# BRIGHT BEGINNINGS, INC. AND SUBSIDIARY

# CONSOLIDATED FINANCIAL STATEMENTS
# AND
# REPORTS UNDER THE UNIFORM GUIDANCE

**Years Ended September 30, 2023 and 2022**

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# INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bright Beginnings, Inc. and Subsidiary
Washington, DC

## Report on the Audit of the Consolidated Financial Statements

### *Opinion*

We have audited the accompanying consolidated financial statements of Bright Beginnings, Inc. and Subsidiary (collectively referred to as the Organization), which comprise the consolidated statements of financial position as of September 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bright Beginnings, Inc. and Subsidiary as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit 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 Consolidated Financial Statements section of our report. We are required to be independent of Bright Beginnings, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Emphasis of Matter*

As discussed in Note 3 to the consolidated financial statements, of Bright Beginnings, Inc. and Subsidiary adopted Accounting Standards Update No. 2016-02, *Leases*, during the year ended September 30, 2023. Our opinion is not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bright Beginnings, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated 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 consolidated 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 consolidated 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 Bright Beginnings, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bright Beginnings, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and the consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the financial statements. 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 , 2024, on our consideration of Bright Beginnings, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bright Beginnings, Inc. and Subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bright Beginnings, Inc. and Subsidiary's internal control over financial reporting and compliance.

Rubino & Company

Bethesda, Maryland
February 8, 2024

**BRIGHT BEGINNINGS, INC. AND SUBSIDIARY**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**September 30, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 4,742,165 | $ 4,523,703 |
| Contribution receivable, net | 78,181 | 248,750 |
| Accounts and contracts receivable | 349,009 | 596,976 |
| Prepaid expenses | 105,819 | 84,122 |
| Total current assets | 5,275,174 | 5,453,551 |
| Contribution receivable, net of current | 47,619 | - |
| Operating lease right-of-use asset, net | 163,912 | - |
| Property and equipment, net | 9,491,433 | 9,521,326 |
| Rent deposit | 26,025 | - |
| New market tax credit loan to BBIF | 6,693,700 | 6,693,700 |
| Total assets | $ 21,697,863 | $ 21,668,577 |
| **LIABILITIES AND NET ASSETS** | | |
| Current liabilities | | |
| Accounts payable | $ 180,643 | $ 250,611 |
| Operating lease liability current | 150,219 | - |
| Accrued salaries and related liabilities | 341,745 | 285,773 |
| Total current liabilities | 672,607 | 536,384 |
| New market tax credit loan from CDE | 9,310,000 | 9,310,000 |
| Operating lease liability non current | 25,827 | - |
| Total liabilities | 10,008,434 | 9,846,384 |
| Net assets | | |
| Without donor restrictions | 11,252,966 | 11,249,733 |
| With donor restrictions | 436,463 | 572,460 |
| Total net assets | 11,689,429 | 11,822,193 |
| Total liabilities and net assets | $ 21,697,863 | $ 21,668,577 |

The accompanying notes are an integral part of these consolidated financial statements.

**BRIGHT BEGINNINGS, INC. AND SUBSIDIARY**
**CONSOLIDATED STATEMENTS OF ACTIVITIES**
**Years Ended September 30, 2023 and 2022**

| | Year Ended September 30, 2023 | | | Year Ended September 30, 2022 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue and support | | | | | | |
| U.S. federal government grants | $ - | $ 5,008,281 | $ 5,008,281 | $ - | $ 4,106,361 | $ 4,106,361 |
| D.C. government contracts | - | 1,215,710 | 1,215,710 | - | 1,606,191 | 1,606,191 |
| Contributions and support | 1,208,838 | 856,621 | 2,065,459 | 1,197,552 | 1,360,737 | 2,558,289 |
| Donated services and supplies | 84,117 | - | 84,117 | 62,563 | - | 62,563 |
| Other income | 19,214 | - | 19,214 | 5,513 | - | 5,513 |
| Net assets released from restrictions | 7,216,609 | (7,216,609) | - | 7,097,803 | (7,097,803) | - |
| Total revenue and support | 8,528,778 | (135,997) | 8,392,781 | 8,363,431 | (24,514) | 8,338,917 |
| Expenses | | | | | | |
| Program services | | | | | | |
| Education | 4,013,896 | - | 4,013,896 | 3,596,352 | - | 3,596,352 |
| Family services | 537,707 | - | 537,707 | 462,060 | - | 462,060 |
| Therapeutic services | 314,509 | - | 314,509 | 244,833 | - | 244,833 |
| Health and safety | 648,888 | - | 648,888 | 585,913 | - | 585,913 |
| Home-based services | 440,099 | - | 440,099 | 540,941 | - | 540,941 |
| Workforce development | 114,490 | - | 114,490 | 119,005 | - | 119,005 |
| Other programs | 688,241 | - | 688,241 | 550,575 | - | 550,575 |
| Total program services | 6,757,830 | - | 6,757,830 | 6,099,679 | - | 6,099,679 |
| Management and general | 1,566,835 | - | 1,566,835 | 1,653,102 | - | 1,653,102 |
| Development | 402,761 | - | 402,761 | 385,062 | - | 385,062 |
| Total expenses | 8,727,426 | - | 8,727,426 | 8,137,843 | - | 8,137,843 |
| Change in net assets from operations | (198,648) | (135,997) | (334,645) | 225,588 | (24,514) | 201,074 |
| Non-operating activity | | | | | | |
| Interest income | 201,881 | - | 201,881 | 125,028 | - | 125,028 |
| Change in net assets | 3,233 | (135,997) | (132,764) | 350,616 | (24,514) | 326,102 |
| Net assets, beginning of year | 11,249,733 | 572,460 | 11,822,193 | 10,899,117 | 596,974 | 11,496,091 |
| Net assets, end of year | $ 11,252,966 | $ 436,463 | $ 11,689,429 | $ 11,249,733 | $ 572,460 | $ 11,822,193 |

The accompanying notes are an integral part of these consolidated financial statements.

