period Ended September 30, 2023	8 - 11
Statement of Functional Expenses – For the Year Ended December 31, 2022	12 - 15
Statements of Cash Flows	16
Notes to Financial Statements	17 - 26



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 September 30, 2023 and December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the nine-month period ended September 30, 2023 and the year ended December 31, 2022, 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 September 30, 2023, and December 31, 2022, and the changes in its net assets and its cash flows for the nine-month period ended September 30, 2023 and the year ended December 31, 2022 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
December 14, 2023

FINANCIAL STATEMENTS

This page is left blank intentionally.

MILITARY CHILD EDUCATION COALITION
STATEMENTS OF FINANCIAL POSITION
September 30, 2023 and December 31, 2022

ASSETS		
	2023	2022
Current Assets		
Cash and cash equivalents	\$ 1,444,916	\$ 949,841
Cash and cash equivalents, restricted	544,248	1,485,270
Investments	26,482	20,279
Accounts receivable	69,046	135,578
Employee retention receivable	733,796	1,392,382
Accounts receivable, restricted	845,000	635,000
Inventory	14,275	19,350
Prepaid expenses	43,616	73,842
Total Current Assets	3,721,379	4,711,542
Property and equipment, net	1,368,048	1,357,740
Total Assets	\$ 5,089,427	\$ 6,069,282
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 261,150	\$ 93,994
Accrued expenses	79,361	66,333
Deferred revenue	52,035	152,105
Total Liabilities	392,546	312,432
Net Assets		
Without donor restrictions	3,307,633	3,636,580
With donor restrictions	1,389,248	2,120,270
Total Net Assets	4,696,881	5,756,850
Total Liabilities and Net Assets	\$ 5,089,427	\$ 6,069,282

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

MILITARY CHILD EDUCATION COALITION
STATEMENT OF ACTIVITIES
For the Nine-Month Period Ended September 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support			
Service contract revenue	\$ 307,860	\$ -	\$ 307,860
Contributions	108,875	455,980	564,855
Membership dues	18,188	-	18,188
Conference income	138,898	-	138,898
Products and services	11,648	-	11,648
Grants	-	1,174,500	1,174,500
Fundraising events	8,874	-	8,874
Interest and dividends	94,364	-	94,364
Miscellaneous revenue	17,705	-	17,705
Net assets released from restrictions	<u>2,361,502</u>	<u>(2,361,502)</u>	<u>-</u>
Total Revenues, Gains and Other Support	3,067,914	(731,022)	2,336,892
Expenses			
Program services			
Professional development support	148,376	-	148,376
Student initiatives	145,986	-	145,986
Parent initiatives	464,377	-	464,377
School professionals	110,663	-	110,663
Strategic communications	294,162	-	294,162
Products and services	92,230	-	92,230
Research and curriculum	305,476	-	305,476
Website and technology resources	98,534	-	98,534
360 Summit	149,316	-	149,316
Global Training Summit	<u>828,545</u>	<u>-</u>	<u>828,545</u>
Total program services	2,637,665	-	2,637,665
Supporting services			
Management and general	331,250	-	331,250
Fundraising	<u>427,946</u>	<u>-</u>	<u>427,946</u>
Total Expenses	<u>3,396,861</u>	<u>-</u>	<u>3,396,861</u>
Change in net assets	(328,947)	(731,022)	(1,059,969)
Net Assets			
Beginning of year	<u>3,636,580</u>	<u>2,120,270</u>	<u>5,756,850</u>
End of year	<u>\$ 3,307,633</u>	<u>\$ 1,389,248</u>	<u>\$ 4,696,881</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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support			
Service contract revenue	\$ 322,023	\$ -	\$ 322,023
Philanthropic contract revenue	191,470	-	191,470
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	<u>\$ 3,636,580</u>	<u>\$ 2,120,270</u>	<u>\$ 5,756,850</u>

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

MILITARY CHILD EDUCATION COALITION
STATEMENT OF FUNCTIONAL EXPENSES
For the Nine-Month Period Ended September 30, 2023

