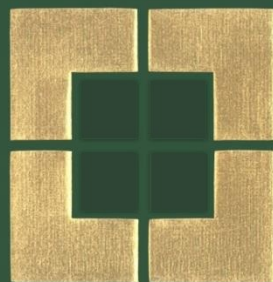


**Military Child Education Coalition**

**December 31, 2017 and 2016**

***Financial Statements***



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

**CERTIFIED PUBLIC ACCOUNTANTS**

**MILITARY CHILD EDUCATION COALITION**

**FINANCIAL STATEMENTS AS OF**

**December 31, 2017 and 2016**

**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, 2017 and 2016, 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, 2017 and 2016, 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, 2018

**MILITARY CHILD EDUCATION COALITION  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2017 and 2016**

**ASSETS**

	2017	2016
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,701,411	\$ 701,707
Cash and cash equivalents, restricted	541,650	653,415
Accounts receivable	408,178	554,741
Inventory	156,705	200,199
Prepaid expenses	53,206	34,404
Total Current Assets	2,861,150	2,144,466
Property and equipment, net	1,593,248	1,627,502
Total Assets	\$ 4,454,398	\$ 3,771,968

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts payable	\$ 127,138	\$ 83,605
Accrued expenses	153,168	44,801
Deferred revenue	617,298	117,049
Total Liabilities	897,604	245,455
<b>Net Assets</b>		
Unrestricted		
Undesignated	939,302	664,959
Designated - reserves	482,593	580,637
Investment in property and equipment	1,593,248	1,627,502
Total unrestricted	3,015,143	2,873,098
Temporarily restricted	541,650	653,415
Total Net Assets	3,556,793	3,526,513
Total Liabilities and Net Assets	\$ 4,454,397	\$ 3,771,968

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**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<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	314,549	-	314,549
Parent initiatives	472,876	-	472,876
Professional development and support	1,140,588	-	1,140,588
Military student transition consultant	1,161,433	-	1,161,433
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	<u>\$ 3,015,143</u>	<u>\$ 541,650</u>	<u>\$ 3,556,793</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, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, Gains and Other Support</b>			
Service contract revenue	\$ 3,359,082	\$ -	\$ 3,359,082
Contributions	558,173	519,200	1,077,373
Membership dues	69,943	-	69,943
Conference income	165,887	-	165,887
Products and services	173,778	-	173,778
Grants	25,000	558,070	583,070
Fundraising events	126,217	30,100	156,317
Interest and dividends	10,041	-	10,041
Miscellaneous revenue	13,708	-	13,708
Net assets released from restrictions	1,451,942	(1,451,942)	-
<b>Total Revenues, Gains and Other Support</b>	<b>5,953,771</b>	<b>(344,572)</b>	<b>5,609,199</b>
<b>Expenses</b>			
Program services			
Student initiatives	431,880	-	431,880
Parent initiatives	319,511	-	319,511
Professional development support	1,100,118	-	1,100,118
Military student transition consultant	852,935	-	852,935
Strategic communications	694,803	-	694,803
Products and services	300,615	-	300,615
Research	170,048	-	170,048
Website and technology resources	243,606	-	243,606
Grants	427,259	-	427,259
National training seminar	825,401	-	825,401
<b>Total program services</b>	<b>5,366,176</b>	<b>-</b>	<b>5,366,176</b>
Supporting services			
Management and general	442,954	-	442,954
Fundraising	436,766	-	436,766
<b>Total Expenses</b>	<b>6,245,896</b>	<b>-</b>	<b>6,245,896</b>
Change in net assets	(292,125)	(344,572)	(636,697)
<b>Net Assets</b>			
Beginning of year	3,165,223	997,987	4,163,210
End of year	<u>\$ 2,873,098</u>	<u>\$ 653,415</u>	<u>\$ 3,526,513</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	\$ 67,855	\$ 329,387	\$ 460,249	\$ 1,045,710
Payroll taxes	12,993	25,119	38,961	21,169
Other employee benefits	-	2,096	14,942	31,615
Service fees	-	4,364	7,571	3,972
Advertising	-	-	-	-
Office expenses	61,071	68,703	208,296	25,259
Information technology	-	-	-	-
Occupancy	-	-	9,321	-
Travel	118,806	34,584	194,625	29,936
Insurance	-	-	3,984	-
Other program expenses	53,824	5,247	150,684	2,148
Accounting and legal fees	-	-	-	-
Total expenses before depreciation	<u>314,549</u>	<u>469,500</u>	<u>1,088,633</u>	<u>1,159,809</u>
Depreciation	-	3,375	51,955	1,624
Total Expenses	<u>\$ 314,549</u>	<u>\$ 472,875</u>	<u>\$ 1,140,588</u>	<u>\$ 1,161,433</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			
	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	27,152	16,009	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	17,920	123,234	-	-
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.

