

BRIGHTSPARK EARLY LEARNING SERVICES

FINANCIAL STATEMENTS  
With Independent Auditor's Report

YEARS ENDED JUNE 30, 2023 AND 2022

UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL REPORTS  
YEAR ENDED JUNE 30, 2023



[www.brightspark.org](http://www.brightspark.org)

BRIGHTSPARK EARLY LEARNING SERVICES

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	2 - 4
STATEMENTS OF FINANCIAL POSITION June 30, 2023 and 2022	5
STATEMENTS OF ACTIVITY Years ended June 30, 2023 and 2022	6
STATEMENTS OF FUNCTIONAL EXPENSES Year ended June 30, 2023	7
Year ended June 30, 2022	8
STATEMENTS OF CASH FLOWS Years ended June 30, 2023 and 2022	9
NOTES TO FINANCIAL STATEMENTS	10 - 21
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Expenditures of Federal Awards Year ended June 30, 2023	23
Notes to the Schedule of Expenditures of Federal Awards	24
Schedule of Expenditures of Non-Federal Governmental Awards Year ended June 30, 2023	25 - 26
Independent Auditor's Report Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27 - 28
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance as Required by the Uniform Guidance	29 - 31
Schedule of Findings and Questioned Costs	32
Summary Schedule of Prior Audit Findings	33 - 34

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
BrightSpark Early Learning Services  
Seattle, Washington

### **Opinion**

We have audited the accompanying financial statements of BrightSpark Early Learning Services (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activity, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BrightSpark Early Learning Services as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 BrightSpark Early Learning Services and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of 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.

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 BrightSpark Early Learning Services' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' 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 BrightSpark Early Learning Services' 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 BrightSpark Early Learning Services' 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2023, on our consideration of the BrightSpark Early Learning Services' 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 BrightSpark Early Learning Services' 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 BrightSpark Early Learning Services' internal control over financial reporting and compliance.



Jacobson Jarvis & Co, PLLC  
Seattle, Washington  
November 14, 2023

BRIGHTSPARK EARLY LEARNING SERVICES

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 1,067,455	\$ 2,419,993
Accounts receivable	3,693,028	4,029,468
Promises to give	3,581	13,781
Investments	161,787	153,898
Prepaid expenses	<u>544,597</u>	<u>547,375</u>
Total Current Assets	5,470,448	7,164,515
Right-of-Use Assets - operating leases	365,883	-
Equipment, net of accumulated depreciation of \$593,994 and \$806,369	<u>374,567</u>	<u>418,645</u>
	<u>\$ 6,210,898</u>	<u>\$ 7,583,160</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 292,056	\$ 638,075
Grants payable	-	1,027,418
Accrued liabilities	889,667	935,670
Current portion operating lease liabilities	159,970	-
Deferred revenue	99,926	32,391
Cash held for others	<u>17,783</u>	<u>35,429</u>
Total Current Liabilities	1,459,402	2,668,983
Long-term Operating Lease Liabilities, net of current portion	<u>211,302</u>	<u>-</u>
Total Liabilities	1,670,704	2,668,983
Net Assets		
Without donor restrictions		
Board-designated	186,352	185,916
Undesignated	<u>4,311,317</u>	<u>4,669,457</u>
Total Net Assets Without Donor Restrictions	4,497,669	4,855,373
With donor restrictions	<u>42,525</u>	<u>58,804</u>
Total Net Assets	<u>4,540,194</u>	<u>4,914,177</u>
	<u>\$ 6,210,898</u>	<u>\$ 7,583,160</u>

See notes to financial statements.

BRIGHTSPARK EARLY LEARNING SERVICES

STATEMENTS OF ACTIVITY

YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Public support						
Government contracts and grants	\$25,274,709		\$25,274,709	\$24,972,804		\$24,972,804
Contributions and private grants	682,254	42,525	724,779	602,348	30,000	632,348
In-kind contributions	-	-	-	15,000	-	15,000
Total Public Support	<u>25,956,963</u>	<u>42,525</u>	<u>25,999,488</u>	<u>25,590,152</u>	<u>30,000</u>	<u>25,620,152</u>
Revenue						
Program services fees	434,393		434,393	320,385		320,385
Investment return	(23,900)		(23,900)	345		345
Other income	6,181		6,181	12,261		12,261
Total Revenue	<u>416,674</u>		<u>416,674</u>	<u>332,991</u>		<u>332,991</u>
Net Assets Released from Restrictions						
Satisfaction of purpose restrictions	58,804	(58,804)	-	138,982	(138,982)	-
Total Net Assets Released from Restrictions	<u>58,804</u>	<u>(58,804)</u>	<u>-</u>	<u>138,982</u>	<u>(138,982)</u>	<u>-</u>
Total Public Support, Revenue, and Other Support	<u>26,432,441</u>	<u>(16,279)</u>	<u>26,416,162</u>	<u>26,062,125</u>	<u>(108,982)</u>	<u>25,953,143</u>
Expenses						
Program services	24,006,296		24,006,296	23,670,528		23,670,528
Management and general	2,258,930		2,258,930	2,111,405		2,111,405
Fundraising	524,919		524,919	664,292		664,292
Total Expenses	<u>26,790,145</u>		<u>26,790,145</u>	<u>26,446,225</u>		<u>26,446,225</u>
Change in Net Assets	(357,704)	(16,279)	(373,983)	(384,100)	(108,982)	(493,082)
Net Assets - beginning of year	<u>4,855,373</u>	<u>58,804</u>	<u>4,914,177</u>	<u>5,239,473</u>	<u>167,786</u>	<u>5,407,259</u>
Net Assets - end of year	<u>\$ 4,497,669</u>	<u>\$ 42,525</u>	<u>\$ 4,540,194</u>	<u>\$ 4,855,373</u>	<u>\$ 58,804</u>	<u>\$ 4,914,177</u>