**BRIGHT BEGINNINGS, INC. AND SUBSIDIARY**
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**
**Year Ended September 30, 2023**

| | Program Services | | | | | | | | Supporting Services | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Education | Family Services | Therapeutic Services | Health and Safety | Home-based Services | Workforce Development | Other Programs | Total Program Services | Management and General | Development | Total |
| Payroll & Benefits Compensation | $ 3,284,755 | $ 312,194 | $ 174,682 | $ 256,022 | $ 341,586 | $ 77,059 | $ 546,618 | $ 4,992,916 | $ 417,829 | $ 278,074 | $ 5,688,819 |
| Consulting Services | | | | | | | | | | | |
| Program | 103,976 | 1,641 | 71,150 | 24,658 | 4,556 | 709 | 43,902 | 250,592 | 12,177 | 3,232 | 266,001 |
| Other | 88,115 | 6,879 | 3,394 | 7,308 | 7,641 | 1,746 | 15,012 | 130,095 | 405,536 | 7,479 | 543,110 |
| Classroom Expenses | 55,885 | 635 | 26,693 | 301,909 | 1,258 | - | 2,255 | 388,635 | 7,651 | - | 396,286 |
| Family Services | 13,481 | 85,969 | 2,000 | 19,985 | 1,198 | 22,809 | 717 | 146,159 | 367 | - | 146,526 |
| Communication/Public Education | 71,641 | 5,346 | 2,829 | 5,537 | 8,686 | 1,426 | 24,875 | 120,340 | 22,915 | 29,836 | 173,091 |
| Publications & Printing | 2,274 | 30,509 | 17,441 | 323 | 144 | 323 | 5,407 | 56,421 | 7,409 | 25,607 | 89,437 |
| Home Based Services | - | - | - | - | 38,992 | - | - | 38,992 | 44 | - | 39,036 |
| Travel & Meetings | 63,062 | 4,628 | 3,434 | 5,765 | 5,122 | 3,555 | 10,808 | 96,374 | 62,125 | 3,073 | 161,572 |
| Other Event Expenses | - | - | - | - | - | - | - | - | - | - | - |
| Supplies & Equipment | 12,394 | 1,846 | 636 | 3,096 | 1,676 | 550 | 1,587 | 21,785 | 73,544 | 831 | 96,160 |
| Occupancy Costs | 159,192 | 11,622 | 6,163 | 12,158 | 15,483 | 3,165 | 18,586 | 226,369 | 163,525 | 9,329 | 399,223 |
| Insurance, Service Fees & Chgs | - | - | - | 61 | - | - | - | 61 | 344,753 | 36,013 | 380,827 |
| Depreciation Expense | 159,121 | 11,388 | 6,087 | 12,066 | 13,757 | 3,148 | 18,474 | 224,041 | 29,893 | 9,287 | 263,221 |
| In-Kind Expenses | - | 65,050 | - | - | - | - | - | 65,050 | 19,067 | - | 84,117 |
| **Totals** | $ 4,013,896 | $ 537,707 | $ 314,509 | $ 648,888 | $ 440,099 | $ 114,490 | $ 688,241 | $ 6,757,830 | $ 1,566,835 | $ 402,761 | $ 8,727,426 |

The accompanying notes are an integral part of these consolidated financial statements.

**BRIGHT BEGINNINGS, INC. AND SUBSIDIARY**
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**
**Year Ended September 30, 2022**

| | Program Services | | | | | | | | Supporting Services | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Education | Family Services | Therapeutic Services | Health and Safety | Home-based Services | Workforce Development | Other Programs | Total Program Services | Management and General | Development | Total |
| Payroll & Benefits Compensation | $ 2,828,138 | $ 294,085 | $ 168,567 | $ 235,970 | $ 413,270 | $ 85,874 | $ 371,799 | $ 4,397,703 | $ 525,707 | $ 242,389 | $ 5,165,799 |
| Consulting Services | | | | | | | | | | | |
| Program | 49,307 | - | 45,147 | 11,615 | 5,896 | - | 20,812 | 132,777 | 29,439 | 2,570 | 164,786 |
| Other | 79,894 | 16,233 | 2,987 | 6,696 | 10,170 | 2,618 | 72,595 | 191,193 | 422,889 | 50,618 | 664,700 |
| Classroom Expenses | 60,913 | 5,406 | 5,488 | 272,498 | 6,128 | - | 259 | 350,692 | 4,690 | - | 355,382 |
| Family Services | 2,363 | 45,960 | 193 | 2,181 | 1,176 | 16,675 | 1,772 | 70,320 | 377 | - | 70,697 |
| Communication/Public Education | 95,833 | 7,151 | 3,184 | 7,110 | 11,199 | 1,907 | 13,478 | 139,862 | 22,245 | 23,759 | 185,866 |
| Publications & Printing | 16,174 | 12,790 | - | 2,550 | 3,912 | 800 | 32,940 | 69,166 | 12,919 | 25,785 | 107,870 |
| Home Based Services | - | - | - | - | 27,427 | - | - | 27,427 | 635 | - | 28,062 |
| Travel & Meetings | 37,297 | 3,152 | 1,932 | 2,547 | 4,508 | 914 | 3,808 | 54,158 | 40,234 | 1,766 | 96,158 |
| Other Event Expenses | - | - | - | - | - | - | - | - | - | 1,337 | 1,337 |
| Supplies & Equipment | 34,126 | 5,080 | 2,400 | 12,044 | 4,874 | 868 | 3,365 | 62,757 | 52,970 | 2,074 | 117,801 |
| Occupancy Costs | 126,191 | 12,142 | 4,815 | 10,460 | 16,826 | 2,876 | 9,384 | 182,694 | 142,917 | 7,188 | 332,799 |
| Insurance, Service Fees & Chgs | 108,056 | 9,024 | 4,168 | 9,126 | 14,343 | 2,530 | 8,013 | 155,260 | 343,726 | 18,481 | 517,467 |
| Depreciation Expense | 158,060 | 13,294 | 5,952 | 13,116 | 21,212 | 3,943 | 12,350 | 227,927 | 29,534 | 9,095 | 266,556 |
| In-Kind Expenses | - | 37,743 | - | - | - | - | - | 37,743 | 24,820 | - | 62,563 |
| **Totals** | $ 3,596,352 | $ 462,060 | $ 244,833 | $ 585,913 | $ 540,941 | $ 119,005 | $ 550,575 | $ 6,099,679 | $ 1,653,102 | $ 385,062 | $ 8,137,843 |

The accompanying notes are an integral part of these consolidated financial statements.

