

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED JUNE 30, 2025
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2024**

EDUCARE DC

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Educare DC
Washington, D.C.

Opinion

We have audited the accompanying financial statements of Educare DC (Educare), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Educare as of June 30, 2025, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Educare and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Educare's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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 and *Government 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, including omissions, 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 and Government 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 Educare'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 Educare'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.

Report on Summarized Comparative Information

We have previously audited Educare's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 9, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2025, on our consideration of Educare's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Educare's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Educare's internal control over financial reporting and compliance.



December 17, 2025

EDUCARE DC

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2025
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024

ASSETS

	<u>2025</u>	<u>2024</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,809,868	\$ 3,853,552
Investments	5,776,625	4,574,764
Contributions receivable	2,339,208	1,250,284
Pledges receivable	45,000	85,000
Grants receivable	740,000	750,000
Prepaid expenses	<u>312,230</u>	<u>265,036</u>
Total current assets	<u>14,022,931</u>	<u>10,778,636</u>
PROPERTY AND EQUIPMENT		
Leasehold improvements	2,389,183	2,389,183
Furniture and equipment	675,164	675,164
Website	<u>15,000</u>	<u>15,000</u>
	3,079,347	3,079,347
Less: Accumulated depreciation and amortization	<u>(1,624,916)</u>	<u>(1,447,575)</u>
Property and equipment, net	<u>1,454,431</u>	<u>1,631,772</u>
OTHER ASSETS		
Pledges receivable, net	43,301	142,529
Right-of-use asset - child care space, net	4,013,913	4,220,762
Right-of-use asset - building, net	<u>10,208,838</u>	<u>10,404,223</u>
Total other assets	<u>14,266,052</u>	<u>14,767,514</u>
TOTAL ASSETS	<u>\$ 29,743,414</u>	<u>\$ 27,177,922</u>

EDUCARE DC

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2025
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024

LIABILITIES AND NET ASSETS

	<u>2025</u>	<u>2024</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 632,744	\$ 482,497
Accrued salaries and related benefits	507,424	253,119
Operating lease liability	175,823	164,242
Note payable	<u>77,236</u>	<u>213,051</u>
Total current liabilities	<u>1,393,227</u>	<u>1,112,909</u>
LONG-TERM LIABILITIES		
Note payable, net	136,155	85,870
Operating lease liability, net	<u>3,998,882</u>	<u>4,174,704</u>
Total long-term liabilities	<u>4,135,037</u>	<u>4,260,574</u>
Total liabilities	<u>5,528,264</u>	<u>5,373,483</u>
NET ASSETS		
Without donor restrictions:		
Undesignated:		
For use in operations	4,925,695	3,552,299
Invested in building and property and equipment	<u>11,663,269</u>	<u>12,035,995</u>
Total undesignated	<u>16,588,964</u>	<u>15,588,294</u>
Board designated:		
Operating reserve	3,243,337	2,829,868
Building reserve	<u>1,891,247</u>	<u>1,753,424</u>
Total Board designated	<u>5,134,584</u>	<u>4,583,292</u>
Total net assets without donor restrictions	21,723,548	20,171,586
With donor restrictions	<u>2,491,602</u>	<u>1,632,853</u>
Total net assets	<u>24,215,150</u>	<u>21,804,439</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,743,414</u>	<u>\$ 27,177,922</u>

EDUCARE DC

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2025
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024**