BRIGHTSPARK EARLY LEARNING SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Early Learning Services		Total Program Services	Management and General	Fundraising	Total Expenses
	Providers	Families				
Salaries and wages	\$ 5,678,437	\$ 1,660,476	\$ 7,338,913	\$ 1,264,623	\$ 250,976	\$ 8,854,512
Employee benefits	1,686,311	495,021	2,181,332	285,520	56,047	2,522,899
Payroll taxes	543,649	174,429	718,078	125,283	33,547	876,908
	<u>7,908,397</u>	<u>2,329,926</u>	<u>10,238,323</u>	<u>1,675,426</u>	<u>340,570</u>	<u>12,254,319</u>
Parent and provider assistance	8,734,117	2,547,143	11,281,260	-	-	11,281,260
MIS expense	619,148	173,042	792,190	93,762	14,313	900,265
Professional fees	265,357	197,007	462,364	271,985	96,607	830,956
Occupancy	296,318	56,108	352,426	75,247	8,206	435,879
Communication	146,553	49,487	196,040	20,555	4,350	220,945
Travel, lodging, and meals	180,053	14,457	194,510	5,532	5,256	205,298
Supplies	81,315	28,355	109,670	30,708	17,737	158,115
Depreciation	20,736	74,714	95,450	532	196	96,178
Dues, subscriptions, and advertising	44,907	11,333	56,240	23,046	13,048	92,334
Equipment rent and repair	42,470	30,314	72,784	16,700	378	89,862
Staff development, training, and meetings	47,170	13,727	60,897	15,034	3,059	78,990
Insurance	30,606	8,921	39,527	11,987	901	52,415
Printing and publications	38,729	1,469	40,198	895	7,777	48,870
Other expenses	5,029	4,735	9,764	15,130	10,618	35,512
Postage and shipping	2,829	1,824	4,653	2,391	1,903	8,947
In-kind expenses	-	-	-	-	-	-
Total Expenses	<u>\$ 18,463,734</u>	<u>\$ 5,542,562</u>	<u>\$ 24,006,296</u>	<u>\$ 2,258,930</u>	<u>\$ 524,919</u>	<u>\$ 26,790,145</u>



BRIGHTSPARK EARLY LEARNING SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Early Learning Services		Total Program Services	Management and General	Fundraising	Total Expenses
	Providers	Families				
Salaries and wages	\$ 5,337,425	\$ 1,502,529	\$ 6,839,954	\$ 1,164,317	\$ 325,491	\$ 8,329,762
Employee benefits	1,538,496	441,320	1,979,816	264,388	77,386	2,321,590
Payroll taxes	499,106	142,022	641,128	102,686	30,173	773,987
	<u>7,375,027</u>	<u>2,085,871</u>	<u>9,460,898</u>	<u>1,531,391</u>	<u>433,050</u>	<u>11,425,339</u>
Parent and provider assistance	4,653,456	6,796,998	11,450,454	-	150	11,450,604
MIS expense	616,685	164,579	781,264	94,055	25,009	900,328
Professional fees	571,596	271,929	843,525	197,613	122,231	1,163,369
Occupancy	276,479	44,591	321,070	78,243	16,546	415,859
Communication	141,248	58,931	200,179	17,059	5,368	222,606
Travel, lodging, and meals	81,901	8,066	89,967	8,359	1,225	99,551
Supplies	86,025	21,763	107,788	29,323	5,855	142,966
Depreciation	37,029	25,126	62,155	891	208	63,254
Dues, subscriptions, and advertising	33,256	5,288	38,544	11,177	5,752	55,473
Equipment rent and repair	72,125	60,844	132,969	79,497	25,630	238,096
Staff development, training, and meetings	83,466	11,553	95,019	28,349	2,357	125,725
Insurance	22,187	6,124	28,311	13,891	885	43,087
Printing and publications	32,994	1,877	34,871	514	2,963	38,348
Other expenses	3,854	-	3,854	17,848	15,190	36,892
Postage and shipping	5,377	1,233	6,610	1,695	1,423	9,728
In-kind expenses	10,050	3,000	13,050	1,500	450	15,000
Total Expenses	<u>\$ 14,102,755</u>	<u>\$ 9,567,773</u>	<u>\$ 23,670,528</u>	<u>\$ 2,111,405</u>	<u>\$ 664,292</u>	<u>\$ 26,446,225</u>

BRIGHTSPARK EARLY LEARNING SERVICES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from:		
Government agencies	\$25,644,215	\$23,927,257
Donors	717,333	619,908
Program participants	464,999	178,201
Interest income	1,442	10,443
Other income	10,044	9,610
Cash paid to:		
Employees	(12,503,985)	(11,893,193)
Childcare providers	(12,654,697)	(9,967,553)
Vendors	<u>(2,974,706)</u>	<u>(3,229,910)</u>
Net Cash Used by Operating Activities	(1,295,355)	(345,237)
<b>Cash Flows Used by Investing Activities</b>		
Purchases of equipment	<u>(57,183)</u>	<u>(161,504)</u>
Change in Cash and Cash Equivalents	(1,352,538)	(506,741)
Cash and Cash Equivalents - beginning of year	<u>2,419,993</u>	<u>2,926,734</u>
Cash and Cash Equivalents - end of year	<u>\$ 1,067,455</u>	<u>\$ 2,419,993</u>

## BRIGHTSPARK EARLY LEARNING SERVICES

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

#### NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

BrightSpark Early Learning Services ("BrightSpark" or "the Agency") promotes equity for children, community stability, and school readiness as a Washington State leader with a King County and Pierce County focus. The Agency works with families, informal caregivers, and licensed child care providers, and collaborates with community partners to ensure that every child has a great start. BrightSpark delivers programs and advocates for policy--both independently and in collaboration with partners--that increases the ability of families, caregivers, and providers to nurture the social-emotional, physical, and intellectual growth of young children. BrightSpark exercises leadership in the early learning community, sharing the stories it hears and experiences when serving clients to inform key stakeholders and policy makers. BrightSpark uses a racial equity lens to identify inequities and highlight those policies that disproportionately impact communities of color. BrightSpark leverages its expertise and data in a responsive way to inform decision-making. BrightSpark's mission is to nurture and sustain child-centered, anti-racist early learning communities.

