

BRIGHTSPARK EARLY LEARNING SERVICES

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED JUNE 30, 2025 AND 2024

UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL REPORTS
YEAR ENDED JUNE 30, 2025



www.brightspark.org

BRIGHTSPARK EARLY LEARNING SERVICES

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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 December 11, 2025, 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
December 11, 2025

BRIGHTSPARK EARLY LEARNING SERVICES

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 849,932	\$ 1,326,888
Grants receivable	6,226,233	4,285,253
Accounts receivable	320,498	107,357
Promises to give	195,000	180,000
Investments	206,780	182,583
Prepaid expenses	342,584	646,423
	<hr/>	<hr/>
Total Current Assets	8,141,027	6,728,504
Restricted Cash	1,804,389	1,663,569
Long-term Promises to Give	-	195,000
Right-of-Use Assets - operating leases	1,284,690	1,648,823
Equipment, net of accumulated depreciation of \$257,270 and \$688,392	336,649	363,106
	<hr/>	<hr/>
	<u>\$11,566,755</u>	<u>\$10,599,002</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 702,805	\$ 382,540
Grants payable	-	399,109
Accrued liabilities	1,165,794	1,595,281
Current portion operating lease liabilities	335,603	363,286
Line of credit payable	800,000	400,000
Deferred revenue	2,974,102	1,346,044
Cash held for others	17,048	17,783
	<hr/>	<hr/>
Total Current Liabilities	5,995,352	4,504,043
Long-term Operating Lease Liabilities, net of current portion	994,200	1,321,991
	<hr/>	<hr/>
Total Liabilities	6,989,552	5,826,034
Net Assets		
Without donor restrictions		
Board-designated	206,780	202,229
Undesignated	4,175,423	4,121,354
	<hr/>	<hr/>
Total Net Assets Without Donor Restrictions	4,382,203	4,323,583
With donor restrictions	195,000	449,385
	<hr/>	<hr/>
Total Net Assets	4,577,203	4,772,968
	<hr/>	<hr/>
	<u>\$11,566,755</u>	<u>\$10,599,002</u>

See notes to financial statements.

BRIGHTSPARK EARLY LEARNING SERVICES

STATEMENTS OF ACTIVITY

YEARS ENDED JUNE 30, 2025 AND 2024

	2025			2024		
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Public Support and Revenue						
Public support						
Government contracts and grants	\$39,386,996	\$ -	\$39,386,996	\$37,144,620	\$ -	\$37,144,620
Contributions and private grants	531,028	-	531,028	698,729	440,560	1,139,289
In-kind contributions	<u>21,009</u>	<u>-</u>	<u>21,009</u>	<u>1,875</u>	<u>-</u>	<u>1,875</u>
Total Public Support	<u>39,939,033</u>	<u>-</u>	<u>39,939,033</u>	<u>37,845,224</u>	<u>440,560</u>	<u>38,285,784</u>
Revenue						
Program services fees	337,741	-	337,741	501,999	-	501,999
Investment return	51,524	-	51,524	50,768	-	50,768
Other income	<u>256,632</u>	<u>-</u>	<u>256,632</u>	<u>21,484</u>	<u>-</u>	<u>21,484</u>
Total Revenue	<u>645,897</u>	<u>-</u>	<u>645,897</u>	<u>574,251</u>	<u>-</u>	<u>574,251</u>
Net Assets Released from Restrictions						
Satisfaction of purpose restrictions	<u>254,385</u>	<u>(254,385)</u>	<u>-</u>	<u>33,700</u>	<u>(33,700)</u>	<u>-</u>
Total Public Support, Revenue, and Other Support	<u>40,839,315</u>	<u>(254,385)</u>	<u>40,584,930</u>	<u>38,453,175</u>	<u>406,860</u>	<u>38,860,035</u>
Expenses						
Program services	37,293,291	-	37,293,291	35,113,053	-	35,113,053
Management and general	3,124,862	-	3,124,862	3,049,668	-	3,049,668
Fundraising	<u>362,542</u>	<u>-</u>	<u>362,542</u>	<u>464,540</u>	<u>-</u>	<u>464,540</u>
Total Expenses	<u>40,780,695</u>	<u>-</u>	<u>40,780,695</u>	<u>38,627,261</u>	<u>-</u>	<u>38,627,261</u>
Change in Net Assets	58,620	(254,385)	(195,765)	(174,086)	406,860	232,774
Net Assets - beginning of year	<u>4,323,583</u>	<u>449,385</u>	<u>4,772,968</u>	<u>4,497,669</u>	<u>42,525</u>	<u>4,540,194</u>
Net Assets - end of year	<u>\$ 4,382,203</u>	<u>\$ 195,000</u>	<u>\$ 4,577,203</u>	<u>\$ 4,323,583</u>	<u>\$ 449,385</u>	<u>\$ 4,772,968</u>