**BRIGHT BEGINNINGS, INC. AND SUBSIDIARY**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**Years Ended September 30, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| Cash flows from operating activities | | |
| Change in net assets | $ (132,764) | $ 326,102 |
| Reconciling adjustments | | |
| Depreciation and amortization | 263,221 | 266,556 |
| Operating lease right-of-use asset and liability, net | 12,134 | - |
| Loss on disposal of property and equipment | 20,314 | - |
| Changes in operating assets and liabilities | | |
| Contributions receivable | 122,950 | (75,859) |
| Accounts and contracts receivable | 247,967 | (191,378) |
| Prepaid expenses | (21,697) | 45,262 |
| Deposits | (26,025) | - |
| Accounts payable | (69,968) | 28,239 |
| Accrued salaries and related liabilities | 55,972 | 32,593 |
| Net cash provided by operating activities | 472,104 | 431,515 |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (253,642) | (115,355) |
| Net change in cash and cash equivalents | 218,462 | 316,160 |
| Cash and cash equivalents, beginning of year | 4,523,703 | 4,207,543 |
| Cash and cash equivalents, end of year | $ 4,742,165 | $ 4,523,703 |
| Supplemental cash flow information | | |
| Interest paid | $ 158,549 | $ 158,549 |

The accompanying notes are an integral part of these consolidated financial statements.

## 1. Organization

Bright Beginnings, Inc. (the Organization) was incorporated under the laws of the District of Columbia to operate as a not-for-profit corporation. The Organization was formed by members of the Junior League of Washington (JLW), also a not-for-profit organization, to establish a child development day care center to provide a safe, nurturing, and high quality service to homeless preschool children. It is funded primarily by government and private foundation grants. The Organization is governed by an independent Board of Directors responsible for the formulation and issuance of policies, regulations and procedures pertaining to the operation of the daycare center.

In February 2011, the Organization created Bright Beginnings Holdings, Inc. (the Corporation). The Corporation is organized to operate as a supporting organization for Bright Beginnings, Inc. under Section 509(a)(3) of the Internal Revenue Code. The Corporation operates exclusively for charitable, educational, and scientific purposes, and holds real property in support and in furtherance of the work of the Organization.

## 2. Program Descriptions

The below is a summary of the Organization's significant programs for the years ended September 30, 2023 and 2022.

<u>Education</u>

The Organization equips children with learning opportunities that build literacy skills and prepare them to enter kindergarten ready-to-learn and on par with their higher-resourced peers. Research shows that children experiencing housing instability are more likely to fall behind in school, repeat a grade, require special education services, and are less likely to demonstrate academic proficiency or graduate from high school.

The Organization largely concentrates on early literacy, as well as teaching children how to recognize letters, numbers, story themes, and more. The Organization uses the evidence-based HighScope curriculum to foster skills and qualities such as curiosity, creativity, collaboration, and critical thinking. HighScope's plan/do/review method encourages children to plan their activities, ask questions, and make decisions based on the information they have gathered. This method allows each child to develop at their own pace in a supportive and encouraging environment.

Children are encouraged to explore their creativity through activities like science experiments, art projects, alphabet games, and more. Children learn to recognize and write letters, build listening skills, and have frequent exposure to age-appropriate books with on-site lending libraries and by taking field trips to the nearby public library. Adults, teachers, parents, and volunteers read to the children and discuss the stories afterwards, helping children get to know their world, feel comfortable in it, and explore their curiosity about different topics in a safe and supportive space.

## 2. Program Descriptions (continued)

Family Services

The Organization regularly hosts parent events, workshops, and classes that cover a wide range of topics. The Organization offers physical and mental health and wellness programs, family forum meetings, parenting classes, a mothers-only support group, a fatherhood program, WIC Club, a domestic violence support group, and more.

The Organization’s family services and events keep parents engaged in its extensive programming. Parents are encouraged to volunteer in the classrooms and serve as chaperones on field trips as allowed by COVID-19 protocols. They also serve on the Parent Policy Council, which reviews and approves all programs and operating budgets, and interviews key personnel. Through its Family Services Program, the Organization supports the day-to-day social service needs of the families it serves and encourages active engagement.

Therapeutic Services

The Therapeutic Services Program identifies and treats mental health issues and developmental delays in children, and staff work to ensure that they are well-positioned to reach age-appropriate developmental milestones. Staff also provide comprehensive support to the entire family, offering interventions that help alleviate the stress facing families without stable housing.

CARE Team engages parents in all aspects of their children’s development. Still, many parents struggle to provide sufficient support to children with delays since they are coping with their own trauma and stress. Bright Beginnings’ whole child, whole family approach ensures that both children and parents are sufficiently supported in creating lasting positive change.

By intervening early and often, the Organization ensures that children enter kindergarten ready to learn. All students receive therapeutic and health screenings within 45 days of enrollment. These screenings help staff develop individualized curricula and social service plans.

## 2. Program Descriptions (continued)

Health and Safety

The Organization offers a comprehensive Health and Wellness Program that focuses on ensuring that the families it serves are in the best position possible to learn, achieve and thrive.

Nurses provide screenings to all enrolled children, whether they are in the Organization's Home-Based or Center-Based Programs. These screenings evaluate children's hearing and vision, measure hemoglobin levels, and monitor growth and development. Nurses review each child's health documentation and provide one-on-one consultations to parents regarding any medical concerns. They also train parents on how to properly administer medication to children. Health Services Assistants collect and review all medical documentation and help track and monitor each child's individual health plan.

An on-site nutritionist provides nutritional guidance to parents, children, teachers, and food service workers. The nutritionist reviews growth assessments completed by the nurse to ensure that children in the program maintain a healthy weight. When nutrition problems are identified, the nutritionist provides support to the family and assists them with developing a plan of action.