**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	\$ 2,879,295
Payroll taxes	74,897	9,111	228,080
Other employee benefits	8,447	50	93,618
Service fees	661	5,134	27,449
Advertising	-	-	8,184
Office expenses	66,403	46,598	599,132
Information technology	-	-	72,616
Occupancy	-	-	45,359
Travel	65,270	62,992	507,058
Insurance	699	2,540	18,311
Other program expenses	304,246	475,772	1,133,075
Accounting and legal fees	-	-	-
Total expenses before depreciation	<u>801,244</u>	<u>725,746</u>	<u>5,612,177</u>
Depreciation	590	-	98,697
Total Expenses	<u><u>\$ 801,834</u></u>	<u><u>\$ 725,746</u></u>	<u><u>\$ 5,710,874</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**

	Management and General	Fundraising	2017 Total
Payroll	\$ 338,981	\$ 372,052	\$ 3,590,328
Payroll taxes	30,615	25,833	284,528
Other employee benefits	28,469	16,812	138,899
Service fees	2,833	6,625	36,907
Advertising	-	-	8,184
Office expenses	15,711	13,962	628,805
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	26,827	1,162,683
Accounting and legal fees	35,200	-	35,200
Total expenses before depreciation	470,143	468,908	6,551,228
Depreciation	8,449	3,188	110,334
Total Expenses	<u>\$ 478,592</u>	<u>\$ 472,096</u>	<u>\$ 6,661,562</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, 2016**

	Program Services			
	Student Initiatives	Parent Initiatives	Professional Development and Support	Military Student Transition Consultant
Payroll	\$ 132,474	\$ 203,574	\$ 478,263	\$ 761,156
Payroll taxes	10,864	16,725	37,273	37,680
Other employee benefits	-	1,780	16,419	14,428
Service fees	-	4,431	10,666	1,552
Advertising	-	-	-	-
Office expenses	88,778	46,124	174,474	16,043
Information technology	-	-	-	-
Occupancy	-	-	5,467	-
Travel	156,182	40,562	129,374	19,544
Insurance	-	-	1,320	-
Other program expenses	43,582	3,525	168,053	908
Accounting and legal fees	-	-	-	-
Total expenses before depreciation	<u>431,880</u>	<u>316,721</u>	<u>1,021,309</u>	<u>851,311</u>
Depreciation	-	2,790	78,809	1,624
Total Expenses	<u>\$ 431,880</u>	<u>\$ 319,511</u>	<u>\$ 1,100,118</u>	<u>\$ 852,935</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, 2016**

	Program Services			
	Strategic Communications	Products and Services	Research	Website and Technology Resources
Payroll	\$ 452,175	\$ 94,514	\$ 59,189	\$ 72,885
Payroll taxes	36,008	7,829	4,621	6,038
Other employee benefits	22,147	6,570	2,720	4,343
Service fees	1,985	-	100,335	26,970
Advertising	7,298	-	-	-
Office expenses	137,852	14,696	381	543
Information technology	-	-	-	103,639
Occupancy	4,100	19,819	1,367	1,367
Travel	3,471	-	-	-
Insurance	990	4,786	330	330
Other program expenses	24,412	135,933	-	-
Accounting and legal fees	-	-	-	-
Total expenses before depreciation	<u>690,438</u>	<u>284,147</u>	<u>168,943</u>	<u>216,115</u>
Depreciation	<u>4,365</u>	<u>16,468</u>	<u>1,105</u>	<u>27,491</u>
Total Expenses	<u>\$ 694,803</u>	<u>\$ 300,615</u>	<u>\$ 170,048</u>	<u>\$ 243,606</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, 2016**