Formerly known as Child Care Resources, the Agency's new name, BrightSpark Early Learning Services captures the development and growth of the services and programs since founding over 30 years ago.

The Agency provides referral assistance to parents, employers, and employees regarding child care choices, both formal and informal. It provides training, coaching, and technical assistance to licensed child care providers and training for community-based organizations offering support to Family, Friend, and Neighbor caregivers. The Agency also offers expertise to communities that are addressing major child care policy issues, helping them to understand the potential impact of policy changes on providers and families. The Agency provides services through the following programs:

#### Provider Services and Capacity Building

**Early Achievers** - Includes Technical Assistance, Training, and Coaching for Quality Improvement for a focused group of providers who enroll in the state's Quality Recognition Improvement System, known as Early Achievers. There are multiple providers enrolled in Early Achievers. Eligibility, participation and process are determined by the Department of Children, Youth, and Family's guidelines.

**Training** - Provides trainings to licensed child care providers on a variety of early learning topics that evoke best practices and align with the Core Competencies for Early Care and Education Professionals. Trainings are led by state-approved trainers at in-person sessions and as live, online sessions over Zoom. Approximately 145 sessions are offered to the staff of licensed child care programs in King and Pierce County each year. In addition, two professional development conferences are held for providers each year (spring and fall).

## BRIGHTSPARK EARLY LEARNING SERVICES

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

#### NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Technical Assistance** - Offers a variety of services such as: walk-in assistance, scheduled appointments, virtual appointments, telephone assistance, and on-site visits to childcare providers and the general community when needed. TA services help family and center-based child care providers throughout King County, Washington with many topics, including marketing, licensing rules and regulations, business practices, environment, health, safety & nutrition, Merit support, subsidy, pre-licensing support, job posting, licensing on-site referrals, translation services, and accreditation process; seeks to improve quality and accessibility of child care to underserved populations, including communities of color, rural communities, families with children with special needs, and low-income families; and provides leadership in child care issues, including adequacy of supply of child care facilities and the quality of services. Technical assistance also manages the provider line whenever any provider has a question or concern.

**Seattle Preschool Program (SPP) – Family Child Care (FCC)** - BrightSpark is part of a multi-year program serving as the Hub agency for a Hub of family child care providers. BrightSpark has 50 SPP slots (three-and four-year-old) from the City of Seattle that BrightSpark subcontracts to the Hub of FCCs. In addition, BrightSpark serves as the fiscal agent to the Hub providers, as well as monitoring and supporting the FCCs in meeting the SPP program requirements through onsite TA and training. The goal of the program is to ensure high-quality, affordable preschool to children across the City of Seattle. Evidence-based curriculum is implemented to promote culturally responsive, engaging, and nurturing adult/child interactions to create quality learning environments. In addition, SPP's objective is to eliminate the racially disproportionate kindergarten readiness gap. Teachers are supported in order to meet the needs of all children through student-focused coaching, ongoing curriculum training, and family engagement and resources that uses a racial equity lens.

**Holding Hope Infant Early Childhood Mental Health Consultation** - Services provided by Holding Hope consultants are relationship-based and are collaborative and individualized to meet the needs of children, families, and providers in ways that are respectful and responsive. There are three types of consultations offered: Child/Family, Classroom, and Program consultations and they can be held on-site and/or virtual.

During child/family consultation, BrightSpark consultants collaborate with providers, families, and caregiver through classroom observations to assess, understand, and address needs and then develop individualized plans to support the child within their classroom environment. Consultation with teachers, administrators, staff and families through reflection and problem-solving builds adult capacity to address child/family, classroom, or programmatic concerns. Consultants assist with children with varying needs including those with challenging behaviors, specific developmental concerns, close to expulsion, in difficult transitions, dealing with grief and/or loss, or who are witnessing or experiencing violence at home or traumatic events in their community.

## BRIGHTSPARK EARLY LEARNING SERVICES

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

#### NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classroom consultations supporting early learning professionals while creating opportunities for caregivers, providers, and coaches to address practices, conditions, and stressors affecting relationships between adults and children that support shared knowledge and build provider capacity.

Consultants establish effective transition routines in the classroom, build a better classroom climate to support children’s individual needs and development, implement Social Emotional routines/curriculums in the classroom, and develop strategies with providers to foster children’s self and co-regulation. Along the way, consultants are building staff self-awareness and the possible effect they have on the classroom climate.

Finally, for Program consultations, consultants collaborate with administrators, directors, coaches, and others to support changes in practice and policy to benefit all children, families, and adults in the early learning setting. Consultants support staff with pandemic-related stress and compassion fatigue; build staff morale and support effective workforce development; and create program supports to reduce children’s likelihood of expulsion and build awareness and understanding of anti-bias education. They also provide resources and referrals for children, families and staff, and collaborate with Coaches and other quality improvement partners within their settings.

**Infant Toddler Coaching Birth to 3 Quality Initiatives (B3QI)** - This program provides ongoing targeted coaching and consultation to early learning program staff serving children birth to three using a coordinated, team approach. These services are Infant Toddler consultations, FIND intervention, and ASQs. The Infant Toddler Team provides training on-site or virtual coaching and consultation to eligible programs. These services are designed to supplement, rather than replace Early Achievers coaching with a targeted intensity designed specifically for early learning program staff serving children ages birth to three.