	<u>2025</u>			<u>2024</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
SUPPORT AND REVENUE				
Federal grants	\$ 10,760,977	\$ -	\$ 10,760,977	\$ 10,693,883
Contributions and private grants	6,403,250	2,829,329	9,232,579	6,322,387
Contributed nonfinancial assets	1,109,031	-	1,109,031	1,444,858
Net investment return	476,026	-	476,026	458,556
Other revenue	135,538	-	135,538	82,051
Net assets released from donor restrictions	<u>1,970,580</u>	<u>(1,970,580)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>20,855,402</u>	<u>858,749</u>	<u>21,714,151</u>	<u>19,001,735</u>
EXPENSES				
Program Services	<u>16,168,465</u>	<u>-</u>	<u>16,168,465</u>	<u>14,522,526</u>
Supporting Services:				
Management and General	2,765,767	-	2,765,767	2,165,466
Fundraising/Development	<u>369,208</u>	<u>-</u>	<u>369,208</u>	<u>529,632</u>
Total supporting services	<u>3,134,975</u>	<u>-</u>	<u>3,134,975</u>	<u>2,695,098</u>
Total expenses	<u>19,303,440</u>	<u>-</u>	<u>19,303,440</u>	<u>17,217,624</u>
Change in net assets before other item	1,551,962	858,749	2,410,711	1,784,111
OTHER ITEM				
Extinguishment of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,773</u>
Change in net assets	1,551,962	858,749	2,410,711	1,930,884
Net assets at beginning of year	<u>20,171,586</u>	<u>1,632,853</u>	<u>21,804,439</u>	<u>19,873,555</u>
NET ASSETS AT END OF YEAR	<u>\$ 21,723,548</u>	<u>\$ 2,491,602</u>	<u>\$ 24,215,150</u>	<u>\$ 21,804,439</u>

EDUCARE DC

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024**

	2025						
	Program Services						
	Education	Comprehensive and Prenatal Services	Family Engagement	Advocacy	Early Educator Fellowship	Professional Development	Total Program Services
Payroll expenses	\$ 5,990,705	\$ 978,273	\$ 1,246,032	\$ 144,299	\$ -	\$ 882,130	\$ 9,241,439
Professional services and contracts	1,899,969	951,526	20,469	2,516	59,483	13,744	2,947,707
Occupancy	1,787,589	94,190	65,305	8,134	4,793	44,435	2,004,446
Child services and activities	792,639	79	92,234	-	-	-	884,952
Office expenses	370,125	33,647	14,000	1,845	3,056	20,441	443,114
Training	223,945	8,592	3,212	1,929	673	24,194	262,545
Travel and meetings	45,466	20,496	10,393	23,175	39,232	9,471	148,233
Construction costs	136,400	-	-	-	-	-	136,400
Business expenses	20,550	6,450	4,202	-	-	-	31,202
Equipment	42,385	7,873	5,497	685	403	3,740	60,583
Communications	2,056	-	5,619	137	32	-	7,844
TOTAL	\$ 11,311,829	\$ 2,101,126	\$ 1,466,963	\$ 182,720	\$ 107,672	\$ 998,155	\$ 16,168,465

See accompanying notes to financial statements.

EDUCARE DC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024

	2025 (Continued)			2024	
	Supporting Services				
	Management and General	Fundraising and Development	Total Supporting Services	Total Expenses	Total Expenses
Payroll expenses	\$ 1,624,039	\$ 185,238	\$ 1,809,277	\$ 11,050,716	\$ 9,374,189
Professional services and contracts	465,505	137,834	603,339	3,551,046	3,325,766
Occupancy	267,805	16,436	284,241	2,288,687	2,214,069
Child services and activities	1,321	-	1,321	886,273	851,296
Office expenses	38,197	8,233	46,430	489,544	484,451
Training	135,396	2,913	138,309	400,854	250,309
Travel and meetings	135,246	12,226	147,472	295,705	307,570
Construction costs	-	-	-	136,400	243,392
Business expenses	78,544	-	78,544	109,746	98,515
Equipment	16,943	1,383	18,326	78,909	47,180
Communications	2,771	4,945	7,716	15,560	20,887
TOTAL	\$ 2,765,767	\$ 369,208	\$ 3,134,975	\$ 19,303,440	\$ 17,217,624

