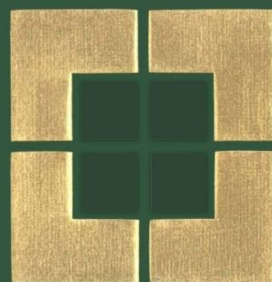


**Military Child Education Coalition**

**December 31, 2018 and 2017**

***Financial Statements***



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

**CERTIFIED PUBLIC ACCOUNTANTS**

**MILITARY CHILD EDUCATION COALITION**

**FINANCIAL STATEMENTS AS OF**

**December 31, 2018 and 2017**

**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, 2018 and 2017, 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, 2018 and 2017, 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 13. The reclassification was done to more appropriately match the presentation of these transactions in the financial statement with the nature of the transactions.



Temple, Texas  
May 31, 2019

**MILITARY CHILD EDUCATION COALITION  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2018 and 2017**

**ASSETS**

	2018	2017
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,924,292	\$ 1,701,410
Cash and cash equivalents, restricted	396,051	541,650
Accounts receivable	464,635	408,178
Inventory	144,523	156,705
Prepaid expenses	103,135	53,206
	3,032,636	2,861,149
Total Current Assets		
Property and equipment, net	1,605,238	1,593,248
	\$ 4,637,874	\$ 4,454,397
Total Assets	\$ 4,637,874	\$ 4,454,397

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts payable	\$ 159,140	\$ 127,138
Accrued expenses	185,995	153,168
Deferred revenue	645,537	617,298
	990,672	897,604
Total Liabilities		
<b>Net Assets</b>		
Without donor restrictions	3,251,151	3,015,143
With donor restrictions	396,051	541,650
	3,647,202	3,556,793
Total Net Assets		
Total Liabilities and Net Assets	\$ 4,637,874	\$ 4,454,397

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	\$ 4,200,163	\$ -	\$ 4,200,163
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)	-
<b>Total Revenues, Gains and Other Support</b>	<b>7,220,030</b>	<b>(145,599)</b>	<b>7,074,431</b>
<b>Expenses</b>			
Program services			
Student initiatives	404,632	-	404,632
Parent initiatives	662,407	-	662,407
Professional development and support	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
<b>Total program services</b>	<b>5,997,264</b>	<b>-</b>	<b>5,997,264</b>
Supporting services			
Management and general	479,208	-	479,208
Fundraising	507,550	-	507,550
<b>Total Expenses</b>	<b>6,984,022</b>	<b>-</b>	<b>6,984,022</b>
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	<u>\$ 3,251,151</u>	<u>\$ 396,051</u>	<u>\$ 3,647,202</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, 2017**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>			
Service contract revenue	\$ 4,203,455	\$ -	\$ 4,203,455
Contributions	265,769	940,750	1,206,519
Membership dues	72,935	-	72,935
Conference income	269,320	-	269,320
Products and services	139,342	-	139,342
Grants	272,797	386,403	659,200
Fundraising events	85,045	21,500	106,545
Interest and dividends	17,032	-	17,032
Miscellaneous revenue	17,495	-	17,495
Net assets released from restrictions	1,460,418	(1,460,418)	-
<b>Total Revenues, Gains and Other Support</b>	<b>6,803,608</b>	<b>(111,765)</b>	<b>6,691,843</b>
<b>Expenses</b>			
Program services			
Student initiatives	381,421	-	381,421
Parent initiatives	538,559	-	538,559
Professional development support	952,904	-	952,904
Military student transition consultant	1,216,562	-	1,216,562
Strategic communications	468,913	-	468,913
Products and services	301,885	-	301,885
Research	162,803	-	162,803
Website and technology resources	160,248	-	160,248
Grants	801,834	-	801,834
National training seminar	725,746	-	725,746
<b>Total program services</b>	<b>5,710,875</b>	<b>-</b>	<b>5,710,875</b>
Supporting services			
Management and general	478,592	-	478,592
Fundraising	472,096	-	472,096
<b>Total Expenses</b>	<b>6,661,563</b>	<b>-</b>	<b>6,661,563</b>
Change in net assets	142,045	(111,765)	30,280
<b>Net Assets</b>			
Beginning of year	2,873,098	653,415	3,526,513
End of year	\$ 3,015,143	\$ 541,650	\$ 3,556,793