FIND coaching cycle has a 10-14 week timeframe in which an early learning professional will participate in ten sessions of filming and coaching in their classroom in accordance with the FIND model of intervention. There are five elements that are used in the FIND Model of Intervention:(1) sharing the child’s focus, (2) supporting and encouraging, (3) naming, (4) back and forth interaction, and (5) endings and beginnings. Completed FIND films are used for strength-based video coaching that takes place soon after.

Ages and Stages Questionnaire (ASQ) is led by five Infant Toddler Coaches and a Program Lead who facilitate the ASQ developmental screenings work, train groups of 20 plus providers in teams of two, and provide these trainings in Somali, Spanish, and English. There are four required training sessions where providers learn how to implement the screening, score it and present the information to families and navigate those challenging conversations. There is also ongoing support that is provided to the early learning professional along with data collection.

## BRIGHTSPARK EARLY LEARNING SERVICES

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

#### NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Customized Coaching is intended to support providers that serve children birth to 3 with, but not limited to, creating an anti-bias learning environment, developmentally appropriate practices, support with challenging behaviors, environment, curriculum, transitions, language development and feedings.

Infant Toddler Consultations support providers in meeting their needs related to social emotional development of infants and toddlers. Typical concerns might include prevention of expulsion or development of a policy related to expulsion. The team also delivers trainings specific to promoting social and emotional development and preventing expulsion for children ages birth to three. Since July 2022 the infant toddler team has held one of 6 ASQ trainings and had 47 participants. The Agency has 35 providers in various stages of FIND and 10 that are receiving infant toddler consultation services.

#### Family Services

**Child Care Aware of WA Call Center/Information and Referral** - Connecting caregivers and children to quality early learning options throughout the state of Washington by administering customized child care referral list, unique to family need. Supplying educational material and guidance that pave the way for children to emerge in their educational journey. Extending technical assistance to child care providers that highlight community need and aid in alleviating disparities in programs.

**Homeless Child Care Subsidy Program** - Supporting families experiencing homelessness with child care subsidies, bus tickets and other resources, in effort to assist families in sustaining consistent quality child care. Engagement specialists strive to elevate family voice through advocacy and community engagement.

**Enhanced Public Referral Services** - Offering families in the South Seattle Community, including clients at the Allen Family Center (AFC) with enhanced child care search and referral, to assist families in securing affordable and culturally appropriate child care. The AFC is a collaboration between four service providers: Mary's Place, Mercy Housing, BrightSpark Early Learning Services, and Refugee Women's Alliance. Visitors to the center can receive services from all providers in one place that include child care consultations, job readiness, housing support, social service navigation, immigrant/refugee family services, virtual events, and a full-service technology room.

**Child Care Financial Assistance Program** - Administers a child care scholarship fund to assist eligible families living in designated cities or counties.

## BRIGHTSPARK EARLY LEARNING SERVICES

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

#### NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Family Friend and Neighbor Program (FFN)** - Builds a delivery system of resources to support FFN caregivers. The purpose of this project is to improve the school readiness and school success of children in FFN care by providing targeted, age-appropriate resources to FFN caregivers through the community-based organizations that serve them. BrightSpark facilitates the development of educational 1) Kaleidoscope Play & Learn groups for FFN caregivers and the children in their care; 2) Brothers & Sisters trainings for youth FFN caregivers; 3) Early Learning Conversations.

BrightSpark provides training and technical assistance to community-based organizations to facilitate their start-up and operation of Kaleidoscope Play & Learn groups, Brothers & Sisters trainings, and Early Learning Conversations. The program builds public awareness of the prevalence and importance of care by family members, friends, and neighbors and advocates for policy and funding to support FFN caregivers and the children in their care. Since 2020, the FFN Program has been involved in various COVID-relief efforts, including the distribution of PPE supplies, one-time cash assistance awards, and grocery gift cards to low income, Black and brown caregivers.

**Early Head Start - Child Care Partnership Program (EHS)** - Working with Family Child Care Provider Partners (FCCPs), BrightSpark provides intensive comprehensive child development and family support services to 72 low-income infants and toddlers and their families. Early Head Start programs promote the physical, cognitive, social, and emotional development of infants and toddlers through safe and developmentally enriching caregiving. This prepares these children for continued growth and development and eventual success in school and life. Early Head Start programs also support parents, both mothers and fathers, in their role as primary caregivers and teachers of their children. Programs assist families in meeting their own personal goals and achieving self-sufficiency across a wide variety of domains, such as housing stability, continued education, and financial security. Early Head Start programs also mobilize the local community to provide the resources and environment necessary to ensure a comprehensive, integrated array of services and support for children and families. BrightSpark is working with 12 FCCs who serve the communities of Federal Way, Tacoma, Spanaway, and Graham with care options in Spanish, Punjabi, Somali, Tagalog, and English.

**Veteran Student Child Care** - In partnership with the Veterans, Seniors, and Human Services Levy (VSHSL), the Veteran Student Child Care Subsidy program to support veteran students with the cost of child care while they pursue their post-secondary education or training program. Assisting veteran families in securing stable, high-quality child care for their children by providing partial childcare payments.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of accounting principle

On July 1, 2022, BrightSpark adopted ASU 2016-02, Leases (Topic 842). This standard requires lessees to recognize a right of use asset and lease liability for material lease arrangements. The Agency used a modified retrospective approach and elected the effective method of implementation. Under the effective method, BrightSpark reports leases under the new guidance as of the date of implementation and presents leases under the previous guidance (ASC 840) for comparative periods.