EDUCARE DC

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024**

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,410,711	\$ 1,930,884
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(252,798)	(305,001)
Change in discount on pledges receivable	(772)	(3,449)
Depreciation and amortization of property and equipment	177,341	204,070
Loss on disposal of property and equipment	-	9,847
Amortization of right-of-use asset - child care space	206,849	201,699
Amortization of right-of-use asset - building	195,385	195,384
Extinguishment of debt	-	(146,773)
(Increase) decrease in:		
Contributions receivable	(1,088,924)	(1,201,744)
Pledges receivable	140,000	110,000
Grants receivable	10,000	(256,586)
Prepaid expenses	(47,194)	(56,599)
Increase (decrease) in:		
Accounts payable and accrued liabilities	150,247	(9,890)
Accrued salaries and related benefits	254,305	47,339
Operating lease liability	(164,241)	(153,148)
Net cash provided by operating activities	<u>1,990,909</u>	<u>566,033</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	16,663	16,691
Purchases of investments	(965,726)	(1,412,183)
Net cash used by investing activities	<u>(949,063)</u>	<u>(1,395,492)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	(85,530)	(204,578)
Net cash used by financing activities	<u>(85,530)</u>	<u>(204,578)</u>
Net increase (decrease) in cash and cash equivalents	956,316	(1,034,037)
Cash and cash equivalents at beginning of year	<u>3,853,552</u>	<u>4,887,589</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,809,868</u>	<u>\$ 3,853,552</u>
SUPPLEMENTAL DISCLOSURES:		
Interest Paid	<u>\$ 7,991</u>	<u>\$ 16,651</u>
Donated Securities	<u>\$ 183,597</u>	<u>\$ 227,622</u>

EDUCARE DC

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Educare DC (Educare) was formed in 2010 as a non-profit organization in accordance with the laws of Washington, D.C. Educare's mission is to eliminate the opportunity gap for young children experiencing poverty, and help them develop the skills necessary for success in kindergarten and beyond.

Educare is a proud member of the national Educare Learning Network (ELN) of 25 independently operated, high-quality, research-based early childhood schools. Educare's vision is for all children in Washington, D.C. to have access to an early education that helps them flourish throughout their lives. Educare works toward this vision by taking a holistic approach. Educare partners with each family to identify their goals and guide them on their journey to success. Educare follows research-based best practices for instruction and provides everything that children need to learn and grow, both at home and in the classroom. Educare's commitment to using data and research ensures continuous improvement for the families it serves.

Program services descriptions -

Education -

Educare's Early Head Start (infant-toddler) and Head Start (pre-kindergarten or Pre-K) programs for children ranging in age from 6 weeks to 5 years are also funded through a five-year Federal grant from Department of Health and Human Services (HHS). The Early Head Start program caters to children ages 6 weeks to 3 years, and focuses on providing children with high-quality interactions and attentive care from their primary caregivers. Each classroom has eight children and three teachers, who work closely with each child, supporting their social, emotional and cognitive development over three years. This program operates at Educare's two campuses in Parkside and Deanwood. The Head Start program uses a researched play-based curriculum to ensure the 3-, 4- and 5 year- old students are ready to learn and succeed in kindergarten and beyond.

Educare's Early Head Start-Child Care Partnership (EHS-CCP) program is funded through a five-year Federal grant from the Administration for Children and Families (ACF) within the Department of Health and Human Services (HHS). Through this program, Educare partners with child care programs in Wards 7 and 8 in Washington, D.C. to serve an additional 110 infants and toddlers and their families. The program enables Educare's child care partners to implement Early Head Start's high-quality standards in classrooms and to add new services including health, oral health, nutrition, mental health, and supports for children with special needs. The program also provides family engagement services designed to help low-income families build positive relationships with their children and achieve self-sufficiency, as well as facility enhancements. Educare is a recipient of the Pre-K Expansion and Enhancement Grant through the Office of the State Superintendent of Education (OSSE). This funding is allocated to community-based organizations providing Pre-K services pursuant to the Pre-K Enhancement and Expansion Amendment Act of 2008. In order to receive funding, community-based organizations must meet a variety of high-standards, such as NAEYC accreditation, operating full-day educational programs, employing qualified teachers and paying wages equivalent to what public school Pre-K teachers earn, and using curricula that are aligned with the Common Core in Washington, D.C. At the Parkside campus of Educare DC, three teachers team model a design learning units that align with the interests of their students.

EDUCARE DC

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Program services descriptions (continued) -

Comprehensive/Prenatal Services -

To ensure the students receive proper nutrition, Educare participates in the Child and Adult Care Food Program, which provides funding to Educare to supplement the costs of the food provided to the students as part of a balanced diet. Educare offers three meals a day plus a snack to the children based on their other program participation.

Educare is the recipient of supplemental funding for at-risk Pre-K students, which is authorized by the Early Learning Equity Act of 2017 and administered by the Office of the State Superintendent (OSSE). In order to qualify for at-risk funding, children must be homeless, eligible for public assistance (TANF or SNAP), or in foster care. The funding is a supplement to the per student funding granted through the Pre-K Enhancement and Expansion program.

