

**EDUCATIONAL CHILD CARE CENTER  
REPORT ON FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2025**

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## **INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To the Board of Directors of the  
Educational Child Care Center

We have reviewed the accompanying financial statements of Educational Child Care Center (a nonprofit organization), which comprise the statement of financial position as of September 30, 2025, and related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility 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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Educational Child Care Center and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **Emphasis of Matter**

As discussed in Note 8 to the financial statements, the Organization identified an understatement of its financial resources, related to an understatement of deferred revenues in the prior year which has been corrected and reflected in the accompanying financial statements. Our opinion is not modified with respect to this matter.

**Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Maney Costeiran PC*

Lansing, Michigan  
March 16, 2026

**EDUCATIONAL CHILD CARE CENTER  
STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2025**

ASSETS

Current assets

Cash and cash equivalents	\$ 126,385
Accounts receivable	79,741
Prepaid expenses	<u>7,219</u>

Total current assets 213,345

Noncurrent assets

Property and equipment, less accumulated depreciation	<u>359,879</u>
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TOTAL ASSETS \$ 573,224

LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities

Accounts payable	\$ 732
Deferred revenue	67,767
Accrued wages	84,041
Accrued interest	1,754
Current portion of long-term debt	<u>12,326</u>

Total current liabilities 166,620

Long-term liabilities

Long-term debt, less current portion	<u>218,698</u>
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TOTAL LIABILITIES 385,318

NET ASSETS

Without donor restrictions	<u>187,906</u>
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TOTAL LIABILITIES AND NET ASSETS \$ 573,224

See independent accountant's review report  
and notes to financial statements.

**EDUCATIONAL CHILD CARE CENTER  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2025**

	Without Donor Restrictions
REVENUE, CONTRIBUTIONS, AND OTHER SUPPORT	
Grants and contributions	\$ 42,342
Tuition and related	1,685,387
Processing charges	12,422
Interest income	2,373
Fundraising, net of direct expenses	6,653
TOTAL REVENUE, CONTRIBUTIONS, AND OTHER SUPPORT	1,749,177
EXPENSES	
Program services	1,149,471
Management and general	549,001
Fundraising	17,157
TOTAL EXPENSES	1,715,629
CHANGE IN NET ASSETS	33,548
NET ASSETS, beginning of year, as restated	154,358
NET ASSETS, end of year	\$ 187,906

See independent accountant's review report  
and notes to financial statements.

**EDUCATIONAL CHILD CARE CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2025**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Salaries and wages	\$ 790,807	\$ 377,699	\$ 11,803	\$ 1,180,309
Payroll taxes	62,810	29,999	937	93,746
Employee benefits	84,865	40,532	1,267	126,664
Professional services	7,355	3,513	110	10,978
Office expenses	1,134	541	17	1,692
Advertising and promotion	24	12	-	36
Information technology	33,259	15,885	496	49,640
Occupancy	57,836	27,623	863	86,322
Conferences and training	2,697	1,288	40	4,025
Interest expense	6,691	3,196	100	9,987
Depreciation	16,516	7,888	246	24,650
Insurance	20,215	9,655	302	30,172
Bank fees	13,291	6,348	198	19,837
Materials and supplies	19,620	9,371	293	29,284
Food costs	25,323	12,095	378	37,796
Licensing and permits	838	400	13	1,251
Payroll processing	4,806	2,295	72	7,173
Employee recruiting	1,384	661	22	2,067
	<u>1,384</u>	<u>661</u>	<u>22</u>	<u>2,067</u>
TOTAL EXPENSES	<u>\$ 1,149,471</u>	<u>\$ 549,001</u>	<u>\$ 17,157</u>	<u>\$ 1,715,629</u>

See independent accountant's review report  
and notes to financial statements.

**EDUCATIONAL CHILD CARE CENTER  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2025**

<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	
Cash flows from operating activities	
Increase (decrease) in net assets	<u>\$ 33,548</u>
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities	
Depreciation	24,650
Changes in assets and liabilities	
Accounts receivable	(4,113)
Prepaid expenses	(7,219)
Accounts payable	(2,746)
Accrued payroll and related items	(12,443)
Other accrued liabilities	(1,094)
Deferred revenue	<u>(13,471)</u>
Total adjustments	<u>(16,436)</u>
Net cash provided by operating activities	<u>17,112</u>
Cash flows from investing activities	
Purchase of property, plant, and equipment	<u>(39,251)</u>
Cash flows from financing activities	
Principal payments on long-term debt	<u>(17,181)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(39,320)</b>
CASH AND CASH EQUIVALENTS, beginning of year	<u>165,705</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 126,385</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>	
Cash paid during the year for interest	<u><u>\$ 9,986</u></u>

See independent accountant's review report and notes to financial statements.