Basis of presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activity as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

Net assets with donor restrictions are as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Family Friend and Neighbor Program	\$ 38,825	\$ -
Homeless Child Care Project	-	30,000
Child Care Careers and Training	-	19,683
Provider Relief	3,700	9,121
	<u>\$ 42,525</u>	<u>\$ 58,804</u>



## BRIGHTSPARK EARLY LEARNING SERVICES

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

#### NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Board designation

The Innovation and Opportunity Fund was established by the Board in December 2014 and is designed to catalyze creative solutions by allowing the Agency to pursue opportunities to implement new strategies, projects, and programs that go beyond merely extending or expanding existing programs and which have the potential for demonstrable positive impact on the Agency's stakeholders. For the years ending June 30, 2023 and 2022, the fund balance was \$186,352 and \$185,916, respectively.

##### Cash and cash equivalents

Cash and cash equivalents consist of checking, savings, money market accounts, and short-term certificates of deposit. Certificates of deposit bear interest of 0.30%. Penalty for early withdrawal, if any, would not have a significant impact on the financial statements.

##### Promises to give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. The fair value of promises to give is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities. All promises to give are current at June 30, 2023 and 2022. Uncollectible promises are expected to be insignificant.

##### Fair value measurement

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are recorded at fair value. Gains and losses on investments are reported in the statements of activity as increases or decreases in activity without donor restriction, unless their use is restricted by explicit donor stipulation.

Equipment

Equipment is stated at cost or, if donated, at fair value at date of donation. The Agency capitalizes all expenditures for property and equipment in excess of \$5,000. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, principally three to five years.

Grants payable

Grants authorized but unpaid at year-end are reported as liabilities and are payable within one year at June 30, 2023 and 2022.

Support and revenue recognition

The Agency recognizes revenue from services when the services are provided. The Agency recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized until the conditions on which they depend have been met.

The Agency's federal, state, and local government contracts, as well as certain private foundation grants, are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses or allowable services. As of June 30, 2023 and June 30, 2022, conditional contributions totaling \$10,972,644 and \$3,307,174, for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

Support from grants and contracts is subject to audits, which could result in adjustments. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended June 30, 2023 and 2022, no significant amounts were disallowed as a result of such examinations.

In-kind goods and services

Contributed goods and services have been recorded on the basis of rates that otherwise would have been paid for similar goods and services. Donated services are recorded as in-kind contributions and are recognized as revenue at estimated values at the date of receipt if they (a) create or enhance non-financial assets or (b) require specialized skills and would need to be purchased if not provided by donation. Corresponding expenses are recognized as the assets and services are utilized by the Agency.

## BRIGHTSPARK EARLY LEARNING SERVICES

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

#### NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Many people volunteered their time by serving on advisory and task force committees that meet the matching requirements of various grants. However, as the service on these committees does not meet the above criteria, the value of the volunteer time is not reflected in these financial statements.

#### Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activity and of functional expenses. Where possible, specific expenses have been charged directly to the appropriate category. When functions are shared or costs are intermingled, expenses are allocated based on FTE (such as IT and office supplies), usage (such as Admin and depreciation), or square footage (such as facilities).

#### Concentrations

The Agency maintains its cash and cash equivalents in bank accounts that may exceed federally-insured limits at times. The Agency has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Approximately 85% and 67% of total government contracts and grants revenue during the years ended June 30, 2023 and 2022, respectively, was received from two grantors. Approximately 79% and 82% of accounts receivable was due from this one grantor and these two grantors as of June 30, 2023 and 2022, respectively.

#### Federal income taxes

The Internal Revenue Service has recognized BrightSpark as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation. Therefore, no provision for federal income taxes has been made in the financial statements.

#### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Reclassifications

Certain amounts in the 2022 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the net assets or change in net assets as of or for the year ended June 30, 2022.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

NOTE B - LIQUIDITY

The Agency manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Agency has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. To achieve this target, the Agency forecasts its future cash flows and monitors its liquidity and reserves monthly. During the year ended June 30, 2023 the level of liquidity and reserves were managed within the policy requirements.

The table below presents financial assets available for general expenditures within one year as of June 30:

	<u>2023</u>	<u>2022</u>
Total financial assets	\$ 4,925,851	\$ 6,617,140
Less: Amounts subject to donor-imposed restrictions	(42,525)	(58,804)
Less: Amounts subject to board designation	<u>(186,352)</u>	<u>(185,916)</u>
	<u>\$ 4,696,974</u>	<u>\$ 6,372,420</u>

NOTE C - LINE OF CREDIT

The Agency has a \$800,000 revolving Line of Credit with Banner Bank, at U.S. prime rate + 0.750% through March 15, 2026. There was no outstanding balance under the line of credit as of June 30, 2023.

NOTE D - FAIR VALUE MEASUREMENTS

Assets carried at fair value on a recurring basis (at least annually) are as follows:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
As of June 30, 2023			
Exchange-traded funds	<u>\$ 161,787</u>	<u>\$ -</u>	<u>\$ -</u>
As of June 30, 2022			
Exchange-traded funds	<u>\$ 153,898</u>	<u>\$ -</u>	<u>\$ -</u>

Assets and liabilities stated at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities, and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return, which is a level 3 input.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

NOTE E - LEASE COMMITMENTS

BrightSpark has operating leases for office space. Management elected to apply the short-term lease exception under Topic 842, Leases; therefore, leases with an initial term of twelve months or less are not recorded in the statements of financial position. Operating leases are included in Right of Use (ROU) assets and lease liabilities in the statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represents BrightSpark's obligation to make lease payments arising from the lease. The discount rate represents the Agency's election of the risk-free rate. Nonlease components, such as payments required for common area maintenance, are not included in the lease liability and are expensed as incurred.