Home-Based Services

The Organization's Home-Based Program offers Early Head Start services to children (birth to three) and their families in whatever environment they call home. During a 90-minute weekly visit, Home Visitors meet with parents and children in the family's home environment, coach parents on strategies to be the child's first teacher, screen and assess each child and provide wrap-around support services.

The Organization treats families as active partners in their child's success and creates systems to support the role of parents as the primary educators of their children. Bright Beginnings' Home-Based Program uses the Parents as Teachers (PAT) foundational curriculum, which asserts that parents are their children's first and best teachers.

In addition to home visits, twice-monthly socialization events support parent-child development while also fostering a sense of community amongst families who are not enrolled in the Center-Based Program.

## 2. Program Descriptions (continued)

Workforce Development

Beginning in 2020, the Organization served parents of young children experiencing homelessness through its Workforce Development Program. This program includes educational support, training, and employment assistance. By offering a full range of workforce development services, both independently and in concert with other local organizations. Bright Beginnings helps parents find jobs and enroll in educational programs, supports integrated and collaborative workforce development across Washington, DC, and increases the likelihood that parents without homes can access high-quality and comprehensive assistance in all areas of their professional and educational development.

The Organization provides a number of workforce development-related supportive services and workshops creating direct impacts in professional development, financial literacy, résumé building, career fairs, and more.

Fatherhood Initiative

The Organization launched its new Fatherhood Initiative in October 2018. This initiative began with only 15 fathers and has now grown into a weekly program that engages 65 dads. This program offers fathers information and tools related to parenting young children and follows the Effective Black Parenting Curriculum. This curriculum was created specifically for parents of Black/African-American children and teaches culturally-specific parenting strategies. Fathers are supported by the Organization's multi-disciplinary support teams, which include a Teacher/Home Visitor, Family Advocate, Therapeutic Specialist (as needed), and Workforce Development Specialist.

## 3. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements represent the activity of Bright Beginnings, Inc. and Subsidiary (collectively referred to as the Organization). The consolidated financial statements of the Organization have been consolidated in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*. All material intercompany transactions and balances have been eliminated.

## 3. Summary of Significant Accounting Policies (continued)

Basis of Presentation

The Organization's consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, which require it to report information regarding its consolidated financial position and activities according to the following net asset classifications:

> **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.
>
> **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of Operations

The consolidated statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing services. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents

The Organization maintains cash balances at various financial institutions which, at times, may exceed federally insured limits. The Organization has not experienced any losses related to these accounts and does not believe they are exposed to any significant credit risk on cash and cash equivalents. For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with original maturities less than 90 days to be cash equivalents.

## 3. Summary of Significant Accounting Policies (continued)

Contributions Receivable

Contributions are recorded at the earlier of the date received or the date of receipt of a donor's unconditional promise or pledge. Conditional promises to give are not included as support until the conditions are substantially met. There was no allowance for doubtful accounts as of September 30, 2023 and 2022, respectively.

Accounts and Contracts Receivable

Accounts and contracts receivable are for reimbursement of costs incurred under federal awards and contract agreements. Billed amounts represent invoices that have been prepared and sent to the responsible parties. Accounts and contracts receivable are recorded at net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Property and Equipment

The Organization capitalizes all property and equipment with a cost of $5,000 or more, and a useful life of more than a year. Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of the donation. Depreciation and amortization are calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. At the time assets are retired or otherwise disposed of, the property and related accumulated depreciation and amortization accounts are relieved of the applicable amounts and any gain or loss is credits or charged to income. Maintenance and repairs are expensed as incurred.

Leases

At lease inception, the Organization determines whether an arrangement is or contains a lease. Operating leases are included in operating lease right-of-use (“ROU”) assets, current operating lease liabilities, and noncurrent operating lease liabilities in the financial statements. ROU assets represent the Organization’s right to use leased assets over the term of the lease. Lease liabilities represent the Organization’s contractual obligation to make lease payments over the lease term.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term. The Organization uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Organization uses a risk-free borrowing rate at the commencement date of the lease to determine the present value of the lease payments. Operating ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs plus any prepayments less any unamortized lease incentives received.

## 3. Summary of Significant Accounting Policies (continued)

Leases (continued)

Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Organization if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term. The Organization has elected not to recognize an ROU asset and obligation for leases with an initial term of twelve months or less.

Revenue Recognition

*Government Contracts and Grants*

Revenue from government contracts and grants is recognized when the related reimbursable direct and allocated indirect expenses are incurred. Revenue recognized in excess of billings and cash received is reported as unbilled accounts receivable. Billings and cash received in excess of revenue recognized are reported as deferred revenue.

*Contributions and Non-Federal Grants*

Non-federal grants that are with or without donor restrictions are recorded as grant revenue in the year notification is received from the donor. The Organization recognizes grants, contributions, foundation and corporate support, as revenue when they are received or unconditionally pledged. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met.

Contributions and grants are donor restricted to the extent that their availability for operations is restricted by donors based upon the passage of time or the occurrence of certain events. Such restrictions apply only to contributions and grants that have the characteristics of contributions, and not to "exchange" transactions in which the Organization provides a service or product to the funding agency. As such, contributions are recognized as revenue at the earlier of when they are received or unconditionally pledged. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions.

## 3. Summary of Significant Accounting Policies (continued)

*Donated Services and supplies*

The Organization receives various forms of contributed nonfinancial assets, including donated services and supplies (Note 9). Donated professional services which support program activities are recognized at fair value when the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals processing those skills, and would typically need to be purchased if not provided by donation. Donated supplies are in the form of toys, books, classroom supplies, diapers, and wipes. They are recognized at fair value when received. The Organization did not monetize any contributed nonfinancial assets and unless otherwise noted, contributed nonfinancial assets did not have donor restrictions for the year ended September 30, 2023 and 2022.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Indirect functional expenses have been allocated between program services, management and general, and development based on personnel time spent for each activity. Direct functional expenses are respectively recorded by activity. Such allocations are determined by management on an equitable basis. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and management of the Organization.

