

BRIGHTSPARK EARLY LEARNING SERVICES

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED JUNE 30, 2024 AND 2023

UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL REPORTS
YEAR ENDED JUNE 30, 2024



www.brightspark.org

BRIGHTSPARK EARLY LEARNING SERVICES

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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 **DATE**, 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 25, 2024

BRIGHTSPARK EARLY LEARNING SERVICES

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 2,990,457	\$ 1,067,455
Grants receivable	4,285,253	3,612,181
Accounts receivable	107,357	80,847
Promises to give	180,000	3,581
Investments	182,583	161,787
Prepaid expenses	<u>646,423</u>	<u>544,597</u>
Total Current Assets	8,392,073	5,470,448
Long-term Promises to Give	195,000	-
Right-of-Use Assets - operating leases	1,648,823	365,883
Equipment, net of accumulated depreciation of \$688,392 and \$593,994	<u>363,106</u>	<u>374,567</u>
	<u>\$10,599,002</u>	<u>\$ 6,210,898</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 382,540	\$ 292,056
Grants payable	399,109	-
Accrued liabilities	1,595,281	889,667
Current portion operating lease liabilities	363,286	159,970
Current portion of long-term debt	400,000	-
Deferred revenue	1,346,044	99,926
Cash held for others	<u>17,783</u>	<u>17,783</u>
Total Current Liabilities	4,504,043	1,459,402
Long-term Operating Lease Liabilities, net of current portion	<u>1,321,991</u>	<u>211,302</u>
Total Liabilities	5,826,034	1,670,704
Net Assets		
Without donor restrictions		
Board-designated	202,229	186,352
Undesignated	<u>4,121,354</u>	<u>4,311,317</u>
Total Net Assets Without Donor Restrictions	4,323,583	4,497,669
With donor restrictions	<u>449,385</u>	<u>42,525</u>
Total Net Assets	<u>4,772,968</u>	<u>4,540,194</u>
	<u>\$10,599,002</u>	<u>\$ 6,210,898</u>

See notes to financial statements.

BRIGHTSPARK EARLY LEARNING SERVICES

STATEMENTS OF ACTIVITY

YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Public support						
Government contracts and grants	\$37,144,620		\$37,144,620	\$25,274,709		\$25,274,709
Contributions and private grants	698,729	\$ 440,560	1,139,289	682,254	\$ 42,525	724,779
In-kind contributions	1,875	-	1,875	-	-	-
Total Public Support	<u>37,845,224</u>	<u>440,560</u>	<u>38,285,784</u>	<u>25,956,963</u>	<u>42,525</u>	<u>25,999,488</u>
Revenue						
Program services fees	501,999		501,999	434,393		434,393
Investment return	50,768		50,768	(23,900)		(23,900)
Other income	21,484		21,484	6,181		6,181
Total Revenue	<u>574,251</u>		<u>574,251</u>	<u>416,674</u>		<u>416,674</u>
Net Assets Released from Restrictions						
Satisfaction of purpose restrictions	33,700	(33,700)	-	58,804	(58,804)	-
Total Net Assets Released from Restrictions	<u>33,700</u>	<u>(33,700)</u>	<u>-</u>	<u>58,804</u>	<u>(58,804)</u>	<u>-</u>
Total Public Support, Revenue, and Other Support	<u>38,453,175</u>	<u>406,860</u>	<u>38,860,035</u>	<u>26,432,441</u>	<u>(16,279)</u>	<u>26,416,162</u>
Expenses						
Program services	35,113,053		35,113,053	24,006,296		24,006,296
Management and general	3,049,668		3,049,668	2,258,930		2,258,930
Fundraising	464,540		464,540	524,919		524,919
Total Expenses	<u>38,627,261</u>		<u>38,627,261</u>	<u>26,790,145</u>		<u>26,790,145</u>
Change in Net Assets	(174,086)	406,860	232,774	(357,704)	(16,279)	(373,983)
Net Assets - beginning 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>
Net Assets - end 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>

BRIGHTSPARK EARLY LEARNING SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2024 AND 2023