The components of the lease costs for the years ended June 30, are as follows:

	<u>2023</u>	<u>2022</u>
Operating lease costs	\$ 425,303	\$ 395,569

Supplemental cash flow information:

Weighted-average remaining lease term	2.44 years
Weighted-average discount rate	2.84%

Maturities of lease liabilities are as follows for the year ending June 30:

2024	\$ 167,847
2025	131,969
2026	79,885
2027	3,900
2028	<u>325</u>
	383,926
Less: present value discount	<u>(12,654)</u>
	<u>\$ 371,272</u>

NOTE F - RETIREMENT PLAN

The Agency sponsors a 401(k) defined contribution plan (the Plan), as defined by the Internal Revenue Code. The Plan is for the benefit of all qualifying employees and permits voluntary contributions by employees to the maximum allowable, as determined by the Internal Revenue Service. The Agency contributes a dollar for each dollar match of the participant contribution up to 3% of the participant's earnings. Employer matching contributions in the amount of \$213,306 and \$211,995, respectively, were made for the years ended June 30, 2023 and 2022.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

NOTE G - COVID-19 PANDEMIC

The Agency's programs continue to meet the new needs of providers and families. The intensity of the calls through our Call center continues to amplify the crises of parents and community members. BrightSpark continues to accommodate program changes by still supporting staff's ability to work functionally from home and in office in a hybrid way.

BrightSpark has partnered in two grant initiatives to get funds out to teachers and other staff members who care for young children at DCYF licensed FCC and center-based programs. BrightSpark has also taken an active role in the distribution of health and safety supplies directly to child care programs and the hosting of vaccination clinics in partnership with our public health partners.

BrightSpark started back with in-person coaching as of October 2021. The Agency is encouraging programs to allow for in person visits and for the ones that are still fearful of Covid we are offering remote coaching. The Agency is connecting with all Early Achievers programs monthly through in-person visits, phone calls, and virtual coaching (only when asked by the provider). BrightSpark is still doing its trainings and group learning experiences remotely hoping to go back to in-person very soon. Supervisors are continuing to have 1:1 meetings to hear the stories the providers are sharing with their coaches and to increase community, connectivity, and ensure accountability.

NOTE H - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2023 through November 14, 2023, which is the date the financial statements were available to be issued, and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at June 30, 2023, including the estimates inherent in the processing of financial statements. The following events arose after June 30, 2023 relating to conditions that did not exist as of June 30, 2023.

In August 2023, the Agency executed a non-cancelable operating lease for office space that is effective September 2023 through January 2030. The future minimum payments under this lease for the years ending June 30 are as follows:

2024	\$	178,670
2025		220,234
2026		227,220
2027		234,214
2028		241,210
Thereafter		<u>396,571</u>
	\$	1,498,119

**SUPPLEMENTARY INFORMATION**

BRIGHTSPARK EARLY LEARNING SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Grantor <i>Pass-through Grantor</i> "Program Title"	Contract Number	Assistance Listing Number	Passed Through to Subrecipients	Federal Expenditures
<b>Department of Health and Human Services</b>				
"Head Start"	10HP000458-03-00		\$ -	\$ 530,568
"Head Start"	10HP000458-02-03		-	1,160,528
"Head Start"	10HE001392-01-02		-	2,946
Head Start Cluster		93.600	-	1,694,042
<i>Washington State Department of Early Learning - Child Care Aware of Washington</i>				
"Child Care and Development Block Grant"	Amendment #1		-	9,277,186
CCDF Cluster		93.575*	-	9,277,186
<i>Washington State Department of Early Learning - Child Care Aware of Washington</i>				
"Every Student Succeeds Act/Preschool Development Grants"	Amendment #2		-	10,000
		93.434	-	10,000
<i>Childhaven</i>				
"Social Services Research and Demonstration"	90XP0472-01-01		-	63,544
		93.647	-	63,544
Total Department of Health and Human Services			-	11,044,772
<b>Department of Housing and Urban Development</b>				
<i>City of Bellevue</i>				
"Community Development Block Grants/Entitlement Grants"	CDBGCV-2-342		-	75,113
CDBG - Entitlement Grants Cluster		14.218	-	75,113
Total Department of Housing and Urban Development			-	75,113
<b>Department of the Treasury</b>				
<i>King County</i>				
COVID-19 "Coronavirus State and Local Fiscal Recovery Funds"	6249619 Amendment #3	21.027	-	259,116
Total Department of the Treasury			-	259,116
Total Expenditures of Federal Awards			\$ -	\$ 11,379,001

\* Denotes a major program.



BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of BrightSpark Early Learning Services and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - INDIRECT COST RATE

BrightSpark Early Learning Services does not currently have a negotiated indirect cost rate for use on federal grants and contracts. However, as BrightSpark Early Learning Services has previously had a negotiated indirect cost rate, they are not eligible to elect use of the 10% de minimis indirect cost rate.