The Pre-Natal program, Moms 2 Be, is also funded through the five-year Head Start grant. Through this program, Educare provides Head Start comprehensive services for 24 prenatal women. Educare's Prenatal Program empowers mothers through the continuum of pregnancy, childbirth, and parenting an infant. The goal is to support mothers and their babies by ensuring they have access to quality healthcare, parenting and birthing classes, support and coaching from experts, and connection with other mothers.

Family Engagement -

Family engagement is a collaborative process where family engagement specialists, families, and their children build positive relationships. Educare emphasizes mutual respect and working together, rather than doing for families. This involves parents actively participating with their children and staff to achieve shared goals. Educare ensures that every family works directly with their family engagement specialist by establishing family partnership agreements and, through the program year, they collaborate on achieving these goals. Families have opportunities to volunteer, join Policy Council, and attend and plan diverse family engagement activities.

Advocacy -

An essential part of Educare's work is serving as a strong advocacy voice and leader in the early childhood education community. To that end, Educare is an active member of the DC Head Start Association, Under 3 DC, and other early childhood education groups. Educare also partners with Federal advocacy organizations, such as the First Five Years Fund, to connect policymakers with early childhood educators and families to share their expertise and feedback on the impact of Federal funding at the community level. Educare leverages its location just miles from the U.S. Capitol to host over 70 tours per year, including public officials, policymakers, advocates, funders, and international early childhood experts.

Early Educator Fellowship -

Educare's Early Educator Fellowship is a year-long, competitive entry program offering a stipend, which was created to fill a critical professional gap for early educators not addressed through other initiatives.

EDUCARE DC

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Program services descriptions (continued) -

Early Educator Fellowship (continued) -

The Fellowship is designed to help early childhood educators build their social and professional capital through a cohort model with network and skill-building opportunities, and authentic experiences to exercise their voices as experts and advocates within their programs and the field. The program targets early educators from a range of provider settings who have completed or are enrolled in an Associate's degree program, and who serve mostly low-income children. The Early Educator Fellowship is funded with private funding sources.

Professional Development -

Professional Development is an essential aspect of Educare's work. Educare provides training and professional development for its own teachers through a series of trainings called "The Essential Practices of Educare". These trainings are also offered to area early childhood educators in partnership with the Office of the School Superintendent (OSSE). Training provides practical instruction to center and school-based programs on how to improve program practice and ultimately deliver stronger outcomes for children and families. Practitioners will develop their knowledge, behavior and practices to meet the increasingly rigorous quality standards in early education.

In addition to staff training, Educare runs a Professional Development Institute (PDI). The Professional Development Institute (PDI) is a 30-day hands-on training program dedicated to supporting entry level teachers in the early childhood education field. The PDI is an ideal opportunity for those interested in pursuing a career in early childhood education. The Institute provides teachers with one month of paid training. Following successful completion of the PDI, teachers will have the opportunity to join the Educare staff as Traveling Teacher Aides.

During the Professional Development Institute, teachers will enhance their knowledge in order to be better equipped to provide high quality education and care for the children in our schools. Training courses include OSSE (Licensing) Mandated Health and Safety Trainings, The Essential Practices of Educare and Foundations of Success.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to non-profit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Net assets set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.

EDUCARE DC

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Basis of presentation (continued) -

- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity, but Educare has no endowment funds at this time. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Educare's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Cash and cash equivalents -

Educare considers all highly liquid investments with maturities of three months or less, which are not part of the investment portfolio, to be cash and cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. During the year, Educare maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment return, which is presented net of investment expenses paid to external investment advisors, in the accompanying Statement of Activities and Change in Net Assets.

Investments acquired by gift, such as donated securities, are recorded at their fair value at the date of the gift. Educare's policy is to liquidate all gifts of investments as soon as possible after the gift.

Contributions, pledges and grants receivable -

Contributions, pledges and grants receivable recorded in the financial statements consist of unconditional promises to give. Contributions and grants receivable are expected to be collected within one year and pledges receivable are expected to be collected over several years. Therefore, contributions and grants receivable are recorded at net realizable value which approximates fair value and pledges receivable are recorded at the net present value of the future cash flows. The discount on the long-term pledges receivable is computed using the risk-adjusted interest rates applicable to the years in which the promises to give were received. Amortization of the discount is included in contributions and private grants.

