LaFonda Heidel
Executive/EHS Director
P.O. Box 16639, Tallahassee, FL 32317
850-414-9800; Fax: 850-414-9810
www.kidsincorporated.org

In accordance with 2 CFR §200.509 and its agency financial procedures, Kids Incorporated of the Big Bend, hereinafter referred to as Kids Incorporated, is competitively soliciting services from public accounting firms licensed by a regulatory authority of a state or other political subdivision of the United States for the purpose of providing audit and tax engagements for a three-year period with an optional two-year renewal contingent upon the performance of the services being solicited.

The audit of the financial statements will begin with the fiscal year ending May 31, 2024. The selected CPA firm will perform the examination, express an opinion, prepare the Schedule of Expenditures of Federal Awards, perform all applicable compliance and internal control reviews and the electronically file Form SF-SAC through the Federal Audit Clearinghouse. This request for proposals also includes providing audits of the annual financial statements of the agency's ERSEA-covered 403(b) thrift plan with over 100 participants beginning with the calendar year ending December 31, 2023, and preparation and filing of IRS Form 990 beginning with calendar year ending December 31, 2023. A description of the organization, details about the services needed, and other pertinent information follow.

A. About us

Established in 1972, Kids Incorporated is a not-for-profit 501(c)(3) organization that supports and educates families with young children through quality early learning, health, and family services primarily to low-income and economically disadvantaged families in Leon, Jefferson, and Madison counties, Florida. It is a mid-size non-for-profit employing about 91 staff members. Kids Incorporated is governed by a thirteen-member volunteer Board of Directors and a Policy Council comprised of volunteer parents from each of the centers we serve. More information about our organization's mission and composition can be found on our website: https://www.kidsincorporated.org/.

Projected annual budget, excluding in-kind revenues, for the fiscal year ending May 31, 2024 is $5.5 million. Revenues sources consist principally of proceeds from cost reimbursement federal grants, fee for service state contracts and local grant awards. At this moment, the primary funding source is a cost reimbursement grant from the federal Department of Health and Human Services, Administration for Children, Youth and Families. In the near future, Kids Incorporated plans to expand its childcare operations and engage in more fee-for-service contracts.

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Kids Incorporated's financial statements are prepared on the accrual basis of accounting. The agency utilizes the computerized Abila MIP Fund Accounting software to provide for the expensing of cost centers, and for internal and external reporting as required. All accounting records are supported by source documentation. Customary books of accounts used in fiscal operations include: the general ledger, accounts payable, accounts receivable, cash receipts, cash disbursements and purchase order issuance. Payrolls are processed semi-monthly utilizing the external services of Paylocity which are then booked to the general ledger via a customized upload. The Chief Financial Officer is responsible for preparing all financial statements for the organization. The agency has a May 31st fiscal year-end date, with a requirement to file audited financial statements with the Federal Clearing House within nine months after the organization's fiscal period end date.

The agency currently uses Empower for its 403(b) tax-sheltered annuity plan and utilizes the services of Retirement Solutions Specialists as a third party administrator.

B. <u>Scope of Services</u>

1. The selected CPA firm shall perform an audit of our annual financial statements in accordance with:
   a. Auditing standards generally accepted in the United States of America;
   b. Standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States;
   c. 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).

2. The selected CPA firm shall perform an audit of the annual financial statements of our 403(b) Thrift Plan in accordance with:
   a. Auditing standards generally accepted in the United States of America;
   b. Department of Labor Rules and Regulations under the Employee Retirement Income Security Act of 1974 (ERISA).

3. The selected CPA firm shall prepare and submit Form 990, *Return of Organization Exempt from Income Tax,* to the Internal Revenue Service.

4. The selected CPA firm shall meet with the Finance and Audit Committee and the Board of Directors, as needed, to present the annual financial statements.

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4. The selected CPA firm shall prepare and submit Form SF-SAC, *Data Collection Form*, to the Federal Audit Clearinghouse.

C. Proposal Specifications

Please provide the following information in your proposal (information should also include 403(b) audit and Form 990 experience).

1. Provide a description of your firm - staff size, number of professionals, industries served, etc.

2. Describe engagements your firm currently conducts in the not-for-profit sector. Include a list of not-for-profit clients that you believe are comparable to our organization in size, mission focus and complexity. If partners or other employees serve in an advisory/consultative capacity within the not-for-profit sector, please list such positions as well.

3. Identify the partner/shareholder, manager, and in-charge accountant/staff members who will be assigned to our engagement if you are successful in your bid; provide biographies for these individuals. Indicate any complaints that have been leveled against them and any corrective actions that have been taken by the firm with respect to these individuals.

4. Describe how your firm will approach the audit of the organization, including the use of any association or affiliate member firm personnel and the areas that will receive primary emphasis. Also, discuss the firm's use of technology in the audit and whether part or all of the audit can be done remotely if needed. Finally, discuss the communication process used by the firm to discuss issues with the management and audit committees of the board, the CEO and the CFO.

5. Describe your firm's basic approach to performing an audit and the resulting advantages that will accrue to our agency. Include description of the activities undertaken by your firm to promote/ensure audit quality.

6. Describe your firm's method of compliance with OMB's Uniform Grant Guidance.

7. Describe any existing or potential relationships between your firm and our agency and any employee or officer of the agency that could affect your independence and objectivity because of an actual or perceived conflict of interest. Please indicate

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whether your independence is evaluated annually for purposes of quality control and compliance with professional standards.