BRIGHTSPARK EARLY LEARNING SERVICES

SCHEDULE OF EXPENDITURES OF NON-FEDERAL GOVERNMENTAL AWARDS

YEAR ENDED JUNE 30, 2023

Grantor/Contractor "Program Title"	Contract Number	Award Period	Total Award Amount	Total 7/1/2022 - 6/30/2023
<b>State of Washington</b>				
"Child Care Aware of Washington: CCA of King/Tacoma Core/EA/Family Services Contract"	Amendment #1	07/01/2022 - 06/30/2023	\$ 1,306,789	\$ 1,225,296
"Department of Early Learning: Infant Toddler Regional Systems & Services - King & Pierce"	22-1115-02	07/01/2022 - 07/15/2023	913,069	459,915
State of Washington Sub-Total			<u>2,219,858</u>	<u>1,685,211</u>
<b>King County</b>				
"King County Department of Community and Human Services - Student Veteran Child Care Pilot"	6210040 Amendment#2	01/01/2021 - 12/31/2023	1,104,153	324,207
"King County Department of Community and Human Services - Best Starts for Kids Child Care"	6325111 Amendment #2	07/01/2022 - 06/30/2025	2,136,024	457,659
"Seattle & King County Public Health - Best Starts for Kids Levy"	8125 BSK	01/01/2022 - 12/31/2022	230,000	115,004
"Seattle & King County Public Health - Best Starts for Kids Levy"	9783 BSK	01/01/2023 - 12/31/2023	150,000	75,000
"King County II Child Care Resources Worker Retention Payments"	6249619 Amendment#4	07/01/2021 - 12/31/2022	11,245,553	8,935,102
"Seattle & King County Public Health - Best Starts for Kids Supplies"	7820 BSK Amendment #1	01/01/2022 - 06/30/2023	325,000	287,036
King County Sub-Total			<u>15,190,730</u>	<u>10,194,008</u>
<b>City of Seattle</b>				
"Information and Referral"	DOE21PA98	01/01/2022 - 12/31/2022	55,838	21,768
"Information and Referral"	EE023PA002 Amendment#2	01/01/2023 - 12/31/2023	57,513	28,757
"Seattle Preschool Program FCC Hub Pilot"	DOE22PA66 Amendment #2	07/01/2022 - 08/31/2023	1,127,950	849,944
"Seattle Preschool Program FCC Hub Pilot"	DOE21PA72	01/01/2021 - 08/31/2022	787,425	107,925
"Seattle Child Care Staff Bonus"	EE023CA006	05/25/2023 - 12/01/2023	5,284,000	47,000
"Homeless Child Care Assistance"	DOE22PA02 Amendment#1	01/01/2022 - 12/31/2022	412,000	273,879
"Homeless Child Care Assistance"	EE023PA001 Amendment#3	01/01/2023 - 12/31/2023	424,360	225,460
City of Seattle Sub-Total			<u>8,149,086</u>	<u>1,554,733</u>
<b>Pierce County</b>				
"Child Care Subsidies and Vacancy Database"	SC-109416	01/01/2022 - 12/31/2023	700,000	237,335
Pierce County Sub-Total			<u>700,000</u>	<u>237,335</u>

BRIGHTSPARK EARLY LEARNING SERVICES

SCHEDULE OF EXPENDITURES OF NON-FEDERAL GOVERNMENTAL AWARDS

YEAR ENDED JUNE 30, 2023

Grantor/Contractor "Program Title"	Contract Number	Award Period	Total Award Amount	Total 7/1/2022 - 6/30/2023
Suburban Cities				
"City of Burien Child Care Resources and Referral"	CON-21-036	01/01/2021 - 12/31/2022	8,000	2,000
"City of Burien Child Care Resources and Referral"	CON-23-056	01/01/2023 - 12/31/2024	13,742	3,436
"City of Covington Child Care Resources and Referral"	CON-23-056	01/01/2023 - 12/31/2024	10,446	2,612
"City of Covington Child Care Resources and Referral"	--	01/01/2021 - 12/31/2022	7,086	1,772
"City of Covington Child Care Financial Assistance"	--	01/01/2021 - 12/31/2023	30,000	7,500
"City of Kenmore Child Care Resources and Referral"	22-C2876	01/01/2023 - 12/31/2024	2,400	600
"City of Kenmore Child Care Resources and Referral"	21-C2682	01/01/2021 - 12/31/2022	3,000	750
"City of Bellevue Child Care Resources and Referral"	GF182	01/01/2021 - 12/31/2022	72,178	18,350
"City of Bellevue Child Care Resources and Referral"	GF181	01/01/2023 - 12/31/2024	30,705	7,351
"City of Kirkland Child Care Resources and Referral"	32300110	01/01/2023 - 12/31/2024	16,050	4,013
"City of Kirkland Child Care Resources and Referral"	32100182	01/01/2021 - 12/31/2022	15,000	3,750
"City of Auburn Child Care Financial Assistance"	GF-21/2210	01/01/2021 - 12/31/2022	20,000	2,500
"City of Kent Child Care Financial Assistance"	CAG2023-230 Amendment#1	01/01/2023 - 12/31/2024	100,000	5,050
"City of Kent Child Care Financial Assistance"	--	01/01/2021 - 12/31/2022	70,000	8,850
"City of Bellevue Child Care Financial Assistance"	GF201	01/01/2021 - 12/31/2022	489,075	80,635
"City of Bellevue Child Care Financial Assistance"	GF200	01/01/2023 - 12/31/2024	327,520	1,995
"City of Kent Homeless Child Care"	CAG2023-230 Amendment#1	01/01/2023 - 12/31/2024	48,188	5,657
"City of Kent Homeless Child Care"	--	01/01/2021 - 12/31/2022	20,000	-
"City of Redmond Child Care Financial Assistance"	10197-1	01/01/2023 - 12/31/2024	118,694	3,610
"City of Redmond Child Care Financial Assistance"	9643	01/01/2021 - 12/31/2022	113,024	11,498
"City of Redmond Homeless Child Care"	10197-1	01/01/2023 - 12/31/2024	35,570	7,821
"City of Redmond Homeless Child Care"	9643	01/01/2021 - 12/31/2022	42,858	10,881
"City of Bellevue Homeless Child Care"	GF262	01/01/2021 - 12/31/2022	36,636	5,474
"City of Bellevue Homeless Child Care"	GF261	01/01/2023 - 12/31/2024	30,578	5,199
"City of Renton Child Care Resources and Referral"	CON-23-056	01/01/2023 - 12/31/2024	20,000	5,000
"City of Renton Homeless Child Care"	CAG-23-193	01/01/2023 - 12/31/2024	20,000	2,744
"City of SeaTac Child Care Resources and Referral"	CON-23-056	01/01/2023 - 12/31/2024	11,764	2,941
"City of SeaTac Child Care Resources and Referral"	CON-21-036	01/01/2021 - 12/31/2022	10,000	2,500
"City of Shoreline Child Care Resources and Referral"	10521	01/01/2023 - 12/31/2024	10,000	2,500
"City of Shoreline Child Care Resources and Referral"	9906	01/01/2021 - 12/31/2022	10,000	2,500
"City of Tukwila Child Care Resources and Referral"	CON-23-056	01/01/2023 - 12/31/2024	11,738	2,935
"City of Tukwila Child Care Resources and Referral"	CON-21-036	01/01/2021 - 12/31/2022	8,000	2,000
Suburban Cities Sub-Total			1,762,252	224,424
Total Non-Federal Governmental Grants/Contracts			<u>\$ 28,021,926</u>	<u>\$ 13,895,711</u>