EDUCARE DC

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Contributions, pledges and grants receivable (continued) -

Management reviews contributions, pledges, and grants receivable on a periodic basis. Each receivable balance is assessed based on management's knowledge of and relationship with the donor and the age of the receivable balance. As a result of these reviews, receivable balances for which collection is deemed doubtful are charged to loss on uncollectable contributions and private grants and an allowance is recorded. However, an allowance for doubtful receivables has not been established.

Property and equipment -

Property and equipment in excess of \$2,500 are capitalized and stated at cost. Property and equipment are depreciated or amortized on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. Leasehold improvements are amortized over the lesser of the useful life of the improvements or the term of the lease which is 65 years. The cost of maintenance and repairs is recorded as expenses are incurred.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Statement of Activities and Change in Net Assets, to its current fair value. There were no assets considered impaired for the year ended June 30, 2025.

Leases -

Educare determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to and the agreement creates enforceable rights and obligations. Educare also considers whether its services agreements include the right to control the use of an asset.

Educare recognizes most leases on its Statement of Financial Position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria as defined by GAAP. Educare made an accounting policy election not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of lease payments over the term of the lease at the commencement or modification date.

Educare made the accounting policy election to use a risk-free discount rate, which is aligned with the lease term. Educare has made an accounting policy election that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes.

Income taxes -

Educare is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Educare has no unrelated business income. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Educare is not a private foundation.

EDUCARE DC

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Support from grants and contributions, including Federal awards -

Educare receives grants and contributions, including Federal awards from the U.S. Government. Contributions are recognized in the appropriate category of net assets in the period received. Educare performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

For grants qualifying under the contribution rules, support is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Most Federal grants are for direct and indirect program costs and are considered to be conditional contributions which are recognized as contributions when the amounts become unconditional. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. However, Educare had no refundable advances as of June 30, 2025.

In addition, Educare has obtained funding source agreements related to conditional contributions, such as Federal awards from the U.S. Government, which will be received in future years. Educare's unrecognized conditional contributions to be received in future years totaled \$2,087,620 as of June 30, 2025.

Contributed nonfinancial assets -

Contributed nonfinancial assets are recorded at their fair value as of the date of the gift and consisted of donated services and donated facilities. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Educare. None of the contributed nonfinancial assets were restricted by donors.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Construction costs -

Educare expenses the costs of construction funded by Federal awards because the completed assets will be owned by the U.S. Government. Construction costs included in the Statement of Functional Expenses totaled \$136,400 for the year ended June 30, 2025.

EDUCARE DC

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Functional allocation of expenses -

The costs of providing the various programs and supporting services activities have been summarized on a functional and natural basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services that benefited. Expenses directly attributed to a specific functional area are reported as direct expenses in that functional area. Indirect expenses that benefited more than one functional area are allocated based on either a) estimated time and effort which is adjusted to actual time spent on a periodic basis or b) the indirect cost rate in accordance with the grant agreement from the U.S. Department of Health and Human Services.

Risks and uncertainties -

Educare invests in investment securities, which are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurement*, Educare has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market Educare has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value.

- *Money Market Funds* - The money market funds are open-end fund that are registered with the Securities and Exchange Commission (SEC) and are deemed to be actively traded.
- *Common Stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.

EDUCARE DC

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

- *Mutual Funds and Exchange Traded Funds (ETFs)* - Valued at the daily closing price as reported by the fund. Mutual funds and ETFs held by Educare are open-end funds that are registered with the SEC and deemed to be actively traded. These funds are required to publish their daily value and to transact at that price.

There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the year ended June 30, 2025. Transfers between levels are recorded at the end of the reporting period, if applicable.