	Program Services			
	Professional Development Support	Student Initiatives	Parent Initiatives	School Professionals
Payroll	\$ 95,058	\$ 62,898	\$ 342,334	93,287
Payroll taxes	7,397	4,802	27,746	7,013
Other employee benefits	10,173	452	11,086	3,252
Service fees	3,663	-	15,360	474
Advertising	-	-	-	-
Office expenses	538	-	-	228
Information technology	-	-	-	-
Occupancy	3,192	2,167	1,846	134
Travel	3,049	25,608	29,662	2,132
Insurance	2,031	1,379	1,174	85
Other program expenses	17,018	45,534	29,896	3,531
Contingency expense	-	-	-	-
Accounting and legal fees	-	-	-	-
Total expenses before depreciation	142,119	142,840	459,104	110,136
Depreciation	6,257	3,146	5,273	527
Total Expenses	<u>\$ 148,376</u>	<u>\$ 145,986</u>	<u>\$ 464,377</u>	<u>\$ 110,663</u>

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

MILITARY CHILD EDUCATION COALITION
STATEMENT OF FUNCTIONAL EXPENSES (Continued)
For the Nine-Month Period Ended September 30, 2023

	Program Services			
	Strategic Communications	Products and Services	Research and Curriculum	Website and Technology Resources
Payroll	\$ 200,213	\$ 56,659	\$ 251,613	\$ 51,174
Payroll taxes	15,595	4,054	18,793	3,873
Other employee benefits	15,448	6,119	19,813	805
Service fees	12,002	172	1,702	157
Advertising	8,566	-	-	-
Office expenses	11,242	7,778	10,218	109
Information technology	-	-	-	40,065
Occupancy	3,489	1,499	761	761
Travel	17,075	-	-	-
Insurance	2,220	954	485	485
Other program expenses	2,550	11,938	-	-
Contingency expense	-	-	-	-
Accounting and legal fees	-	-	-	-
Total expenses before depreciation	<u>288,400</u>	<u>89,173</u>	<u>303,385</u>	<u>97,429</u>
Depreciation	<u>5,762</u>	<u>3,057</u>	<u>2,091</u>	<u>1,105</u>
Total Expenses	<u><u>\$ 294,162</u></u>	<u><u>\$ 92,230</u></u>	<u><u>\$ 305,476</u></u>	<u><u>\$ 98,534</u></u>

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

MILITARY CHILD EDUCATION COALITION
STATEMENT OF FUNCTIONAL EXPENSES (Continued)
For the Nine-Month Period Ended September 30, 2023

	Program Services		
	360 Summit	Global Training Summit	Total Program Services
Payroll	\$ 60,322	\$ 89,159	\$ 1,302,717
Payroll taxes	4,622	6,774	100,669
Other employee benefits	479	3,883	71,510
Service fees	-	1,724	35,254
Advertising	-	-	8,566
Office expenses	-	77	30,190
Information technology	-	-	40,065
Occupancy	2,383	-	16,232
Travel	32,964	305,935	416,425
Insurance	1,516	861	11,190
Other program expenses	43,572	417,773	571,812
Contingency expense	-	-	-
Accounting and legal fees	-	-	-
Total expenses before depreciation	<u>145,858</u>	<u>826,186</u>	<u>2,604,630</u>
Depreciation	<u>3,458</u>	<u>2,359</u>	<u>33,035</u>
Total Expenses	<u><u>\$ 149,316</u></u>	<u><u>\$ 828,545</u></u>	<u><u>\$ 2,637,665</u></u>

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

MILITARY CHILD EDUCATION COALITION
STATEMENT OF FUNCTIONAL EXPENSES (Continued)
For the Nine-Month Period Ended September 30, 2023

	Management and General	Fundraising	2023 Total
Payroll	\$ 206,531	\$ 318,333	\$ 1,827,581
Payroll taxes	15,138	24,285	140,092
Other employee benefits	20,105	18,809	110,424
Service fees	3,871	22,071	61,196
Advertising	-	-	8,566
Office expenses	7,285	27,167	64,642
Information technology	-	-	40,065
Occupancy	3,447	1,751	21,430
Travel	340	6,016	422,781
Insurance	4,957	1,115	17,262
Other program expenses	1,063	4,048	576,923
Contingency expense	12,599	-	12,599
Accounting and legal fees	51,360	-	51,360
Total expenses before depreciation	326,696	423,595	3,354,921
Depreciation	4,554	4,351	41,940
Total Expenses	\$ 331,250	\$ 427,946	\$ 3,396,861