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			
	Student Initiatives	Parent Initiatives	Professional Development and Support	Military Student 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			
	Strategic Communications	Products and Services	Research	Website and Technology 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	26,494	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	24,578	62,134	-	-
Accounting and legal fees	-	-	-	-
Total expenses before depreciation	<u>508,477</u>	<u>226,810</u>	<u>147,143</u>	<u>127,887</u>
Depreciation	<u>4,727</u>	<u>16,479</u>	<u>1,179</u>	<u>27,871</u>
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	527,101
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	872,974
Accounting and legal fees	-	-	-
Total expenses before depreciation	<u>1,076,382</u>	<u>678,249</u>	<u>5,902,761</u>
Depreciation	<u>646</u>	<u>235</u>	<u>94,503</u>
Total Expenses	<u><u>\$ 1,077,028</u></u>	<u><u>\$ 678,484</u></u>	<u><u>\$ 5,997,264</u></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	17,343	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	9,815	888,672
Accounting and legal fees	36,500	-	36,500
Total expenses before depreciation	<u>470,421</u>	<u>504,578</u>	<u>6,877,760</u>
Depreciation	<u>8,787</u>	<u>2,972</u>	<u>106,262</u>
Total Expenses	<u><u>\$ 479,208</u></u>	<u><u>\$ 507,550</u></u>	<u><u>\$ 6,984,022</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, 2017**

	Program Services			
	Student Initiatives	Parent Initiatives	Professional Development and Support	Military Student Transition Consultant
Payroll	\$ 124,545	\$ 383,196	\$ 301,138	\$ 1,094,323
Payroll taxes	17,330	29,107	26,917	24,888
Other employee benefits	841	4,743	9,128	33,942
Service fees	-	4,364	7,571	3,972
Advertising	-	-	-	-
Office expenses	65,824	74,154	223,124	27,490
Information technology	-	-	-	-
Occupancy	3,076	3,076	3,169	-
Travel	118,806	34,584	194,625	29,936
Insurance	-	-	3,984	-
Other program expenses	49,540	501	134,211	387
Accounting and legal fees	-	-	-	-
Total expenses before depreciation	<u>379,962</u>	<u>533,725</u>	<u>903,867</u>	<u>1,214,938</u>
Depreciation	<u>1,459</u>	<u>4,834</u>	<u>49,037</u>	<u>1,624</u>
Total Expenses	<u>\$ 381,421</u>	<u>\$ 538,559</u>	<u>\$ 952,904</u>	<u>\$ 1,216,562</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, 2017**

	Program Services			
	Strategic Communications	Products and Services	Research	Website and Technology Resources
Payroll	\$ 348,515	\$ 98,902	\$ 68,013	\$ 56,494
Payroll taxes	28,635	7,680	5,135	4,380
Other employee benefits	17,809	9,176	4,925	4,558
Service fees	4,374	618	412	343
Advertising	8,184	-	-	-
Office expenses	34,074	24,497	79,093	548
Information technology	-	-	-	72,616
Occupancy	6,991	24,387	2,330	2,330
Travel	845	-	-	-
Insurance	3,926	5,025	1,790	347
Other program expenses	10,998	114,746	-	-
Accounting and legal fees	-	-	-	-
Total expenses before depreciation	<u>464,351</u>	<u>285,031</u>	<u>161,698</u>	<u>141,616</u>
Depreciation	<u>4,562</u>	<u>16,854</u>	<u>1,105</u>	<u>18,632</u>
Total Expenses	<u>\$ 468,913</u>	<u>\$ 301,885</u>	<u>\$ 162,803</u>	<u>\$ 160,248</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, 2017**

	Program Services		
	Grants	National Training Seminar	Total Program Services
Payroll	\$ 280,621	\$ 123,549	\$ 2,879,296
Payroll taxes	74,897	9,111	228,080
Other employee benefits	8,447	50	93,619
Service fees	661	5,134	27,449
Advertising	-	-	8,184
Office expenses	75,011	46,598	650,413
Information technology	-	-	72,616
Occupancy	-	-	45,359
Travel	65,270	62,992	507,058
Insurance	699	2,540	18,311
Other program expenses	295,638	475,772	1,081,793
Accounting and legal fees	-	-	-
Total expenses before depreciation	<u>801,244</u>	<u>725,746</u>	<u>5,612,178</u>
Depreciation	<u>590</u>	<u>-</u>	<u>98,697</u>
Total Expenses	<u><u>\$ 801,834</u></u>	<u><u>\$ 725,746</u></u>	<u><u>\$ 5,710,875</u></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, 2017**