BRIGHTSPARK EARLY LEARNING SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2025 AND 2024

	2025				2024			
	Program	Management and	Fundraising	Total	Program	Management and	Fundraising	Total
	Services	General			Services	General		
Salaries and wages	\$ 8,950,283	\$ 1,756,900	\$ 171,950	\$ 10,879,133	\$ 7,682,498	\$ 1,418,668	\$ 221,520	\$ 9,322,686
Employee benefits	2,357,045	301,500	40,571	2,699,116	2,353,889	338,173	52,308	2,744,370
Payroll taxes	926,172	198,078	16,607	1,140,857	755,000	188,134	20,150	963,284
	12,233,500	2,256,478	229,128	14,719,106	10,791,387	1,944,975	293,978	13,030,340
Parent and provider assistance	20,915,168	-	-	20,915,168	21,245,649	605	90	21,246,344
Professional fees	1,843,627	295,344	27,764	2,166,735	796,829	738,853	83,640	1,619,322
MIS expense	715,030	99,244	25,518	839,792	836,189	39,266	9,637	885,092
Occupancy	512,150	97,868	10,246	620,264	392,228	97,394	11,418	501,040
Supplies	216,846	42,477	47,162	306,485	219,455	32,168	37,272	288,895
Travel, lodging, and meals	249,741	39,309	8,001	297,051	180,917	17,624	4,557	203,098
Equipment rent and repair	216,245	15,151	4,149	235,545	56,044	64,555	129	120,728
Staff development, training, and meetings	112,994	60,246	3,562	176,802	150,106	16,805	3,377	170,288
Communication	112,257	20,643	2,024	134,924	215,222	21,042	5,874	242,138
Depreciation	-	119,110	-	119,110	94,399	-	-	94,399
Other expenses	40,600	39,465	1,774	81,839	8,155	39,303	7,025	54,483
Insurance	57,641	10,600	1,039	69,280	40,710	12,563	773	54,046
Printing and publications	46,028	809	847	47,684	68,436	12,891	2,591	83,918
Dues, subscriptions, and advertising	14,565	26,274	140	40,979	13,606	10,550	2,690	26,846
Postage and shipping	6,899	1,844	1,188	9,931	3,721	1,074	1,489	6,284
Total Expenses	\$ 37,293,291	\$ 3,124,862	\$ 362,542	\$ 40,780,695	\$ 35,113,053	\$ 3,049,668	\$ 464,540	\$ 38,627,261

BRIGHTSPARK EARLY LEARNING SERVICES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Cash received from:		
Government agencies	\$37,446,016	\$36,471,555
Donors	710,293	767,870
Program participants	1,752,658	1,713,814
Interest income	27,327	10,986
Other income	256,632	29,270
Cash paid to:		
Employees	(15,094,239)	(12,519,889)
Childcare providers	(21,314,277)	(20,756,766)
Vendors	<u>(4,427,893)</u>	<u>(4,110,901)</u>
Net Cash (Used) Provided by Operating Activities	(643,483)	1,605,939
Cash Flows from Investing Activities		
Purchases of equipment	<u>(92,653)</u>	<u>(82,937)</u>
Cash Flows from Financing Activities		
Net borrowings on line of credit	<u>400,000</u>	<u>400,000</u>
Changes in Cash and Cash Equivalents	(336,136)	1,923,002
Cash and Cash Equivalents - beginning of year	<u>2,990,457</u>	<u>1,067,455</u>
Cash and Cash Equivalents - end of year	<u><u>\$ 2,654,321</u></u>	<u><u>\$ 2,990,457</u></u>
Cash and Cash Equivalents consist of:		
Cash and Cash Equivalents	\$ 849,932	\$ 1,326,888
Restricted Cash	<u>1,804,389</u>	<u>1,663,569</u>
	<u><u>\$ 2,654,321</u></u>	<u><u>\$ 2,990,457</u></u>

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

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.