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	\$ 308,561	\$ 472,245	\$ 745,769	\$ 222,132

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	<u>378,019</u>	<u>146,346</u>	<u>431,457</u>	<u>142,607</u>
Depreciation	<u>4,632</u>	<u>18,389</u>	<u>3,281</u>	<u>13,448</u>
Total Expenses	<u><u>\$ 382,651</u></u>	<u><u>\$ 164,735</u></u>	<u><u>\$ 434,738</u></u>	<u><u>\$ 156,055</u></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

	<u>Program Services</u>	
	<u>Global Training Summit</u>	<u>Total Program Services</u>
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	<u>853,548</u>	<u>3,690,480</u>
Depreciation	<u>200</u>	<u>50,154</u>
Total Expenses	<u><u>\$ 853,748</u></u>	<u><u>\$ 3,740,634</u></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	<u>437,306</u>	<u>588,656</u>	<u>4,716,442</u>
Depreciation	<u>11,327</u>	<u>3,639</u>	<u>65,120</u>
Total Expenses	<u><u>\$ 448,633</u></u>	<u><u>\$ 592,295</u></u>	<u><u>\$ 4,781,562</u></u>

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

MILITARY CHILD EDUCATION COALITION
STATEMENTS OF CASH FLOWS
For the Nine-Month Period Ended September 30, 2023
and the Year Ended December 31, 2022

	2023	2022
Cash Flows Used by Operating Activities		
Change in net assets	\$ (1,059,969)	\$ 32,881
Adjustments to reconcile change in nets assets to net cash provided by operating activities:		
Depreciation	41,940	65,120
Gain on disposal of assets	511	988
Unrealized loss on investments	(1,201)	2,054
(Increase) decrease in:		
Accounts receivable	66,532	153,937
Employee retention receivable	658,586	(1,392,382)
Accounts receivable, restricted	(210,000)	186,721
Inventory	5,075	2,837
Prepaid expenses	30,226	(32,868)
Increase (decrease) in:		
Accounts payable	167,156	2,608
Accrued liabilities	13,028	32,088
Deferred revenue	(100,070)	(138,645)
Net adjustment	671,783	(1,117,542)
Net cash used by operating activities	(388,186)	(1,084,661)
Cash Flows Used by Investing Activities		
Purchase of property and equipment	(52,759)	(40,453)
Purchase of investments	(5,002)	(22,333)
Net cash used by investing activities	(57,761)	(62,786)
Net decrease in cash and cash equivalents	(445,947)	(1,147,447)
Cash and cash equivalents		
Beginning of year	2,435,111	3,582,558
End of year	\$ 1,989,164	\$ 2,435,111
Cash and cash equivalents:		
Unrestricted	\$ 1,444,916	\$ 949,841
Restricted	544,248	1,485,270
	\$ 1,989,164	\$ 2,435,111

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 nonprofit military service organization who solely focuses all efforts to address the needs of military-connected children, specifically targeting the areas of academic opportunity and excellence, school transition support, and social and emotional 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 Mission:

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

Organization's Signature Programs:

Organization Initiatives - Address individual challenges military families face, as well as provide information and referrals, accomplished at the local level through Community Coordinators and across the world through the Military Student Consultant Service Center.

Community Coordinators provide comprehensive support and resources to ensure military-connected students, parents, educators, administrators, other youth-serving professionals, and community members have the information and resources they need to support military-connected children and their families as they navigate the unique challenges associated with the military lifestyle.

Military Student Consultant Service Center is a global, personalized concierge service that responds to individual needs of military-connected students, families, and professionals anywhere – Active Duty, National Guard, Reserve, ROTC cadre, and recruiter families. This highly specialized, trained professional team serves as first responders for military-connected children and families to help them transition from one location to another and address complex academic and social emotional challenges.