	Management and General	Fundraising	2017 Total
Payroll	\$ 338,981	\$ 372,052	\$ 3,590,329
Payroll taxes	30,615	25,833	284,528
Other employee benefits	28,469	16,812	138,900
Service fees	2,833	6,625	36,907
Advertising	-	-	8,184
Office expenses	15,711	22,591	688,715
Information technology	-	-	72,616
Occupancy	10,311	4,661	60,331
Travel	-	-	507,058
Insurance	5,242	2,136	25,689
Other program expenses	2,781	18,198	1,102,772
Accounting and legal fees	35,200	-	35,200
Total expenses before depreciation	470,143	468,908	6,551,229
Depreciation	8,449	3,188	110,334
Total Expenses	<u>\$ 478,592</u>	<u>\$ 472,096</u>	<u>\$ 6,661,563</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, 2018 and 2017**

	2018	2017
<b>Cash Flows Provided by Operating Activities</b>		
Change in net assets	\$ 90,409	\$ 30,280
Adjustments to reconcile change in nets assets to net cash provided by operating activities:		
Depreciation	106,262	110,334
Gain on disposal of assets	675	-
(Increase) decrease in:		
Restricted cash	145,599	111,765
Accounts receivable	(56,457)	146,563
Inventory	12,182	43,494
Prepaid expenses	(49,929)	(18,802)
Increase in:		
Accounts payable	32,002	43,533
Accrued liabilities	32,827	108,367
Deferred revenue	28,239	500,249
Net adjustment	251,400	1,045,503
Net cash provided by operating activities	341,809	1,075,783
<b>Cash Flows Used by Investing Activities</b>		
Purchase of property and equipment	(118,927)	(76,080)
Net cash used by investing activities	(118,927)	(76,080)
<b>Net increase in cash and cash equivalents</b>	222,882	999,703
<b>Cash and cash equivalents</b>		
Beginning of year	1,701,410	701,707
End of year	\$ 1,924,292	\$ 1,701,410

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:

***Elementary Student 2 Student™ (eS2S), Junior Student 2 Student® (JS2S) and Student 2 Student® (S2S)*** - MCEC Student Programs for all age levels help students transition into new schools. These programs, eS2S for elementary schools, JS2S for middle and junior high schools, and S2S for high schools, 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 Frances Hesselbein Student Leadership Program (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 students 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 April.

***West Point*** - The students learn leadership skills from West Point faculty, distinguished guest lecturers, and hands-on activities. These experiences are the same as 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.

***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.

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

***Parent Initiatives*** - the MCEC Parent to Parent™ 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™*** - 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™*** - 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™*** - 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™*** - 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™*** - 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.

***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.

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

***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.

***Military Student Transition Consultant™ (MSTC)*** – The Military Student Transition Consultant 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 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.

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*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.

**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.

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***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.

***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.



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***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, 2018 and 2017, \$ 21,551 and \$ 89,479, 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.

***New Accounting Pronouncement***

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. MCEC has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented.

The new standard changes the following aspects of MCEC's financial statements:

- The temporarily restricted net asset classes has been renamed net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources.

The changes have the following effect on net assets at December 31, 2017:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets		
Undesignated	\$ 939,302	
Designated - reserves	482,593	
Investment in property and equipment	1,593,248	
Temporarily restricted net assets	541,650	
Net assets without donor restrictions		\$ 3,015,143
Net assets with donor restrictions		541,650
Total net assets	<u>\$ 3,556,793</u>	<u>\$ 3,556,793</u>

***Reclassifications***

Certain functional expenses of various programs have been reclassified within the same programs in the prior year financial statements for comparative purposes to conform to the presentation in the current year financial statements. There was no effect on program expenses or net assets.

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**3. Cash and Cash Equivalents**

At December 31, 2018 and 2017, cash temporarily restricted for specific programs was \$ 396,051 and \$ 541,650, respectively. These amounts are reported as net assets with donor restrictions.

The Bill & Melinda Gates Foundation requires grant funds from its organization to be deposited in a separate bank account. The balance of this account at December 31, 2018 and 2017 was \$ -0- and \$ 11,953, respectively. These funds are reported as net assets with donor restrictions.