INDEPENDENT AUDITOR'S REPORT  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors  
BrightSpark Early Learning Services  
Seattle, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of BrightSpark Early Learning Services, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activity, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered BrightSpark Early Learning Services's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BrightSpark Early Learning Services's internal control. Accordingly, we do not express an opinion on the effectiveness of BrightSpark Early Learning Services' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether BrightSpark Early Learning Services' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of BrightSpark Early Learning Services' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BrightSpark Early Learning Services' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jacobson Jarvis & Co, PLLC  
Seattle, Washington  
November 14, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
AS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
BrightSpark Early Learning Services  
Seattle, Washington

**Report on Compliance with Each Major Federal Program**

We have audited BrightSpark Early Learning Services' compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of BrightSpark Early Learning Services' major federal programs for the year ended June 30, 2023. BrightSpark Early Learning Services' major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

**Opinion on Each Major Federal Program**

In our opinion, BrightSpark Early Learning Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of BrightSpark Early Learning Services and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of BrightSpark Early Learning Services' compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to BrightSpark Early Learning Services' federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on BrightSpark Early Learning Services' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about BrightSpark Early Learning Services' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 BrightSpark Early Learning Services' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of BrightSpark Early Learning Services' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of BrightSpark Early Learning Services' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Jacobson Jarvis & Co, PLLC  
Seattle, Washington  
November 14, 2023



BRIGHTSPARK EARLY LEARNING SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of BrightSpark Early Learning Services.
2. No material weaknesses relating to the financial statements are reported in the "Independent Auditor's Report Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards."
3. No instances of noncompliance material to the financial statements of BrightSpark Early Learning Services were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal awards programs are reported in the "Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance as Required by the Uniform Guidance."
5. The auditor's report on compliance for the major federal award programs for BrightSpark Early Learning Services expresses an unmodified opinion.
6. Audit findings relative to the major federal award programs for BrightSpark Early Learning Services are reported in Part C of this Schedule.
7. The program tested as major was "Child Care and Development Block Grant", Assistance Listing No. 93.575.
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. BrightSpark Early Learning Services was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None

BRIGHTSPARK EARLY LEARNING SERVICES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2022

FINDINGS – FINANCIAL STATEMENT AUDIT

**2022-001 Internal Control - Time Sheets**

Management is responsible for designing, implementing, and maintaining a system of internal control relevant to the preparation and fair presentation of the financial statements. During our testing of internal controls, we noted several instances where timecards were not approved by the staff person's direct supervisor in adherence to BrightSpark Early Learning Services' policy.

We recommend that management amend its policy to allow for someone other than the employee's supervisor to approve a staff's time sheet if their supervisor is unavailable, but then the supervisor should review and approve the payroll within a reasonable timeframe of returning to work.

*Response:* Management has implemented a backup supervisor in cases where the direct supervisor is not available to approve time sheets. When the direct supervisor is available, they email their approval to Human Resources.

**2022-002 Internal Control - Bank Reconciliations**

Management is responsible for designing, implementing, and maintaining a system of internal control relevant to the preparation and fair presentation of the financial statements. Bank reconciliations are an essential internal control tool and are necessary in preventing and detecting fraud. They also help identify accounting and bank errors by providing explanations of the differences between the accounting record's cash balances and the bank balance position per the bank statement. During our testing of internal controls, we noted that BrightSpark Early Learning Services was not reconciling its bank statements in a timely manner. In addition, the statements were not being reviewed in a timely manner.

We recommend that the bank reconciliations are prepared and reviewed every month in a timely manner.

*Response:* Management has put forward concerted efforts to ensure that bank reconciliations were performed and reviewed in a timely manner.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

**2022-003 Internal Control Over Suspension and Debarment**

Federal Agencies: Department of the Treasury  
Assistance Listing No. 21.027

Criteria: Award recipients are required to establish and maintain internal controls designed to provide reasonable assurance that procurement contracts for goods and services are not entered into with parties that have been suspended or debarred. The federal guidelines set a threshold of \$25,000 for this verification. BrightSpark Early Learning Services has adopted a policy that it must re-evaluate all contractors paid in excess of \$10,000 on an annual basis to ensure they remain in good standing.

BRIGHTSPARK EARLY LEARNING SERVICES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2022

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT  
(Continued)

*Condition:* BrightSpark Early Learning Services did not re-evaluate contractors in excess of \$10,000 during the year ending June 30, 2022.

*Questioned Costs:* No reportable questioned costs.

*Context:* This finding was noted while gaining an understanding of controls over suspension and debarment and reviewing procurements over \$10,000 for evidence of a verification check.

*Effect:* This lack of internal control could result in contracts for goods and services being entered into with parties that have been suspended or debarred.

*Cause:* Internal controls were not properly designed or implemented.

*Recommendation:* We recommend that BrightSpark Early Learning Services follow its policy to ensure that contractors hired are not suspended or debarred or otherwise excluded from participating in federally funded programs.

*Response:* Management has elected to increase its vendor threshold to \$25,000 commensurate with federal guidelines. Suspension and debarment verification is being performed on each new vendor and annually on existing vendors for those over the threshold.