	2024				2023			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 7,682,498	\$ 1,418,668	\$ 221,520	\$ 9,322,686	\$ 7,338,913	\$ 1,264,623	\$ 250,976	\$ 8,854,512
Employee benefits	2,353,889	338,173	52,308	2,744,370	2,181,332	285,520	56,047	2,522,899
Payroll taxes	755,000	188,134	20,150	963,284	718,078	125,283	33,547	876,908
	<u>10,791,387</u>	<u>1,944,975</u>	<u>293,978</u>	<u>13,030,340</u>	<u>10,238,323</u>	<u>1,675,426</u>	<u>340,570</u>	<u>12,254,319</u>
Parent and provider assistance	21,245,649	605	90	21,246,344	11,281,260	-	-	11,281,260
Professional fees	796,829	738,853	83,640	1,619,322	462,364	271,985	96,607	830,956
MIS expense	836,189	39,266	9,637	885,092	792,190	93,762	14,313	900,265
Occupancy	392,228	97,394	11,418	501,040	352,426	75,247	8,206	435,879
Supplies	219,455	32,168	37,272	288,895	109,670	30,708	17,737	158,115
Communication	215,222	21,042	5,874	242,138	196,040	20,555	4,350	220,945
Travel, lodging, and meals	180,917	17,624	4,557	203,098	194,510	5,532	5,256	205,298
Staff development, training, and meetings	150,106	16,805	3,377	170,288	60,897	15,034	3,059	78,990
Equipment rent and repair	56,044	64,555	129	120,728	72,784	16,700	378	89,862
Depreciation	94,399	-	-	94,399	95,450	532	196	96,178
Printing and publications	68,436	12,891	2,591	83,918	40,198	895	7,777	48,870
Other expenses	8,155	39,303	7,025	54,483	9,764	15,130	10,618	35,512
Insurance	40,710	12,563	773	54,046	39,527	11,987	901	52,415
Dues, subscriptions, and advertising	13,606	10,550	2,690	26,846	56,240	23,046	13,048	92,334
Postage and shipping	3,721	1,074	1,489	6,284	4,653	2,391	1,903	8,947
Total Expenses	<u>\$ 35,113,053</u>	<u>\$ 3,049,668</u>	<u>\$ 464,540</u>	<u>\$ 38,627,261</u>	<u>\$ 24,006,296</u>	<u>\$ 2,258,930</u>	<u>\$ 524,919</u>	<u>\$ 26,790,145</u>

BRIGHTSPARK EARLY LEARNING SERVICES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Cash received from:		
Government agencies	\$36,471,555	\$25,644,215
Donors	767,870	717,333
Program participants	1,713,814	464,999
Interest income	10,986	1,442
Other income	29,270	10,044
Cash paid to:		
Employees	(12,519,889)	(12,503,985)
Childcare providers	(20,756,766)	(12,654,697)
Vendors	<u>(4,110,901)</u>	<u>(2,974,706)</u>
Net Cash Provided (Used) by Operating Activities	1,605,939	(1,295,355)
Cash Flows from Investing Activities		
Purchases of equipment	<u>(82,937)</u>	<u>(57,183)</u>
Net Cash Used by Investing Activities	(82,937)	(57,183)
Cash Flows from Financing Activities		
Net borrowings (payments) on line of credit	<u>400,000</u>	<u>-</u>
Net Cash Provided by Financing Activities	400,000	-
Change in Cash and Cash Equivalents	1,923,002	(1,352,538)
Cash and Cash Equivalents - beginning of year	<u>1,067,455</u>	<u>2,419,993</u>
Cash and Cash Equivalents - end of year	<u>\$ 2,990,457</u>	<u>\$ 1,067,455</u>

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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 its 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.

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.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

Adoption of accounting standard

On July 1, 2023, BrightSpark adopted ASU2016-13, Financial Instrument - Credit Losses: Measurement of Credit Losses on Financial Instrument (Topic 326), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected loss (“CECL”) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured amortized cost, including program and other receivables. Grants and contracts receivable are excluded from the standard. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This standard provides financial statement users with more decision-useful information about expected losses associated with financial instruments. The impact of the adoption was not considered material to the financial statements.

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.

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.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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>2024</u>	<u>2023</u>
Family Friend and Neighbor Program	\$ 62,311	\$ 38,825
Provider Relief	-	3,700
Advocacy	<u>387,074</u>	<u>-</u>
	<u>\$ 449,385</u>	<u>\$ 42,525</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, 2024 and 2023, the fund balance was \$202,299 and \$186,352, 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.

Grants and accounts receivable

Receivables are stated at net realizable value.