**4. Accounts Receivable**

Accounts receivable consisted of the following at December 31, 2018 and 2017:

	2018	2017
Contracts	\$ 381,734	\$ 345,049
Grants	60,000	35,067
Other	22,224	27,137
Membership dues	677	925
Accounts Receivable, net	\$ 464,635	\$ 408,178

**5. Inventory**

Inventory consists of professional development materials, books, products and other resources and operating supplies totaling \$ 144,523 and \$ 156,705 at December 31, 2018 and 2017, 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 \$ 103,134 and \$ 53,206 at December 31, 2018 and 2017, respectively.

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**7. Property and Equipment**

Property and Equipment consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 245,000	\$ 245,000
Building	1,487,008	1,487,008
Computers and equipment	802,519	694,904
Furniture and fixtures	283,805	266,421
Construction-in-progress	-	29,000
	<u>2,818,332</u>	<u>2,722,333</u>
Less: accumulated depreciation	<u>(1,213,094)</u>	<u>(1,129,085)</u>
Property and Equipment, net	<u>\$ 1,605,238</u>	<u>\$ 1,593,248</u>

Depreciation expense at December 31, 2018 and 2017 was \$ 106,262 and \$ 110,334, respectively.

**8. Deferred Revenue**

Deferred revenue consists of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
USAA Foundation	\$ 445,165	\$ -
Chan Zuckerberg Initiative	14,593	329,753
Alabama State Plan	1,778	91,601
Wounded Warrior Project	73,159	69,784
South Carolina State Plan	1,262	62,500
School districts/military installation membership dues	28,986	29,045
U.S. Navy	65,963	12,743
Norfolk Public Schools	5,232	10,933
Texas State Plan	5,838	7,733
Colleges and universities	1,916	1,917
U.S. Air Force Corporation	645	1,289
	1,000	-
Deferred Revenue	<u>\$ 645,537</u>	<u>\$ 617,298</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, 2018 and 2017 was \$ 92,743 and \$ 78,529, respectively.

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**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, 2018 and 2017, 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.

As of December 31, 2018 and 2017, net assets with donor restrictions consisted of the following:

	<u>2018</u>	<u>2017</u>
The USAA Foundation	\$ 108,407	\$ 122,287
Donor Contributions	75,000	31,757
Veteran's United Fund	72,697	-
Lockheed Martin	53,295	39,170
Compatriot Capital	23,996	11,000
Star Market	15,756	21,180
Biden Foundation	14,587	-
Smith Charitable Trust	12,412	-
Utley Education Foundation	8,889	3,348
HEB	7,174	14,162
AT&T Foundation	3,838	2,615
Northrop Grumman	-	230,542
Target Foundation	-	29,887
Boeing	-	18,800
Sid Richardson Foundation	-	7,230
Strake Foundation	-	5,972
Gates Foundation	-	3,700
Net Assets With Donor Restrictions	<u>\$ 396,051</u>	<u>\$ 541,650</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, 2018 and 2017 were \$ 1,715,027 and \$ 1,460,417, respectively.

At December 31, 2018 and 2017, MCEC has no net assets with donor restrictions which contain restrictions that can never be removed.

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**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.

**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, 2018 and 2017, revenue concentrations are as follows:

	<u>2018</u>	<u>2017</u>
Military departments	12%	14%
State plans	23%	15%

MCEC had receivables from federal contracts and from state plans which represent a significant concentration of total receivables. At December 31, 2018 and 2017, receivables concentrations are as follows:

	<u>2018</u>	<u>2017</u>
Federal contracts	29%	63%
State plans	24%	4%

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**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 MCEC's financial assets as of December 31, 2018 and 2017, reduced by amounts not available for general expenditures within one year.

	<u>2018</u>	<u>2017</u>
Financial assets:		
Cash and cash equivalents	\$ 2,320,343	\$ 2,243,060
Accounts receivable	464,635	408,178
Financial assets, at year-end	<u>2,784,978</u>	<u>2,651,238</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>\$ 2,102,385</u>	<u>\$ 1,968,645</u>

**14. Fund Development Revenue**

In addition to philanthropic revenue reported, MCEC's fund development team generated \$ 1,335,518 and \$ 1,350,923 in contract revenue in 2018 and 2017, respectively.

**15. Subsequent Events**

Management has reviewed and evaluated subsequent events and transactions through the financial statement issuance date of May 31, 2019 for purposes determining proper disclosure.