	Program Services		
	Grants	National Training Seminar	Total Program Services
Payroll	\$ 248,951	\$ 117,794	\$ 2,620,975
Payroll taxes	45,392	7,897	210,327
Other employee benefits	12,956	594	81,957
Service fees	-	4,269	150,208
Advertising	-	-	7,298
Office expenses	38,551	181,053	698,495
Information technology	-	-	103,639
Occupancy	-	-	32,120
Travel	26,737	109,297	485,167
Insurance	-	-	7,756
Other program expenses	54,082	404,497	834,992
Accounting and legal fees	-	-	-
Total expenses before depreciation	<u>426,669</u>	<u>825,401</u>	<u>5,232,934</u>
Depreciation	<u>590</u>	<u>-</u>	<u>133,242</u>
Total Expenses	<u><u>\$ 427,259</u></u>	<u><u>\$ 825,401</u></u>	<u><u>\$ 5,366,176</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, 2016**

	Management and General	Fundraising	2016 Total
Payroll	\$ 314,063	\$ 348,597	\$ 3,283,635
Payroll taxes	25,171	28,407	263,905
Other employee benefits	23,440	14,002	119,399
Service fees	5,418	5,325	160,951
Advertising	-	-	7,298
Office expenses	19,230	12,114	729,839
Information technology	-	-	103,639
Occupancy	7,878	2,734	42,732
Travel	-	18,357	503,524
Insurance	2,782	660	11,198
Other program expenses	2,403	3,383	840,778
Accounting and legal fees	35,200	-	35,200
Total expenses before depreciation	435,585	433,579	6,102,098
Depreciation	7,369	3,187	143,798
Total Expenses	<u>\$ 442,954</u>	<u>\$ 436,766</u>	<u>\$ 6,245,896</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, 2017 and 2016**

	2017	2016
<b>Cash Flows Provided (Used) by Operating Activities</b>		
Change in net assets	\$ 30,280	\$ (636,697)
Adjustments to reconcile change in nets assets to net cash provided (used) by operating activities:		
Depreciation	110,334	143,798
Loss on disposal of assets	-	14,316
(Increase) decrease in:		
Restricted cash	111,765	344,572
Accounts receivable	146,563	(332,516)
Inventory	43,494	103,020
Prepaid expenses	(18,802)	54,660
Increase (decrease) in:		
Accounts payable	43,533	(82,919)
Accrued liabilities	108,367	(18,689)
Deferred revenue	500,249	50,727
Net adjustment	1,045,503	276,969
Net cash provided (used) by operating activities	1,075,783	(359,728)
<b>Cash Flows Used by Investing Activities</b>		
Purchase of property and equipment	(76,080)	(86,888)
Net cash used by investing activities	(76,080)	(86,888)
<b>Net increase (decrease) in cash and cash equivalents</b>	999,703	(446,616)
<b>Cash and cash equivalents</b>		
Beginning of year	701,707	1,148,323
End of year	\$ 1,701,410	\$ 701,707

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

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

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

Military Child Education Coalition<sup>®</sup>, (hereafter referred to as MCEC) was chartered in August 1998 as a 501(c)(3) non-profit organization which seeks partnerships and provides networking of military installations and their supporting schools to address transition and other educational issues. MCEC seeks to include military installations of all services, their supporting schools, concerned organizations and caring individuals. MCEC's programs are as follows:

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

***Elementary Student 2 Student<sup>™</sup> (eS2S), Junior Student 2 Student<sup>®</sup> (JS2S), and Student 2 Student<sup>®</sup> (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.

In addition to school-based programs, outstanding S2S members are offered the opportunity to participate in leadership training through the MCEC Frances Hesselbein Student Leadership Program<sup>™</sup>.

***Parent Initiatives*** - the MCEC *Parent to Parent<sup>™</sup>* program is focused on empowering parents to be their child's strongest advocate on educational and transition issues. A team of parents from installation areas are trained to bring the MCEC Parent Workshops to their local communities and implement effective solutions to transition challenges. Parent-to-Parent workshops are offered through the community-based teams, 1-day education seminars and via on-line webinars.