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.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to give were due as follows at June 30:

	<u>2024</u>	<u>2023</u>
Receivable in less than one year	\$ 180,000	\$ 3,581
Receivable in one to five years	<u>195,000</u>	<u>-</u>
	<u>\$ 375,000</u>	<u>\$ 3,581</u>

Promises to give are all considered fully collectible at June 30, 2024 and 2023. In addition, any net present value discount would be insignificant. One donor represented 100% of promises to give as of June 30, 2024.

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.

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.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants payable

Grants authorized but unpaid at year-end are reported as liabilities and are payable within one year at June 30, 2024 and 2023.

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, 2024 and June 30, 2023, conditional contributions totaling \$18,103,282 and \$10,972,644, 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, 2024 and 2023, 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.

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).

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 68% and 85% of total government contracts and grants revenue during the years ended June 30, 2024 and 2023, respectively, was received from two grantors. Approximately 82% and 79% of accounts receivable was due from these two grantors as of June 30, 2024 and 2023, 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.

Reclassifications

Certain amounts in the 2023 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 ending June 30, 2023.

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 years ended June 30, 2024 and 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>2024</u>	<u>2023</u>
Total financial assets	\$ 7,940,650	\$ 4,925,851
Less: Amounts subject to donor-imposed restrictions	(449,385)	(42,525)
Less: Amounts subject to board designation	(202,229)	(186,352)
	<u>\$ 7,289,036</u>	<u>\$ 4,696,974</u>

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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 9.25% as of June 30, 2024) through March 15, 2025. There was \$400,000 outstanding balance under the line of credit as of June 30, 2024.

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, 2024			
Exchange-traded funds	\$ 182,583	\$ -	\$ -
As of June 30, 2023			
Exchange-traded funds	\$ 161,787	\$ -	\$ -

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 \$212,689 and \$213,306, respectively, were made for the years ended June 30, 2024 and 2023.

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.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE F - LEASE COMMITMENTS (Continued)

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

	<u>2024</u>	<u>2023</u>
Operating lease costs	\$ 488,369	\$ 425,303

Supplemental cash flow information:

Weighted-average remaining lease term	4.95 years
Weighted-average discount rate	3.62%

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

2025	\$ 420,145
2026	375,621
2027	307,999
2027	312,814
2028	290,260
Thereafter	<u>148,375</u>
	1,855,214
Less: present value discount	<u>(169,937)</u>
	<u>\$ 1,685,277</u>

NOTE G - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2024 through November 25, 2024, 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, 2024, including the estimates inherent in the processing of financial statements. The following events arose after June 30, 2024 relating to conditions that did not exist as of June 30, 2024.

SUPPLEMENTARY INFORMATION

BRIGHTSPARK EARLY LEARNING SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

Federal Grantor <i>Pass-through Grantor</i> "Program Title"	Contract Number	Assistance Listing Number	Passed Through to Subrecipients	Federal Expenditures
Department of Health and Human Services				
"Head Start"	10HP000458-03-02		\$ -	\$ 1,253,121
"Head Start"	10HP000458-04-02		-	656,116
"Head Start"	10HE001392-01-02		-	72,069
Head Start Cluster		93.600	-	1,981,306
<i>Washington State Department of Early Learning - Child Care Aware of Washington</i>				
"Child Care and Development Block Grant"	Amendment #1		-	9,280,723
477 Cluster		93.575*	-	9,280,723
<i>Childhaven</i>				
"Social Services Research and Demonstration"	90XP0472-01-01		-	144,285
		93.647	-	144,285
Total Department of Health and Human Services			-	11,406,314
Department of Housing and Urban Development				
<i>City of Bellevue</i>				
"Community Development Block Grants/Entitlement Grants"	CDBGCV-2-342 Amend #2		-	35,280
CDBG - Entitlement Grants Cluster		14.218	-	35,280
Total Department of Housing and Urban Development			-	35,280
Total Expenditures of Federal Awards			\$ -	\$ 11,441,594

* Denotes a major program.