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of June 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 6,209	\$ -	\$ -	\$ 6,209
Common stocks	1,636,522	-	-	1,636,522
Mutual funds and ETFs	<u>4,133,894</u>	<u>-</u>	<u>-</u>	<u>4,133,894</u>
TOTAL INVESTMENTS	<u>\$ 5,776,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,776,625</u>

Net investment return consisted of the following for the year ended June 30, 2025:

Interest and dividends	\$ 241,441
Realized and unrealized gain on investments	252,798
Investment expenses	<u>(18,213)</u>
NET INVESTMENT RETURN	<u>\$ 476,026</u>

3. PLEDGES RECEIVABLE

Educare has received unconditional promises to give from donors which are to be received over multiple years. Long-term pledges receivable have been recorded at the net present value of their estimated future cash flows using discount rates ranging from 3.47% to 4.29%. Pledges receivable are expected to be collected as follows as of June 30, 2025:

Less than one year	\$ 45,000
One to five years	<u>45,000</u>
Total	90,000
Less: Discount to net present value	<u>(1,699)</u>
PLEDGES RECEIVABLE	<u>\$ 88,301</u>

4. LINE OF CREDIT

Educare has a \$500,000 line of credit with a bank that is secured by certain assets. The line of credit currently expires on May 2, 2026. Borrowings under the line of credit agreement bear interest at a variable rate with a minimum floor of 3.1%. The variable rate was 9.66% as of June 30, 2025. Educare had no borrowings during the year ended June 30, 2025. Thus, there was no outstanding balance due on the line of credit as of June 30, 2025.

EDUCARE DC

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

5. NOTE PAYABLE

On February 2, 2021, Educare obtained proceeds of \$570,000 and entered into a promissory note with a bank. The note bears interest at an annual fixed rate of 3.99% and has a maturity date of February 1, 2028. Under the original terms of the note, the last principal payment on the note was due November 1, 2025. However, on July 10, 2024, Educare signed a loan modification agreement to change the terms of the promissory note so that the last principal payment is due on February 1, 2028. There were no debt issuance costs associated with this promissory note. The note is secured by certain of Educare's assets and is subject to debt covenants and the balance due on the promissory note totaled \$213,391 as of June 30, 2025.

The future maturities of the note payable are as follows as of June 30, 2025:

<u>Year Ending June 30,</u>	
2026	\$ 77,236
2027	80,420
2028	<u>55,735</u>
TOTAL	\$ <u>213,391</u>

Interest expense related to the promissory note totaled \$7,991 for the year ended June 30, 2025.

6. BOARD DESIGNATED NET ASSETS

Educare's net assets without donor restrictions include certain amounts that have been designated by the Board of Directors. Board designated net assets have been set aside to provide for the orderly administration of Educare's financial affairs from year-to-year and to assure the availability of funds needed from time-to-time to meet extraordinary and non-recurring building repairs.

Board designated net assets included the following as of June 30, 2025:

Operating Reserve	\$ 3,243,337
Building Reserve	<u>1,891,247</u>
BOARD DESIGNATED NET ASSETS	\$ <u>5,134,584</u>

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30, 2025:

Purpose Restricted:	
WeVision	\$ 871,161
529 Plan	230,000
Advocacy for Low Income Children	92,616
STEM Education and Workforce Development	59,329
Professional Development	38,913
Childcare and Early Learning Initiatives	25,000
Time Restricted	<u>1,174,583</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ <u>2,491,602</u>

EDUCARE DC

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

7. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets released from restrictions consisted of the following for the year ended June 30, 2025:

Purpose Restrictions Accomplished:	
WeVision	\$ 844,839
Advocacy for Low Income Children	137,920
Professional Development	118,093
Early Educator Fellowship	80,000
Family Engagement	43,478
Expiration of Time Restrictions	<u>746,250</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 1,970,580</u>

8. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following as of June 30, 2025:

Cash and cash equivalents	\$ 4,809,868
Investments	5,776,625
Contributions receivable	2,339,208
Pledges receivable	45,000
Grants receivable	<u>740,000</u>
Subtotal financial assets available within one year	13,710,701
Less: Board designated net assets	(5,134,584)
Less: Net assets with donor restrictions - purpose	<u>(1,317,019)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 7,259,098</u>

Educare has a policy to structure its financial assets to be available and liquid as its obligations become due. In addition, Educare has a line of credit agreement (see Note 4), which allows for additional available borrowings up to \$500,000. Educare is primarily supported by contributions and grants, including Federal grants. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Educare must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. However, Educare has Board designated net assets without donor restrictions that were established by the Board of Directors that may be drawn upon in the event of financial distress or an immediate liquidity need.