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.

Best Start for Kids Childcare Subsidies program - The child care financial assistance pays a monthly rate determined by a family's income and household size. The program will pay up to the amount authorized for each individual child or the provider's rate, whichever amount is lower. Assistance will start on the first of the month after an application has been approved. The program can also support Working Connections Child Care Subsidy copays in full, and the copay amount for other subsidy programs approved by BrightSpark and King County.

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, a professional development conferences is held for providers each year in the spring.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

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. Technical Assistance services help family and center-based child care providers throughout King County and Pierce 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, 2025 AND 2024

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, 2025 AND 2024

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.

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 EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

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.

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.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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>2025</u>	<u>2024</u>
Advocacy	\$ 195,000	\$ 387,074
Family Friend and Neighbor Program	-	62,311
	<u>\$ 195,000</u>	<u>\$ 449,385</u>

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, 2025 and 2024, the fund balance was \$206,780 and \$202,299, respectively.

Cash and cash equivalents

Cash and cash equivalents consist of checking, savings, and money market accounts. BrightSpark maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year or that are uninsured. The Agency has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Restricted cash

Restricted cash relates to funds maintained in separate bank accounts for subsidy payments received in advance from King County Best Start for Kids Grant.

Grants and accounts receivable

Receivables are stated at net realizable value.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Promises to give were due as follows at June 30:

	<u>2025</u>	<u>2024</u>
Receivable in less than one year	\$ 195,000	\$ 180,000
Receivable in one to five years	-	195,000
	<u>\$ 195,000</u>	<u>\$ 375,000</u>

Promises to give are all considered fully collectible at June 30, 2025 and 2024. In addition, any net present value discount would be insignificant. One donor represented 100% of promises to give as of June 30, 2025.

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.

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.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2025 and 2024.

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, 2025 and June 30, 2024, conditional contributions totaling \$3,207,208 and \$18,103,282, 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, 2025 and 2024, 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.

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.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 81% and 68% of total government contracts and grants revenue during the years ended June 30, 2025 and 2024, respectively, was received from two grantors. Approximately 81% and 82% of accounts receivable was due from these two grantors as of June 30, 2025 and 2024, respectively.

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.

Reclassification

Certain amounts in the June 30, 2024 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, 2024.

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 manages its liquidity by maintaining sufficient current financial assets less current liabilities. The Agency forecasts its future cash flows and monitors its liquidity and reserves monthly. During the years ended June 30, 2025 and 2024, the level of liquidity and reserves were sufficient to cover at least 90 days of operating expenses.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

NOTE B - LIQUIDITY (Continued)

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

	<u>2025</u>	<u>2024</u>
Total financial assets	\$ 9,602,832	\$ 7,940,650
Less: Restricted Cash	(1,804,389)	(1,663,569)
Less: Amounts subject to donor-imposed restrictions	(195,000)	(449,385)
Less: Amounts subject to board designation	<u>(206,780)</u>	<u>(202,229)</u>
	<u>\$ 7,396,663</u>	<u>\$ 5,625,467</u>

NOTE C - LINE OF CREDIT

The Agency has a \$2,000,000 revolving Line of Credit with Banner Bank, at U.S. Prime rate +0.750% (at 8.25% as of June 30, 2025) through June 15, 2026. There was an \$800,000 and \$400,000 outstanding balance under the line of credit as of June 30, 2025 and 2024, respectively. The line of credit is subject to certain financial covenants. As of June 30, 2025, these financial covenants were met.