Concentrations

The Organization currently receives a substantial amount of its support from the federal government in the form of grants. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

## 3. Summary of Significant Accounting Policies (continued)

Use of Estimates

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

New Accounting Pronouncements – Adopted

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The ASU requires a lessee to recognize a right-of-use ("ROU") assets and lease liability on the statement of financial position for most lease contracts (which include those leases that are currently classified as operating leases under the current accounting standard). Additional disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from lease contracts. The Organization adopted the ASU as of October 1, 2022.

The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. For lessees, the key difference of the new standard from the previous guidance (Topic 840) is the recognition of a right-of-use (ROU) asset and lease liability on the consolidated statements of financial position . The most significant change is the requirement to recognize ROU assets and lease liabilities for leases classified as operating leases. The standard requires disclosures to meet the objective of enabling users of consolidated financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

As part of the transition to the new standard, the Organization was required to measure and recognize leases that existed at October 1, 2022 using a modified retrospective approach. For leases existing at the effective date, the Organization elected the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost. Additionally, the Organization elected, as a practical expedient, to use hindsight for purposes of determining lease term.

## 3. Summary of Significant Accounting Policies (continued)

Tax Status

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the District of Columbia. The Organization is not a private foundation and is exempt from taxes on income other than unrelated business income.

The Corporation is exempt from Federal income taxes under Section 509(a)(3) of the Internal Revenue Code and the applicable income tax regulations of the District of Columbia. The Corporation is not a private foundation and is exempt from taxes on income other than unrelated business income.

No provision for income taxes is required for 2023 or 2022. The Organization's income tax returns are subject to review and examination by Federal and state taxing authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. Income tax returns for the years ended September 30, 2022, 2021 and 2020 remain open to examination by the taxing jurisdictions.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 8, 2024, the date the financial statements were available to be issued.

## 4. Availability and Liquidity

The following reflects the Organization's consolidated financial assets at September 30, 2023 and 2022, reduced by amounts not available for general use within one year of the statement of financial position date because of donor imposed restrictions.

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents | $ 4,742,165 | $ 4,523,703 |
| Contribution receivable, net | 125,800 | 248,750 |
| Accounts and contract receivable | 349,009 | 596,976 |
| Total financial assets | 5,216,974 | 5,369,429 |
| Less amounts not available to be used within one year | | |
| Long-term contribution receivable | 47,619 | - |
| Net assets with donor restrictions | 436,463 | 572,460 |
| | 484,082 | 572,460 |
| Financial assets available to meet cash needs for general expenditures within one year | $ 4,732,892 | $ 4,796,969 |

The Organization has set three goals to maintain its liquidity:

1) Maintain and generate enough liquid assets to fund its fiscal year budget,
2) Maintain liquid financial assets to meet at least 90 days of operating expenses (approximately $2,200,000), and
3) Build a building and maintenance fund of $90,000.

The Organization defines liquid financial assets as any cash on hand, accounts and contributions receivable within 90 days, that are not donor-restricted to a particular program or designated by the Organization's board of directors for another purpose. As part of its liquidity plan, excess cash may be invested in short-term investments, including money market accounts and certificates of deposit, as dictated by the Organization's investment policy. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In the event of an unanticipated liquidity need, such as a government shutdown, the Organization is able to draw upon its current liquid asset balance to cover short-term cash needs.

## 4. Availability and Liquidity (continued)

In addition to its liquid assets on hand at September 30, 2023, the Organization expects to receive approximately $4,320,000 in the next fiscal year from federal awards. Federal awards allow the Organization to drawdown on these funds once they have been expended. The Organization generally draws down these funds in the month subsequent to expenditure, ensuring that cash is on hand to cover expenditures.

The Organization also anticipates receiving another $1,500,000 from District of Columbia sources. The Organization submits monthly reports to the District of Columbia and the reimbursement period is generally within 30 days.

## 5. Contribution Receivable

Contribution receivable that are expected to be collected in future years are discounted to present values using a discount rate equivalent to the risk-free rate of return, at the time the unconditional promises are made. As of September 30, 2022, all contributions receivable are current, no discount amount is applied. The discount rate for 2023 was about 4.5%. The discount is amortized to support from contributions over the contribution collection period.

Contribution receivable at September 30, 2023 and 2022 are expected to be collected as follows:

| | 2023 | 2022 |
|---|---|---|
| Due in less than one year | $ 78,181 | $ 248,750 |
| Due in two to five years | 50,000 | - |
| Total contribution receivable | 128,181 | 248,750 |
| Less: | | |
| Discount for present value | (2,381) | - |
| Contribution receivable, net | $ 125,800 | $ 248,750 |

## 6. Property and Equipment

Property and equipment consist of the following at September 30:

| | 2023 | 2022 |
|---|---|---|
| Land | $ 1,232,731 | $ 1,232,731 |
| Building | 8,889,430 | 8,889,430 |
| Leasehold improvements | 386,534 | 219,109 |
| Equipment | 305,850 | 266,679 |
| Total property and equipment | 10,814,545 | 10,607,949 |
| Less: Accumulated depreciation and amortization | (1,323,112) | (1,086,623) |
| Property and equipment, net | $ 9,491,433 | $ 9,521,326 |

Depreciation and amortization expense for the years ended September 30, 2023 and 2022 totalled $263,221 and $266,556, respectively.

## 7. New Markets Tax Credit Financing

In December 2016, the Organization entered into certain debt transactions to access additional funds through the New Markets Tax Credit (NMTC) Program. These funds were used towards the construction of a second facility. The NMTC Program permits taxpayers to claim federal tax credits for making Qualified Equity Investments (QEI) in a designated Community Development Entity (CDE). The CDE must use substantially all of the proceeds to make Qualified Low-Income Community Investments (QLICIs). The tax credits are claimed over a seven-year period and equate to 39% of the QLICIs. The Organization has partnered with an investor, Wells Fargo Community Investment Holdings, LLC (the “Investor”), to utilize the NMTC program.

The Investor established a special purpose entity called Bright Beginnings Investment Fund, LLC (BBIF) to raise the capital for the transaction. BBIF was funded with $2,616,300 of equity from the Investor and a $6,693,700 loan from the Organization.