***Professional Development and Support*** - Support and development includes training professionals and paraprofessionals and accreditation services. This program includes the following:

***Supporting Military Children through School Transitions<sup>™</sup>: Foundations and Social/Emotional*** - This series of interactive professional development training institutes focus on the military-connected student's experience with transition. Divided into two sections, Foundations and Social/Emotional, these courses are for area public, parochial, and home school counselors, educators, installation and community leaders, transition specialists, and military parents. Each section is a 1-day course.

***Supporting Veterans' Children through Transitions<sup>™</sup>*** - This 1-day course for youth-serving educators, professionals, and parents, addresses the unique transition issues military connected children face when their parents separate from the military.

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

***Responding to Military Children with Exceptional Needs™*** - This 1-day institute prepares professional educators, social service providers, parents, and community leaders to address the additional challenges associated with transitioning military-connected students with exceptional needs. For the purposes of this course, exceptional children are defined as those who need either special education services or gifted education services to maximize their individual potential.

***Living in the New Normal: Helping Children Thrive Through Good and Challenging Times™*** - Everyone has a role in supporting military-connected children, and each component of the Living in the New Normal Initiative is designed to reach a distinct audience. Training topics include supporting children through challenges such as a sick or injured parent, trauma and loss, cycles of deployment as well as developing resilience skill during the good times. This course is offered as a 1-day practicum for Service Providers and as a 1-day training for Professionals.

***Helping Military Children Discover Their S.P.A.R.C.: Strength, Potential, Aspirations, Resourcefulness, Confidence™*** - This 1-day institute provides participants with strategies to assist young people in developing hardiness skills to meet personal and professional goals. Participants learn to identify sparks and interests that contribute to a growth mindset in children and youth. This course is available online and face-to-face.

***The Journey from “Welcome Home” to Now: Reunion, Reconnecting, Routine™*** - This 1-day professional development institute examines the challenges children encounter when a parent returns from a deployment and provides strategies and resources to help children through those challenges. This course is available online and face-to-face.

***Professional Development Certification Program*** - The Professional Development Certification Program offers a systematic approach to professional development through research-driven strategies that address the academic, social, and emotional needs of the child. The program consists of three levels of certification: bronze, silver, and gold; which all represent increasingly advanced thresholds for professional development using online and face-to-face approaches.

***Other Program Services*** - Includes the early literacy program to empower military-connected children by using literature, the partnerships program to recognize and promote partnerships between installations, local education agencies and communities, the member services program which offers benefits such as MCEC magazines and discounted rates on resources and conference fees, and publications which include *On the Move® magazine*, *Growing, Learning, and Understanding (GLU) kits*, deployment booklets and other publications.

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

***Military Student Transition Consultant™ (MSTC)*** - The MSTC is a full-time, highly specialized education professional embedded within the school district. They work directly with children, parents, and school personnel on a daily basis and serve as an expert “navigator” and advocate for military-connected students and their families helping to decrease the turbulence in family life and building resiliency in students so that they can more successfully cope and overcome the unique challenges they face and 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 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 Affiliate 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. To date, our Affiliates dedicate between 3 – 7 hours each week and are focused on one or two campuses.

***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 magazine, policy papers and reference materials.

***Products and Services - Books*** and other resources available for purchase for members and partners.

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

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

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

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

**2. Summary of Significant Accounting Policies**

***Basis of Accounting***

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

***Basis of Presentation***

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205-55, Not-for-Profit Entities Presentation of Financial Statements. Under ASC 958-205-55, MCEC is required to report information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

***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.

***Recognition of Donor Restrictions***

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets 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 temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

***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**

***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, 2017 and 2016, \$ 89,479 and \$ 381,257, 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.

**3. Cash and Cash Equivalents**

At December 31, 2017 and 2016, cash temporarily restricted for specific programs was \$ 541,650 and \$ 653,415, respectively. These amounts are reported as temporarily restricted net assets.

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, 2017 and 2016 was \$ 11,953 and \$ 166,467, respectively. These funds are reported as temporarily restricted net assets.



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

**4. Accounts Receivable**

Accounts receivable consisted of the following at December 31, 2017 and 2016:

	2017	2016
Contracts	\$ 345,049	\$ 345,002
Grants	35,067	192,913
Other	27,137	13,633
Membership dues	925	3,193
Accounts Receivable, net	\$ 408,178	\$ 554,741

**5. Inventory**

Inventory consists of professional development materials, books, products and other resources and operating supplies totaling \$ 156,705 and \$ 200,199 at December 31, 2017 and 2016, 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 \$ 53,206 and \$ 34,404 at December 31, 2017 and 2016, respectively.