MCEC 360 Summits are collaborative events for school professionals, parents, students, and community members that provide critical guidance to help schools respond to the educational and social/emotional challenges of a military lifestyle. They introduce communities to the benefits of Purple Star Readiness/designation by featuring speakers, mentors, and experts. Criteria are tailored state-by-state to identify and nurture schools to be truly "military friendly."

Professional Services - MCEC professional development helps prepare professionals across disciplines to address the unique challenges facing military-connected children. Face-to-face and virtual training informs educators and other youth-serving professionals to glean better understanding, appropriately respond, and help mitigate the unique challenges presented by the military lifestyle.

MCEC has partnered with the University of New Mexico Health Sciences Department and **Project ECHO®** to host professional learning communities, a new way for educators to utilize a network of peers and partners, to learn, collaborate and to implement strategies to best support military-connected students.

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

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 relevant information focused on supporting the well-being of military-connected children.

Student Achievement – Provide opportunities through peer-to-peer mentoring programs, leadership training, student summits and enhancement trainings. *Student 2 Student*® (S2S™) campus mentoring programs at the elementary, middle, and high school levels bring military and civilian students together to welcome new students, support academic excellence, personal well-being, team building and ease transitions as students transition into or out of schools.

Frances Hesselbein Student Leadership Program, established in 2006, is an intensive leadership training program held at the United States Military Academy West Point and United States Air Force Academy designed to grow and sustain the S2S program on the local campus offering an intensive experience for selected students to enrich their leadership and team building skills. Through the week-long intensive experience, sophomores and juniors gain confidence, competence, and commitment to their leadership to build their program. Distinguished guests provide insights into overcoming challenges and building personal character.

Parent Support- Parent workshops, webinars, events, and podcasts provide pertinent and timely information to parents and caregivers to help draw upon strengths and address academic and social and emotional challenges associated with a military family lifestyle.

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.

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

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.

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.

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

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.

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.

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

Fixed Assets

Equipment is stated at cost at date of acquisition or 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 both the nine-month period ended September 30, 2023 and year ended December 31, 2022, \$-0- of in-kind revenues were included in contributions. Had in-kind revenue been recognized, expenses would have been 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 does not have a material impact on MCEC's financial statements at September 30, 2023 nor at December 31, 2022.

3. Cash and Cash Equivalents

At September 30, 2023 and December 31, 2022, cash temporarily restricted for specific programs was \$ 506,359 and \$ 1,485,270, respectively. These amounts are reported as net assets with donor restrictions.

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

4. Investments

All of the MCEC's investments are level 1 measurements in the fair value hierarchy. At September 30, 2023 and December 31, 2022, MCEC invested in various funds as follows:

Investment Type	2023		2022	
	Historical Cost	Market Value	Historical Cost	Market Value
Cash and money funds	\$ 1	\$ 1	\$ 1	\$ 1
Mutual fund securities:				
Equities	22,334	26,481	22,334	20,278
	<u>\$ 22,335</u>	<u>\$ 26,482</u>	<u>\$ 22,335</u>	<u>\$ 20,279</u>

5. Accounts Receivable

Accounts receivable consisted of the following at September 30, 2023 and December 31, 2022:

	2023	2022
Contracts	\$ 64,828	\$ 123,799
Grants and contributions	845,000	635,000
Employee Retention Credit	733,796	1,392,382
Membership dues and other	4,218	11,779
	<u>\$ 1,647,842</u>	<u>\$ 2,162,960</u>
Accounts Receivable, net		
Accounts Receivable:		
Unrestricted	\$ 802,842	\$ 1,527,960
Restricted	845,000	635,000
	<u>\$ 1,647,842</u>	<u>\$ 2,162,960</u>

6. Inventory

Inventory consists of professional development materials, books, products and other resources and operating supplies totaling \$ 14,275 and \$ 19,350 at September 30, 2023 and December 31, 2022, respectively.

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

7. Property and Equipment

Property and Equipment consisted of the following at September 30, 2023 and December 31, 2022:

	2023	2022
Land	\$ 245,000	\$ 245,000
Building	1,487,008	1,487,008
Computers and equipment	373,197	373,197
Furniture and fixtures	185,366	192,637
Construction in progress	69,167	19,389
	2,359,738	2,317,231
Less: accumulated depreciation	(991,690)	(959,491)
Property and Equipment, net	\$ 1,368,048	\$ 1,357,740

Depreciation expense for the nine-month period ended September 30, 2023 and year ended December 31, 2022 was \$ 41,940 and \$ 65,120, respectively.