9. LEASES

Building -

Educare has a 65-year lease agreement for the land and building located at 640 Anacostia Avenue, NE, Washington, D.C. The lease expires on September 6, 2077. Effective with the execution of the lease agreement, Educare paid a one-time lump sum amount totaling \$12,700,000, which represented the full amount of the rental payments due during the lease term. Because of the lump sum payment, there are no future payments due for the remainder of the building lease.

EDUCARE DC

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

9. LEASES (Continued)

Building (continued) -

Related to the Building, lease expense totaled \$195,385 for the year ended June 30, 2025, and is included in Occupancy charges in the accompanying Statement of Functional Expenses.

Child Care Space -

Educare has an operating lease for licensed child care space with an original expiration date in 2025. However, the lease offers renewal options for up to three consecutive five-year periods which Educare is likely to exercise. Therefore, the reasonably certain term for this lease expires in June 2040. On April 22, 2025, Educare exercised the first renewal option for a five-year period commencing on July 1, 2025 and expiring June 30, 2030. Educare has elected to use a risk-free discount rate of 3.26% to calculate the operating lease liability.

The lease includes an escalation of base rentals which is being amortized on a basis to achieve straight-line rent expense over the life of the lease. Lease expense totaled \$375,129 for the year ended June 30, 2025, and is included in Occupancy charges in the accompanying Statement of Functional Expenses. Cash paid totaled \$303,081 for the year ended June 30, 2025.

The following is a schedule of the future minimum lease payments due under the lease for Child Care Space, net of imputed interest, as of June 30, 2025:

<u>Year Ending June 30,</u>	
2026	\$ 309,143
2027	315,325
2028	321,632
2029	328,064
2030	334,626
Thereafter	<u>3,737,342</u>
	5,346,132
Less: Imputed interest	<u>(1,171,427)</u>
	4,174,705
Less: Current portion	<u>(175,823)</u>
LONG-TERM PORTION	<u>\$ 3,998,882</u>

10. CONTRIBUTED NONFINANCIAL ASSETS

Educare was the beneficiary of donated services and donated facilities during the year ended June 30, 2025. The contributed nonfinancial assets allowed Educare to provide greater resources toward various programs.

Donated services were provided by professionals with licenses or certifications and Educare would have to purchase the services if they had not been donated. Donated services included time from professionals for accounting, human resources, legal and healthcare. The fair value of donated services was determined based on hourly rates and time spent by the professionals who donated their time.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

10. CONTRIBUTED NONFINANCIAL ASSETS (Continued)

Donated facilities consists of free rent for various buildings where Educare has either a school or a day care. The fair value of donated facilities was determined based on independent appraisals or use of similar values from comparable space.

To properly reflect total program and supporting services expenses, the following contributed nonfinancial assets have been included in support and expense for the year ended June 30, 2025:

Donated Services	\$ 367,009
Donated Facilities	<u>742,022</u>
TOTAL	<u>\$ 1,109,031</u>

The following functional areas benefited from the contributed nonfinancial assets during the year ended June 30, 2025:

Management and General Program Services	\$ 367,009
	<u>742,022</u>
TOTAL	<u>\$ 1,109,031</u>

The donated services and donated facilities consisted of the following natural expenses during the year ended June 30, 2025:

Professional services and contracts	\$ 367,009
Occupancy	<u>742,022</u>
TOTAL	<u>\$ 1,109,031</u>

11. RETIREMENT PLAN

Educare provides retirement benefits to its employees through a 403(b) plan covering all full-time employees after 90 days of continued service. Educare contributed 2% of gross wages plus a 1% match. Contributions to the Plan are included in payroll expenses in the Statement of Functional Expenses and totaled \$168,218 during the year ended June 30, 2025.

12. CONTINGENCY

Educare receives Federal grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The ultimate determination of amounts received under the Federal awards is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits. Audits in accordance with the applicable provisions of Subpart F of the Uniform Guidance have been completed for all required fiscal years through 2025.

EDUCARE DC

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

13. SUBSEQUENT EVENTS

In preparing these financial statements, Educare has evaluated events and transactions for potential recognition or disclosure through December 17, 2025, the date the financial statements were issued.