**7. Property and Equipment**

Property and Equipment consisted of the following at December 31, 2017 and 2016:

	2017	2016
Land	\$ 245,000	\$ 245,000
Building	1,487,008	1,487,008
Computers and equipment	694,904	694,904
Furniture and fixtures	266,421	219,341
Construction-in-progress	29,000	-
	2,722,333	2,646,253
Less: accumulated depreciation	(1,129,085)	(1,018,751)
Property and Equipment, net	\$ 1,593,248	\$ 1,627,502

Depreciation expense at December 31, 2017 and 2016 was \$ 110,334 and \$ 143,798, respectively.

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

**8. Deferred Revenue**

Deferred revenue consists of the following at December 31, 2017 and 2016:

	2017	2016
Chan Zuckerberg Initiative	\$ 329,753	\$ -
Alabama State Plan	91,601	-
Wounded Warrior Project	69,784	-
South Carolina State Plan	62,500	-
School districts/military installation membership dues	29,045	38,229
U.S. Navy	12,743	74,570
Norfolk Public Schools	10,933	-
Texas State Plan	7,733	-
Colleges and universities	1,917	1,750
U.S. Air Force Corporation	1,289	-
	-	2,500
Deferred Revenue	\$ 617,298	\$ 117,049

**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, 2017 and 2016 was \$ 78,529 and \$ 70,750, respectively.

**10. Net Assets**

Unrestricted net assets 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, 2017 and 2016, there were unrestricted net assets designated by the Board for reserves in the amount of \$ 482,593 and \$ 580,637, respectively.

Temporarily restricted net assets represent assets that have donor-imposed restrictions that can be removed by the actions of management or the passage of time. Permanently restricted net assets contain donor-imposed restrictions that can never be removed.

**MILITARY CHILD EDUCATION COALITION  
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As of December 31, 2017 and 2016, temporarily restricted net assets consisted of the following:

	<u>2017</u>	<u>2016</u>
Northrop Grumman	\$ 230,542	\$ 15,000
USAA Foundation	122,287	25,000
Lockheed Martin	39,170	95,000
Donor Contributions	31,757	70,390
Target Foundation	29,887	22,501
Star Market	21,180	21,000
Boeing	18,800	-
HEB Grocery Company	14,162	68,300
Compatriot Capital	11,000	16,220
Sid Richardson Foundation	7,230	-
Strake Foundation	5,972	-
Gates Foundation	3,700	138,031
Utley Education Foundation	3,348	-
AT&T Foundation	2,615	-
Woodruff Foundation	-	85,000
Michelin	-	54,205
Be the Change	-	42,768
Temporarily Restricted Net Assets	<u>\$ 541,650</u>	<u>\$ 653,415</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, 2017 and 2016 were \$ 1,460,417 and \$ 1,451,942, respectively.

MCEC has no permanently restricted net assets at December 31, 2017 and 2016.

**11. Commitments and Contingencies**

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

**MILITARY CHILD EDUCATION COALITION  
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**12. Concentrations**

MCEC receives a material amount of its funding through contracts with the various military departments. MCEC had revenue from military departments, which accounted for approximately 14% and 21% of revenue for the years ended December 31, 2017 and 2016, respectively.

MCEC had receivables from federal contracts, which accounted for approximately 63% and 40% of accounts receivable for the years ended December 31, 2017 and 2016, respectively.

**13. Fund Development Revenue**

In addition to philanthropic revenue reported, MCEC's fund development team generated \$ 1,350,923 and \$ 697,923 in contract revenue in 2017 and 2016, respectively.

**14. Reclassification**

Grant revenues and expenses related to the DoDEA MSTC contracts, which were generated by the fund development team, have been reclassified in the prior year financial statements to service contract revenue and MSTC program expense in the amounts of \$ 697,923 and \$ 319,177, respectively, for comparative purposes to conform to the presentation in the current year financial statements. There was no effect on total program revenues, expenses or net assets.

**15. Subsequent Events**

Management has reviewed and evaluated subsequent events and transactions through the financial statement issuance date of May 31, 2018 for purposes determining proper disclosure.