This capital raised by BBIF was used to make a $9,310,000 QEI in a CDE, called City First Capital 46, LLC, for a 99.99% interest in the CDE, with the remaining 0.01% interest held by City First New Market Fund II, LLC. The CDE then loaned these funds to BBI Holdings, Inc. in the form of two notes.

The first note payable (QLICI Loan A), has a balance of $6,693,700 as of September 30, 2023 and 2022 and bears interest at 1.703% per annum. The note matures on December 31, 2051. The note requires quarterly interest only payments through December 5, 2024, at which time the note requires quarterly payments of principal and interest through the term of the note.

## 7. New Markets Tax Credit Financing (continued)

The second note payable (QLICI Loan B), has a balance of $2,616,300 as of September 30, 2023 and 2022 and bears interest at 1.703% per annum. The note matures on December 31, 2051. The note requires quarterly interest only payments through December 5, 2024, at which time the note requires quarterly payments of principal and interest through the term of the note.

Other long-term assets liabilities related to the NMTC financing reflected on the consolidated statements of financial position at September 30, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Other assets: | | |
| New market tax credit loan to BBIF | $ 6,693,700 | $ 6,693,700 |
| Long-term liabilities: | | |
| QLICI Loan A | $ 6,693,700 | $ 6,693,700 |
| QLICI Loan B | 2,616,300 | 2,616,300 |
| | $ 9,310,000 | $ 9,310,000 |

Interest income and expenses related to the NMTC financing for the years ended September 30, 2023 and 2022 were as follows:

| | 2023 | 2022 |
|---|---|---|
| Interest income | $ 201,969 | $ 125,190 |
| Interest expense | $ 158,549 | $ 158,549 |

## 8. Net Assets With Donor Restrictions

Net assets with donor restrictions represent grants and contributions pledged or received as of the end of the fiscal year but not yet expended for their intended purpose or passage of time.

Net assets with donor restriction consist of the following at September 30:

| | 2023 | 2022 |
|---|---|---|
| Purpose restricted grants and pledges | | |
| Advocacy | $ 108,288 | $ 120,000 |
| Alumni network | 30,000 | - |
| Classroom conservasion | 5,152 | - |
| Diabetes education | 22,662 | - |
| Education | 103,361 | 92,531 |
| Evening care | - | 6,139 |
| Family services | 7,198 | 12,905 |
| Fatherhood | - | 20,000 |
| Garden | 5,000 | - |
| Health & therapeutic services | - | 45,850 |
| Home-based services | - | 41,912 |
| Workforce development | 54,802 | 33,123 |
| Total purpose restricted grants and pledges | 336,463 | 372,460 |
| Time restricted | 100,000 | 200,000 |
| Total net assets with donor restrictions | $ 436,463 | $ 572,460 |

## 8. Net Assets With Donor Restrictions (continued)

The following net assets with donor restrictions were released from restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors, or the passage of time during the years ended September 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Purpose restricted grants and pledges | | |
| Champions for children grant | $ - | $ 10,000 |
| COVID-19 | - | 100,000 |
| D.C. government contracts | 1,215,710 | 1,606,191 |
| Advocacy | 21,712 | - |
| Classroom conversion | 19,848 | - |
| Diabetes education | 2,338 | - |
| Education | 281,671 | 295,928 |
| Evening care | 6,139 | 8,861 |
| Family services | 20,707 | 19,542 |
| Fatherhood program | 29,000 | 4,000 |
| Finance | 57,621 | - |
| Health & therapeutic services | 273,350 | 188,179 |
| Health and safety | - | 3,200 |
| Home-based services | 41,912 | 131,487 |
| Human resources | - | 50,000 |
| Innovate - evaluation/performance | - | 15,805 |
| Medical evaluation for children | - | 7,500 |
| Payroll, routine operating expenses | - | 50,000 |
| Playground | - | 90,000 |
| Stablize operations, salary, cleaning, GOS | - | 187,107 |
| U.S. federal government grants | 5,008,281 | 4,106,361 |
| Workforce development | 38,320 | 23,642 |
| Total purpose restricted grants and pledges | 7,016,609 | 6,897,803 |
| Time restricted | 200,000 | 200,000 |
| | $ 7,216,609 | $ 7,097,803 |

## 9. Donated Services and Supplies

Donated services and supplies for the years ended September 30, 2023 and 2022 included in the statement of activities, consisted of the following:

| | 2023 | 2022 |
|---|---|---|
| Donated Supplies | $ 49,430 | $ 28,530 |
| Donated Services | 34,687 | 34,033 |
| Total | $ 84,117 | $ 62,563 |

In valuing the donated supplies, management estimated the fair value on the basis of market value/cost of the supplies donated. Donated professional services relate to attorneys advising management on various administrative legal matters and consultants advising management on various program matters. Donated professional services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar professional services.

## 10. Lease Commitments

On December 20, 2016, Bright Beginnings, Inc. (the Organization) entered into an inter-company lease agreement with Bright Beginnings Holdings, Inc. (the Corporation) to lease the premises located at 3418 4th Street, S.E., Washington, DC. The lease term is January 1, 2018 to August 31, 2047; however, because the premises' construction was not finalized until September 2018, the Organization started deferring the rent on this lease on October 1, 2018. Annual cash payments for this agreement are $139,000 through December 31, 2023, $209,000 through December 31, 2024, and $456,000 through the end of the lease term. Rent revenue/expense for this lease, in the amount of $383,431, was eliminated during the consolidation of the financial statements for the years ended September 30, 2023 and 2022. Lease asset/liability in the amount of $6,687,907 was eliminated during the consolidation of the financial statements for the year ended September 30, 2023.

On September 1, 2023, the Organization entered into a lease agreement with a third party located at 700 Penn Avenue SE, Washington, DC. The lease term expires on November 30, 2024. Annual cash payments for this agreement are $156,000.