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, 2025			
Exchange-traded funds	<u>\$ 206,780</u>	<u>\$ -</u>	<u>\$ -</u>
As of June 30, 2024			
Exchange-traded funds	<u>\$ 182,583</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.

NOTE E - 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 \$244,651 and \$212,689, respectively, were made for the years ended June 30, 2025 and 2024.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

NOTE F - 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>2025</u>	<u>2024</u>
Operating lease costs	\$ 428,968	\$ 488,369

Supplemental cash flow information:

Weighted-average remaining lease term	4.18 years
Weighted-average discount rate	3.70%

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

2026	\$ 375,926
2027	307,784
2028	312,489
2029	290,260
2030	<u>148,375</u>
	1,434,834
Less: present value discount	<u>(105,031)</u>
	<u>\$ 1,329,803</u>

NOTE G - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2025 through December 11, 2025, 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, 2025, including the estimates inherent in the processing of financial statements. The following events arose after June 30, 2025 relating to conditions that did not exist as of June 30, 2025.

SUPPLEMENTARY INFORMATION

BRIGHTSPARK EARLY LEARNING SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2025

Federal Grantor		Assistance		
<i>Pass-through Grantor</i>	Contract	Listing	Passed Through	Federal
"Program Title"	Number	Number	to Subrecipients	Expenditures
Department of Health and Human Services				
"Head Start"	10HP000458-04-02		\$ -	\$ 1,347,428
"Head Start"	10HP000458-05-01		-	616,833
Head Start Cluster		93.600*	-	1,964,261
<i>Washington State Department of Early Learning - Child Care Aware of Washington</i>				
"Child Care and Development Block Grant"	Amendment #2		-	10,584,520
<i>Washington State Department of Children, Youth and Families</i>				
"Child Care and Development Block Grant"	22-1115-04		-	364,900
CCDF Cluster		93.575*	-	10,949,420
Total Department of Health and Human Services			-	12,913,681
Total Expenditures of Federal Awards			\$ -	\$ 12,913,681

* Denotes a major program.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2025

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, 2025

Grantor/Contractor "Program Title"	Contract Number	Award Period	Total Award Amount	Total 7/1/2024 - 6/30/2025
State of Washington Child Care Aware of Washington: CCA of King/Tacoma COPE/EA/Family Services Contract"	Amendment #2	07/01/2024 - 06/30/2025	\$ 1,535,776	\$ 1,432,370
"Child Care Aware of Washington: Regional Advocacy"	FY25 Regional Advocacy	07/01/2024 - 06/30/2025	72,400	16,427
State of Washington Sub-Total			1,608,176	1,448,797
King County Kids Child Care Subsidy"	6416706 Amendment #4	11/01/2023 - 06/30/2025	37,785,298	18,822,821
Award Levy Coordination & Navigator"	6325111 Amendment #3	07/01/2022 - 06/30/2025	2,503,503	1,004,128
"Seattle & King County Public Health - Best Starts for Kids Levy"	9783 BSK Amendment #2	01/01/2023 - 12/31/2025	463,635	156,818
"Seattle & King County Public Health - Healthy Homes"	12168 EHS	04/01/2024 - 03/31/2027	120,000	50,000
King County Department of Community and Human Services - Best Starts for Kids Capacity Building Grant"	N/A	02/01/2025 - 05/31/2025	10,000	9,999
King County Sub-Total			40,882,436	20,043,766
City of Seattle "Seattle Child Care Staff Bonus"	EE024CA022 Amendment #1	11/01/2024 - 06/30/2025	2,875,000	2,858,415
"Seattle Preschool Program FCC Hub Pilot"	EE023PA032 Amendment #2	07/01/2023 - 08/31/2024	1,066,881	165,896
"Seattle Preschool Program FCC Hub Pilot"	EE024PA033 Amendment #2	07/01/2024 - 08/31/2025	1,113,917	951,863
"Homeless Child Care Assistance"	EE024PA001	01/01/2024 - 12/31/2024	424,360	209,414
"Homeless Child Care Assistance"	EE025PA004	01/01/2025 - 12/31/2025	485,425	164,704
"Seattle Public Library"	001997	07/01/2024 - 06/30/2025	60,900	60,900
"Information and Referral"	EE024PA002	01/01/2024 - 12/31/2024	62,977	31,489
"Information and Referral"	EE025PA005	01/01/2025 - 12/31/2025	64,866	32,433
City of Seattle Sub-Total			6,154,326	4,475,114
Pierce County "Pierce County Child Care Subsidy Program"	SC-111310	07/01/2024 - 12/12/2025	400,000	96,742
"Child Care Subsidies and Vacancy Database"	SC-109416-2	01/01/2022 - 12/31/2024	700,000	54,793
"Pierce County Student Child Care Financial Assistance"	N/A	01/01/2022 - 12/31/2024	-	5,732
Pierce County Sub-Total			1,100,000	157,267