**EDUCATIONAL CHILD CARE CENTER  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents consists of checking and savings accounts and cash on hand.

Accounts Receivable and Credit Losses

The Organization is exposed to credit losses primarily through tuition and related services. Accounts receivable represent the Organization's unconditional right to consideration in exchange for tuition and other services that the Organization has provided to the student based on contracted prices. Accounts receivable are recorded when invoices are issued and are presented on the statement of financial position at the amount the Organization expects to collect. The Organization provides for probable uncollectible amounts through credit losses expense and an adjustment to the allowance for credit losses. The Organization's expected loss allowance methodology for accounts receivable is developed using historical collection experience. Due to the short-term nature of such receivables, the estimated accounts receivable that may not be collected is based on aging of the accounts receivable balances.

The Organization evaluates contract terms and conditions, economic and industry risk, student credit worthiness, and may require prepayment to mitigate risk of loss. Specific allowance amounts are established to record the appropriate provision for students that have a higher probability of default. The Organization monitors changes to the receivables balance on a timely basis, and balances are written off as they are determined to be uncollectable after all collection efforts have been exhausted. See Note 2 regarding concentrations of credit risk.

Currently, the Organization has determined the value of an allowance for credit losses is immaterial and the recording of such balance is not considered necessary. Beginning and ending balances for accounts receivable is reported as follows for the year ended September 30, 2025:

Accounts receivable, beginning of year	<u>\$ 75,628</u>
Accounts receivable, end of year	<u>\$ 79,741</u>

Property, Equipment, and Depreciation

Property and equipment are recorded at cost, when purchased. Depreciation is computed on the estimated useful lives of the assets using the straight-line method. Assets with an estimated useful life greater than one year are capitalized. The capitalization policy is \$2,500.

**EDUCATIONAL CHILD CARE CENTER  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deferred Revenue

The Organization records deferred revenue when cash payments are received or due in advance of the Organization's performance, including amounts which are refundable. Beginning and ending balances for deferred revenue is reported as follows for the year ended September 30, 2025:

Deferred revenue, beginning of year	<u>\$ 81,238</u>
Deferred revenue, end of year	<u>\$ 67,767</u>

Advertising

Advertising is expensed when incurred.

Net Assets

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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. For the year ended September 30, 2025, the Organization has no net assets subject to donor restrictions.

Tuition Revenue

Fees for tuition are charged in advance of the period for which the service is intended to be provided which results in a contract asset (accounts receivable). Revenue is recognized over time as the performance obligation is met. There is generally only a single performance obligation, which is providing space in a classroom to enrolled students for days which the facility is expected to be open to students.

Grant and Contribution Revenue

Contributions of cash and other assets without donor restrictions concerning the use of such assets are reported as increases in net assets without donor restrictions. Contributions of cash or other assets to be used in accordance with donor stipulations are reported as increases in net assets with donor restrictions. Contributions with donor restrictions whose restrictions are met in the same reporting period are reported as revenue without donor restrictions.

**EDUCATIONAL CHILD CARE CENTER  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Grant and Contribution Revenue (continued)

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. All contributions made to the Organization are considered available for use, unless specifically restricted by the donor.

The Organization reports gifts of land, buildings, and equipment as increases in net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. 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 increases in net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed Services

The Organization benefits from volunteers whose services do not meet the criteria for recognition according to generally accepted accounting principles. It is not practical to estimate the value of contributed services, which include services such as board member service and fundraising event volunteers.

Income Taxes

The Organization is organized as a tax-exempt entity under section 501(c)(3) of the Internal Revenue Code. The Organization is generally exempt from federal and state income taxes on its related activities. The Organization files its income tax return (Form 990) in the U.S. Federal Jurisdiction.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. All expenses used allocations except for those expenses related to licensing and employee recruiting, which are direct expenses solely attributable to certain functional categories. Expenses are allocated on the basis of estimates of time and effort.

**NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES**

Educational Child Care Center (EC3, Organization) was organized in 1984 as a nonprofit corporation to improve the quality of early education for young children. EC3's vision is to be the premier childcare center in the greater Lansing area, and their mission is to provide developmentally appropriate childcare in a nurturing environment that promotes the growth of the child while responding to the needs of the family.