8. Deferred Revenue

Deferred revenue consists of the following at September 30, 2023 and December 31, 2022:

	2023	2022
The USAA Foundation Inc.	\$ 30,110	\$ 79,609
U.S. Navy	-	30,895
U.S. Air Force	-	28,086
School districts/military installation membership dues	19,931	13,515
Southwest Travel Points	1,994	-
	52,035	152,105
Deferred Revenue	\$ 52,035	\$ 152,105

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. At of September 30, 2023 and December 31, 2022, there were net assets without donor restrictions designated by the Board for reserves in the amount of \$ 482,593.

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

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. At September 30, 2023 and December 31, 2022, net assets with donor restrictions consisted of the following:

	<u>2023</u>	<u>2022</u>
The USAA Foundation Inc.	\$ 401,798	\$ 247,691
South Carolina State Plan	382,414	414,383
Alabama State Plan	191,528	1,016,502
May & Stanley Smith Charitable Trust	100,000	-
Wounded Warrior Project	75,000	85,684
HEB	55,158	35,082
Sid W. Richardson Foundation	40,218	39,106
Star Market Charity Golf Classic	30,000	-
Veterans United Foundation	27,401	66,533
Suzy Carlton Leadership Award	26,481	25,280
James Avery	15,000	15,000
Donor Contributions	11,712	6,500
BAE	9,507	-
Micron Foundation	7,666	7,834
American Logistics Association	7,365	-
1st National Bank	5,000	-
Boeing	3,000	45,675
Lockheed Martin Corp	-	50,000
USAA Bank	-	50,000
Archer Foundation	-	15,000
	<u> </u>	<u> </u>
Net Assets With Donor Restrictions	<u>\$ 1,389,248</u>	<u>\$ 2,120,270</u>

Net assets released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the nine-month period ended September 30, 2023 and the year ended December 31, 2022 totaled \$ 2,361,502 and \$ 2,898,793, respectively.

At September 30, 2023 and December 31, 2022, 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. 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. For the nine-month period ended September 30, 2023 and the year ended December 31, 2022 interest received was \$ 71,601 and \$ 13,139.

The amounts that have not been received are included in accounts receivable as of September 30, 2023, and revenue has been recorded in the year ended December 31, 2022, the year in which ERC credits were submitted. At September 30, 2023, a portion of the ERC claims remained uncollected as the IRS scheduled and conducted a field examination of the final two open quarters. The IRS completed its examination and has accepted the claims and resumed processing the claims. Management anticipates collecting these claims with interest in the near future.

11. 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 nine-month period ended September 30, 2023 and year ended December 31, 2022 was \$ 43,660 and \$ 61,650, respectively.

12. 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.

13. Concentrations

MCEC receives a material amount of its funding through various state plans. For the nine-month period ended September 30, 2023 and year ended December 31, 2022, revenue concentration is as follows:

	2023	2022
State plans	22%	27%

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

MCEC had receivables from state plans and the federal government, which represent a significant concentration of total receivables. At September 30, 2023 and December 31, 2022, receivables concentrations are as follows:

	<u>2023</u>	<u>2022</u>
Employee Retention Credit	45%	64%
State plans	22%	28%

14. 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 at September 30, 2023 and December 31, 2022, reduced by amounts not available for general expenditures within one year.

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 1,989,164	\$ 2,435,111
Accounts receivable	1,647,842	2,162,960
Investments	<u>26,482</u>	<u>20,279</u>
Financial assets, at year-end	3,663,488	4,618,350
Less those unavailable for general expenditure within one year due to:		
Donor restriction - cash and cash equivalents	544,248	1,485,270
Donor restriction - accounts receivable	845,000	635,000
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><u>\$ 1,591,647</u></u>	<u><u>\$ 1,815,487</u></u>

15. Subsequent Events

Management has reviewed and evaluated subsequent events and transactions through December 14, 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.