## 10. Lease Commitments (continued)

The office rent expense for the years ended September 30, 2023 and 2022, were included in occupancy cost on the consolidated statements of functional expenses follows:

| | 2023 | 2022 |
|---|---|---|
| Operating lease cost | $ 27,009 | $ 11,720 |
| Variable lease cost | 372,214 | 321,079 |
| Total office rent and occupancy | $ 399,223 | $ 332,799 |

The weighted-average remaining lease term related to the operating leases was twenty years and the weighted-average discount rate to the operating lease was 4.00% as of September 30, 2023. There were no material restrictions or covenants imposed to the Organization.

Future lease payments under non-callable leases at September 30, 2023 are as follows:

| | |
|---|---|
| Years ending September 30, 2024 | $ 156,000 |
| 2025 | 26,000 |
| Total | 182,000 |
| Less: imputed interest | (5,954) |
| Operating lease liability | $ 176,046 |

## 11. Subsequent Events

On December 22, 2016, Organization participated in a NMTC financing transaction; see Note 7. In connection with the NMTC financing, Wells Fargo Community Investment Holdings, LLC, as tax credit investor (the "Tax Credit Investor") and sole member of the Investment Fund entered into an Investment Fund Put and Call Agreement (the "Put and Call Agreement") with the Organization, allowing the Tax Credit Investor, upon expiration of the seven-year compliance period with respect to the NMTC Financing, to sell or "put" its membership interest in the Investment Fund to the Organization. The NMTC financing was arranged on behalf of BBI Holdings, Inc., District of Columbia nonprofit corporation, and a 501(c)(3) support corporation BBI ("Holdings"). Holdings served as the qualified active low-income community business (the "QALICB") for the NMTC financing.

On January 10, 2024, pursuant to the Put and Call Agreement, the Tax Credit Investor determined to exercise its put option, and thereafter initiated a series of transactions intended to unwind the original NMTC Financing.

The Organization purchased the Tax Credit Investor's interest in the Investment Fund at a cost of $1,000, and assumed all of the assets and liabilities of the Investment Fund, including all of the Organization's Notes Receivable held by the Fund (Leverage Loan).

The Fund, with the Organization 15as its sole member, then entered into a Redemption and Assignment Agreement, whereby it redeemed its interest in the CDE lender in exchange for an assignment of the QLICIs from the CDE lender to the Fund in the original principal amount of $9,310,000. The Fund then assigned the QLICIs to the Organization in satisfaction of the Leverage Loan.

**BRIGHT BEGINNINGS, INC. AND SUBSIDIARY**
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**
**September 30, 2023**

| | Bright Beginnings, Inc. | BBI Holdings, Inc. | Eliminations | Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current assets | | | | |
| Cash and cash equivalents | $ 4,649,975 | $ 92,190 | $ - | $ 4,742,165 |
| Contribution receivable, net | 61,245 | 16,936 | - | 78,181 |
| Accounts and contracts receivable | 349,009 | - | - | 349,009 |
| Loan receivable | 1,224,656 | - | (1,224,656) | - |
| Rent receivable | - | 1,229,668 | (1,229,668) | - |
| Prepaid expenses | 105,819 | - | - | 105,819 |
| Total current assets | 6,390,704 | 1,338,794 | (2,454,324) | 5,275,174 |
| Contribution receivable, net of current | 47,619 | - | - | 47,619 |
| Operating lease right-of-use asset, net | 5,629,664 | - | (5,465,752) | 163,912 |
| Property and equipment, net | 480,451 | 9,010,982 | - | 9,491,433 |
| Rent deposit | 26,025 | - | - | 26,025 |
| New market tax credit loan fund | 6,693,700 | - | - | 6,693,700 |
| Total assets | $ 19,268,163 | $ 10,349,776 | $ (7,920,076) | $ 21,697,863 |
| **LIABILITIES AND NET ASSETS** | | | | |
| Current liabilities | | | | |
| Accounts payable | $ 180,643 | $ - | $ - | $ 180,643 |
| Accrued salaries and related liabilities | 341,745 | - | - | 341,745 |
| Operating lease liability current | 150,219 | - | - | 150,219 |
| Loan payable to BBI | - | 1,224,656 | (1,224,656) | - |
| Total current liabilities | 672,607 | 1,224,656 | (1,224,656) | 672,607 |
| Operating lease liability non current | 6,721,247 | - | (6,695,420) | 25,827 |
| New market tax credit loan fund | - | 9,310,000 | - | 9,310,000 |
| Total liabilities | 7,393,854 | 10,534,656 | (7,920,076) | 10,008,434 |
| Net assets | | | | |
| Without donor restrictions | 11,437,846 | (184,880) | - | 11,252,966 |
| With donor restrictions | 436,463 | - | - | 436,463 |
| Total net assets | 11,874,309 | (184,880) | - | 11,689,429 |
| Total liabilities and net assets | $ 19,268,163 | $ 10,349,776 | $ (7,920,076) | $ 21,697,863 |