BRIGHTSPARK EARLY LEARNING SERVICES

SCHEDULE OF EXPENDITURES OF NON-FEDERAL GOVERNMENTAL AWARDS

YEAR ENDED JUNE 30, 2025

Grantor/Contractor "Program Title"	Contract Number	Award Period	Total Award Amount	Total 7/1/2023 - 6/30/2024
Suburban Cities				
"City of Auburn Child Care Financial Assistance"	GF23/2408	01/01/2023 - 12/31/2024	22,000	6,650
"City of Bellevue Child Care Resources and Referral"	GF-181	01/01/2023 - 12/31/2024	30,705	7,853
"City of Bellevue Child Care Financial Assistance"	GF-200	01/01/2023 - 12/31/2024	327,520	87,797
"City of Bellevue Homeless Child Care"	GF-261	01/01/2023 - 12/31/2024	30,578	7,032
"City of Bellevue Child Care Information, Referral, & Resource Navigation Services"	HSF-372	01/01/2025 - 12/31/2026	20,273	1,018
"City of Bellevue Child Care Financial Assistance"	HSF-200	01/01/2025 - 12/31/2026	466,279	63,971
"City of Bellevue Homeless Child Care"	HSF-261	01/01/2025 - 12/31/2026	50,683	12,671
"City of Bellevue Child Care Technical Assistance and Training Program"	HSF-181	01/01/2025 - 12/31/2026	81,092	20,000
"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 Burien Child Care Technical Assistance and Training Program"	CON-25-048	01/01/2025 - 12/31/2026	8,000	6,000
"City of Kenmore Child Care Resources and Referral"	22-C2876	01/01/2023 - 12/31/2024	2,400	600
"City of Kent Child Care Financial Assistance"	CAG2023-230 Amendment#1	01/01/2023 - 12/31/2024	100,000	21,185
"City of Kent Homeless Child Care"	CAG2023-230 Amendment#1	01/01/2023 - 12/31/2024	48,188	2,867
"City of Kent Child Care Financial Assistance"	PO 185748	01/01/2025 - 12/31/2026	120,000	13,530
"City of Kirkland Child Care Resources and Referral"	32300110	01/01/2023 - 12/31/2024	16,050	4,013
"City of Redmond Child Care Financial Assistance"	10197-2	01/01/2023 - 12/31/2024	154,244	42,805
"City of Redmond Child Care Financial Assistance"	10703	01/01/2025 - 12/31/2026	31,127	22,985
"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	7,970
"City of SeaTac Child Care Resources and Referral"	CON-23-056	01/01/2023 - 12/31/2024	11,764	2,941
"City of Shoreline Child Care Resources and Referral"	10521	01/01/2023 - 12/31/2024	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
Suburban Cities Sub-Total			1,606,829	348,371
Total Non-Federal Governmental Grants/Contracts			\$ 51,351,767	\$ 26,473,315

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, 2025 and 2024, 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 December 11, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BrightSpark Early Learning Services' 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' 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
December 11, 2025

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, 2025. 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, 2025.

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
December 11, 2025

BRIGHTSPARK EARLY LEARNING SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2025

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 programs tested as major were "Child Care and Development Block Grant", Assistance Listing No. 93.575, and "Head Start", Assistance Listing No. 93.600.
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