The Organization is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of temporary cash investments and accounts receivable. The Organization places its temporary cash investments with FDIC insured financial institutions. Although such investments and cash balances may exceed the federally insured limits at certain times during the year, they are, in the opinion of management, subject to minimal risk.

**EDUCATIONAL CHILD CARE CENTER  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES (continued)**

In addition, the Organization recognizes an allowance for credit losses at the time a receivable is recorded based on the Organization's estimate of expected credit losses, historical write-off experience, and current account knowledge, and adjusts this estimate over the life of the receivable as needed. The Organization evaluates the aggregation and risk characteristics of a receivable pool and develops loss rates that reflect historical collections, current forecasts of future economic conditions over the time horizon the Organization is exposed to credit risk, and payment terms or conditions that may materially affect future forecasts.

The Organization performs ongoing credit evaluations of its students family's financial condition whenever deemed necessary. The Organization evaluates and maintains, if necessary, an allowance for credit losses based on the expected collectability of all accounts receivable, which takes into consideration an analysis of historical credit losses, specific student creditworthiness and current economic trends. The Organization believes that the concentration of credit risk is limited because of its large number of students and credit quality of the student base.

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state, and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by various taxing authorities for a period of three to four years.

The Organization evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through March 16, 2026, which is the date the financial statements were available to be issued.

**NOTE 3 - LIQUIDITY AND AVAILABILITY**

The following reflects the Organization's financial assets as of September 30, 2025, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise the following:

Cash and cash equivalents	\$ 126,385
Accounts receivable	<u>79,741</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 206,126</u></u>

**EDUCATIONAL CHILD CARE CENTER  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment at September 30, 2025 are summarized by major classifications as follows:

	<u>Useful Lives</u>	
Land		\$ 33,750
Building and improvements	5-39	595,227
Furniture and equipment	5-15	<u>171,525</u>
		800,502
Less accumulated depreciation		<u>(440,623)</u>
		<u><u>\$ 359,879</u></u>

Depreciation expense for the year ended September 30, 2025 was \$24,650.

**NOTE 5 - LINE OF CREDIT**

The Organization has a revolving line of credit available with a bank allowing for borrowings up to a maximum of \$25,000, secured by all assets of the Organization, subject to covenants as specified in the agreement, and due on demand. Interest-only payments at prime plus 2.6% (minimum 8.13%) are required monthly until maturity on February 13, 2027. Any outstanding principal balance is due at maturity if not previously demanded by the bank. There was no balance as of September 30, 2025.

**NOTE 6 - LONG-TERM DEBT**

Subsequent to year end, on December 23, 2025, the Organization refinanced its existing long-term debt agreement, which was scheduled to mature in December 2025. The Organization entered into a new loan agreement in the amount of \$226,404. The refinanced loan requires monthly principal and interest payments of \$2,579, commencing January 25, 2026, with final payment due December 25, 2035. The interest rate on this loan will be fixed at 6.565% per annum with a rate change scheduled to happen on December 25, 2030 or the following business day. At that time, the interest rate will be set using the current five year U.S. Treasury rate + 2.875% to be set five business days prior to December 25, 2030. This will cause the payment to change based on the new rate and remaining term of the loan.

The following is an updated summary of long-term debt at September 30, 2025:

Note payable - Payable in monthly installments of \$2,579 including interest at 6.57% secured by all land, property and equipment of the Organization, due December 2035.		\$ 231,024
Less current portion		<u>(12,326)</u>
		<u><u>\$ 218,698</u></u>

**EDUCATIONAL CHILD CARE CENTER  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM DEBT (continued)**

Long-term debt under the refinanced agreement matures as follows:

<u>Year Ending September 30,</u>		
2026	\$	12,326
2027		17,405
2028		18,583
2029		19,840
2030		21,182
Thereafter		<u>141,688</u>
	\$	<u><u>231,024</u></u>

**NOTE 7 - RETIREMENT BENEFITS**

The Organization maintains a 403(b) defined contribution retirement plan to which employees may contribute an annual maximum amount established by the Internal Revenue Services. No contributions from the Organization were made for the year ended September 30, 2025.

**NOTE 8 - RESTATEMENT OF NET ASSETS**

Beginning net assets have been restated to correct for an understatement of deferred revenue. The effect of the restatement on beginning net assets for the period under audit is as follows:

Net assets as of September 30, 2024	\$	204,354
Prior period adjustment		<u>(49,996)</u>
Net assets, as of September 30, 2024, as restated	\$	<u><u>154,358</u></u>