**BRIGHT BEGINNINGS, INC. AND SUBSIDIARY**
**CONSOLIDATING STATEMENT OF ACTIVITIES**
**Year Ended September 30, 2023**

| | Bright Beginnings, Inc. | BBI Holdings, Inc. | Eliminations | Total |
|---|---|---|---|---|
| Change in net assets without donor restrictions | | | | |
| Revenue and support | | | | |
| Contributions and support | $ 1,208,838 | $ - | $ - | $ 1,208,838 |
| Donated services and supplies | 84,117 | - | - | 84,117 |
| Other income | 2,278 | 16,936 | - | 19,214 |
| Rental income | - | 390,944 | (390,944) | - |
| Interest income | 201,881 | - | - | 201,881 |
| Net assets released from restrictions | 7,216,609 | - | - | 7,216,609 |
| Total revenue and support | 8,713,723 | 407,880 | (390,944) | 8,730,659 |
| Expenses | | | | |
| Program services | | | | |
| Education | 4,027,551 | 136,416 | (150,071) | 4,013,896 |
| Family services | 538,897 | 9,766 | (10,956) | 537,707 |
| Therapeutic services | 315,099 | 5,220 | (5,810) | 314,509 |
| Health and safety | 649,978 | 10,372 | (11,462) | 648,888 |
| Home-based services | 442,880 | 11,815 | (14,596) | 440,099 |
| Workforce development | 114,773 | 2,700 | (2,983) | 114,490 |
| Other programs | 689,923 | 15,839 | (17,521) | 688,241 |
| Total program services | 6,779,101 | 192,128 | (213,399) | 6,757,830 |
| Management and general | 1,561,317 | 174,267 | (168,750) | 1,566,834 |
| Development | 388,260 | 23,297 | (8,795) | 402,762 |
| Total expenses | 8,728,678 | 389,692 | (390,944) | 8,727,426 |
| Change in net assets without donor restrictions | (14,955) | 18,188 | - | 3,233 |
| Change in net assets with donor restriction | | | | |
| U.S. federal government grants | 5,008,281 | - | - | 5,008,281 |
| D.C. government contracts | 1,215,710 | - | - | 1,215,710 |
| Contributions and support | 856,621 | - | - | 856,621 |
| Net assets released from restrictions | (7,216,609) | - | - | (7,216,609) |
| Decrease in net assets with donor restrictions | (135,997) | - | - | (135,997) |
| Change in net assets | (150,952) | 18,188 | - | (132,764) |
| Net assets, beginning of year | 12,025,261 | (203,068) | - | 11,822,193 |
| Net assets, end of year | $ 11,874,309 | $ (184,880) | $ - | $ 11,689,429 |

**BRIGHT BEGINNINGS, INC. AND SUBSIDIARY**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**Year Ended September 30, 2023**

| Federal Grantor/Pass-Through Grantor/ Program Title | Assistance Listing Number | Pass-through Grantor Identifying Number | Federal Expenditures | Passed Through to Subrecipients |
|---|---|---|---|---|
| U.S. Department of Health and Human Services | | | | |
| Head Start and Early Head Start Programs | 93.600 | N/A | $ 4,497,365 | $ - |
| COVID-19 Head Start and Early Head Start Programs | 93.600 | N/A | 241,071 | - |
| Total Head Start and Early Head Start Programs | | | 4,738,436 | - |
| Passed-through Administration for Children and Families Low Income Investment Fund DC Child Care Road to Recovery Fund | 93.434 | N/A | 57,621 | - |
| Passed-through The Urban Institute and Centers for Disease Control and Prevention Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects | 93.185 | 102351-0001-BB-01 | 38,844 | - |
| Passed-through District of Columbia Office of the State Superintendent Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | N/A | 126,505 | - |
| U.S. Department of the Treasury | | | | |
| Passed-through District of Columbia Office of the State Superintendent Coronavirus State and Local Fiscal Recovery Funds | 21.027 | N/A | 681,324 | - |
| U.S. Department of Agriculture | | | | |
| Passed-through District of Columbia Office of the State Superintendent Child and Adult Care Food Program | 10.558 | V-131 | 173,380 | - |
| Total Expenditures of Federal Awards | | | $ 5,816,110 | $ - |

The accompanying notes are an integral part of this schedule.

**BRIGHT BEGINNINGS, INC. AND SUBSIDIARY**
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**Year Ended September 30, 2023**

## 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Bright Beginnings, Inc. under programs of the federal government for the year ended September 30, 2023. 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 (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Bright Beginning, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of Bright Beginning, Inc.

## 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

## 3. Government Audits

The allowability of certain costs under government grants is subject to audit by the awarding agency. Certain indirect costs charged to grants are subject to revisions based on government audits of those costs. Management believes that grant costs are consistent with applicable government cost principles, and that costs subsequently disallowed, if any, upon audit by the government would not be material.

## 4. Indirect Cost Rate

Bright Beginnings, Inc. has elected not to use the ten percent de minimis indirect cost rate allowed by the Uniform Guidance. Instead, Bright Beginnings, Inc. and Subsidiary use their agreed upon cost rate as specified in their Federal awards.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Bright Beginnings, Inc. and Subsidiary

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 consolidated financial statements of Bright Beginnings, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2023, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 8, 2024.

***Internal Control over Financial Reporting***

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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Bright Beginnings, Inc. and Subsidiary's consolidated 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 consolidated financial statements. 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rubino & Company

February 8, 2024
Bethesda, Maryland

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# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the Board of Directors
Bright Beginnings, Inc. and Subsidiary

## Report on Compliance for Each Major Federal Program

### *Opinion on Each Major Federal Program*

We have audited Bright Beginnings, Inc. and Subsidiary's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Bright Beginnings, Inc. and Subsidiary's major federal programs for the year ended September 30, 2023 Bright Beginnings, Inc. and Subsidiary's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Bright Beginnings, Inc. and Subsidiary 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 September 30, 2023.

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

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

We are required to be independent of Bright Beginnings, Inc. and Subsidiary 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 Bright Beginnings, Inc. and Subsidiary's 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 Bright Beginnings, Inc. and Subsidiary's 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 Bright Beginnings, Inc. and Subsidiary's 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 Bright Beginnings, Inc. and Subsidiary's 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 Bright Beginnings, Inc. and Subsidiary's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Bright Beginnings, Inc. and Subsidiary's 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 Bright Beginnings, Inc. and Subsidiary's 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.

Rubino & Company

February 8, 2024
Bethesda, Maryland

**BRIGHT BEGINNINGS, INC. AND SUBSIDIARY**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**Year Ended September 30, 2023**

## SECTION A – SUMMARY OF AUDITORS' RESULTS

***Financial Statements***

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:

   a. Material weakness(es) identified? No

   b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? No

3. Noncompliance material to financial statements noted? No

***Federal Awards***

4. Internal control over major programs:

   a. Material weakness(es) identified? No

   b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? No

5. Type of auditors' report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? No

7. Identification of Major Programs:

| Federal Grantor/Pass-Through Program | CFDA Number | Expenditures |
|---|---|---|
| U.S. Department of Health and Human Services/Head Start and Early Head Start Programs | 93.600 | $ 4,738,436 |

8. Dollar threshold used to distinguish between Type A and Type B programs $ 750,000

9. Auditee qualified as a low-risk auditee? Yes

## SECTION B– FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION C – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

## SECTION B– FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION C – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.