BRIGHTSPARK EARLY LEARNING SERVICES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

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, 2024

Grantor/Contractor "Program Title"	Contract Number	Award Period	Total Award Amount	Total 7/1/2023 - 6/30/2024
State of Washington				
"Child Care Aware of Washington: CCA of King/Tacoma Core/EA/Family Services Contract"	Amendment #1	07/01/2023 - 06/30/2024	\$ 1,637,935	\$ 1,535,766
"Department of Early Learning: Infant Toddler Regional Systems & Services - King & Pierce"	22-1115-03	07/01/2021- 07/15/2024	1,334,423	377,394
State of Washington Sub-Total			<u>2,972,358</u>	<u>1,913,160</u>
King County				
"King County Department of Community and Human Services - Student Veteran Child Care Pilot"	6210040 Amendment #4	01/01/2021 - 12/31/2023	1,104,153	140,449
"King County Department of Community and Human Services - Best Starts for Kids Child Care"	6325111 Amendment #3	07/01/2022 - 06/30/2025	2,503,503	697,939
"King County Department of Community and Human Services - Best Starts for Kids Child Care Subsidy"	6416706	11/01/2023 - 06/30/2025	29,224,000	15,248,982
"Seattle & King County Public Health - Best Starts for Kids Levy"	9783 BSK Amendment #1	01/01/2023 - 12/31/2024	304,500	152,250
King County Sub-Total			<u>33,136,156</u>	<u>16,239,620</u>
City of Seattle				
"Information and Referral"	EE024PA002	01/01/2024 - 12/31/2024	62,977	31,489
"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	09/01/2022 - 08/31/2023	1,127,950	271,835
"Seattle Preschool Program FCC Hub Pilot"	EE023PA032 Amendment #2	07/01/2023 - 08/31/2024	1,066,881	874,559
"Seattle Child Care Staff Bonus"	EE023CA006 Amendment #1	05/25/2023 - 12/01/2023	5,289,650	5,208,200
"Homeless Child Care Assistance"	EE024PA001	01/01/2024 - 12/31/2024	424,360	159,520
"Homeless Child Care Assistance"	EE023PA001 Amendment#3	01/01/2023 - 12/31/2023	424,360	142,074
City of Seattle Sub-Total			<u>8,453,691</u>	<u>6,716,434</u>
Pierce County				
"Child Care Subsidies and Vacancy Database"	SC-109416-2	01/01/2022 - 12/31/2024	700,000	283,068
Pierce County Sub-Total			<u>700,000</u>	<u>283,068</u>

BRIGHTSPARK EARLY LEARNING SERVICES

SCHEDULE OF EXPENDITURES OF NON-FEDERAL GOVERNMENTAL AWARDS

YEAR ENDED JUNE 30, 2024

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	13,680
"City of Bellevue Child Care Resources and Referral"	GF-181	01/01/2023 - 12/31/2024	30,705	15,502
"City of Bellevue Child Care Financial Assistance"	GF-200	01/01/2023 - 12/31/2024	327,520	237,728
"City of Bellevue Homeless Child Care"	GF-261	01/01/2023 - 12/31/2024	30,578	15,073
"City of Burien Child Care Resources and Referral"	CON-23-056	01/01/2023 - 12/31/2024	13,742	6,871
"City of Covington Child Care Resources and Referral"	CON-23-056	01/01/2023 - 12/31/2024	10,446	5,223
"City of Kenmore Child Care Resources and Referral"	22-C2876	01/01/2023 - 12/31/2024	2,400	1,200
"City of Kent Child Care Financial Assistance"	CAG2023-230 Amendment#1	01/01/2023 - 12/31/2024	100,000	73,765
"City of Kent Homeless Child Care"	CAG2023-230 Amendment#1	01/01/2023 - 12/31/2024	48,188	39,664
"City of Kirkland Child Care Resources and Referral"	32300110	01/01/2023 - 12/31/2024	16,050	8,025
"City of Redmond Child Care Financial Assistance"	10197-2	01/01/2023 - 12/31/2024	154,244	100,008
"City of Renton Child Care Resources and Referral"	CON-23-056	01/01/2023 - 12/31/2024	20,000	10,000
"City of Renton Homeless Child Care"	CAG-23-193	01/01/2023 - 12/31/2024	20,000	7,256
"City of SeaTac Child Care Resources and Referral"	CON-23-056	01/01/2023 - 12/31/2024	11,764	5,882
"City of Shoreline Child Care Resources and Referral"	10521	01/01/2023 - 12/31/2024	10,000	5,000
"City of Tukwila Child Care Resources and Referral"	CON-23-056	01/01/2023 - 12/31/2024	11,738	5,869
	Suburban Cities Sub-Total		829,375	550,746
	Total Non-Federal Governmental Grants/Contracts		<u>\$ 46,091,580</u>	<u>\$ 25,703,028</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, 2024 and 2023, 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 25, 2024.

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
November 25, 2024

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, 2024. 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, 2024.

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 25, 2024

BRIGHTSPARK EARLY LEARNING SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

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