8. Please include your latest peer review and federal/state desk reviews with your proposal.

9. Please include any inspection reports issued by the Public Company Accounting Oversight Board (PCAOB).

10. Provide three names and contact information of other similarly sized non-for-profit clients for reference checks.

11. Describe the firm's approach to the resolution of technical disagreements
    - among engagement personnel, and
    - between the firm and the client

12. Indicate the expected timing of fieldwork, completion of the audits and the expected delivery of the financial statements.

13. Provide information regarding your audit and tax fees for each of the three years of this engagement, including the estimated number of hours to be spent by each person and the expected rate per hour of each. The fee structure should be allocated between the services for the financial audit as a whole, including tax return preparation, and the 403(b) retirement audit.

14. Describe whether and how you bill for overruns and questions on technical matters that may arise throughout the year. State how you manage against overruns and how we can be assured of no unexpected billings that have not been agreed upon.

D. Other Proposal Information

Please feel free to provide any additional information, not specifically requested previously, considered essential to your proposal.

E. Evaluation of Proposals

Kids Incorporated is seeking the most qualified firm to conduct the audits and related services. Proposals will be scored using the attached evaluation matrix. While cost of the services provided and the inclusion of in-kind services is of significant importance, the review of the proposals will focus on qualifications, experience and independence.

F. Key Personnel

Kids Incorporated has identified the following key personnel you may contact with respect to this engagement:
Anita Bushnyakova, Chief Financial Officer/ Director of Finance and Operations
Office: (850) 414-9800 ext. 102
Cell: (352) 672-1186
E-mail: abushnyakova@kidsincorporated.org

For coordination purposes, we ask that all requests for additional information, visits to our site, review of prior financial statements and tax returns, and/or appointments are directed to her.

G. Proposal Deadline

The deadline for receipt of your proposal submission is **May 17, 2024**. Proposals are to be emailed to **abushnyakova@kidsincorporated.org**. The Finance and Audit Committee, CEO and CFO will review all proposals and make their recommendations to the Board of Directors. It will be at their discretion as to whether firms will be interviewed prior to recommendations.

H. Other Proposal Directives

Proposers are expected to examine the specifications and all instructions contained in this invitation for bids. The proposals must be signed by a duly authorized representative.

Consideration may be given to such matters as contractor integrity, record of past performance, value added services and financial and technical resources. Bidders may wish to include information about these matters in their respective proposals.

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RFP Q&A

1. Why is Kids Incorporated seeking audit RFPs at this time?

   Kids Incorporated follows the industry best management practice and its own policy of issuing an RFP for services estimated to cost over $25,000.

2. How long has your current auditing firm been in place? How would you characterize your relationship with your current CPA firm?

   The current firm has served Kids Incorporated for over five years. We would characterize our relationship as a partnership.

3. Will Kids Incorporated be subject to the provisions of the Single Audit Act for the fiscal year ended 2024?

   Yes.

4. Has Kids Incorporated recently been involved in any litigation that would affect our examination?

   No.

5. How can we obtain a copy of your prior year financial statements?

   Financial Statements are attached to this RFP.

6. Is the scope of the service requested the same as last year?

   Yes.

7. Have there been any changes in your accounting system or software since last year?

   The current system has been in place since 2014. The organization uses Abila MIP.

8. Do you expect to have any retirement or replacement of key employees in Finance?

   No.

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9. Is there anything specific that you are looking for in a public accounting firm?

We are looking for a firm that knows how to address the Board and respond to their questions as well as a firm that performs the work in a timely and efficient manner while maintaining professionalism, independence and objectivity.

Financial Statements
and Other Financial Information

Kids Incorporated of the Big Bend

Years ended May 31, 2023 and 2022
with Report of Independent Auditors

Thomas Howell
Ferguson P.A.

Certified Public Accountants

Kids Incorporated of the Big Bend

Financial Statements
and Other Financial Information

Years ended May 31, 2023 and 2022

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Thomas Howell Ferguson P.A.
Certified Public Accountants

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Kids Incorporated of the Big Bend

Opinion

We have audited the financial statements of Kids Incorporated of the Big Bend (the Agency) which comprise the statements of financial position as of May 31, 2023 and 2022, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of May 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Agency adopted new accounting guidance ASU 2016-02, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency'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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency'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.

Report on Summarized Comparative Information

We have previously audited Kids Incorporated of the Big Bend's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 5, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards and the Schedule of Findings and Questioned Costs Relating to Federal Awards are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards and the Schedule of Findings and Questioned Costs Relating to Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2023 on our consideration of the Agency'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 the Agency'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 Agency's internal control over financial reporting and compliance.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
November 17, 2023

Kids Incorporated of the Big Bend

Statements of Financial Position

	May 31, 2023	May 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,042,747**	$ 878,687
Grants and contracts receivable	**508,669**	379,867
Prepaid expenses	**-**	2,720
Total current assets	**1,551,416**	1,261,274
Property and equipment, net	**1,043,107**	1,114,075
Other noncurrent assets	**33,240**	21,079
Operating lease, right-of-use-assets	**755,804**	-
Total assets	**$ 3,383,567**	$ 2,396,428
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 392,654**	$ 407,304
Operating lease liabilities, current portion	**187,299**	-
Total current liabilities	**579,953**	407,304
Operating lease liabilities, net of current portion	**633,928**	-
Total liabilities	**1,213,881**	407,304
Net assets:		
Without donor restrictions		
Undesignated	**2,169,686**	1,989,124
Total net assets	**2,169,686**	1,989,124
Total liabilities and net assets	**$ 3,383,567**	$ 2,396,428

See accompanying notes.

Kids Incorporated of the Big Bend

Statements of Activities and Changes in Net Assets

	Years ended May 31, 2023	2022
Changes in net assets without donor restrictions:		
Revenues and other support:		
Grants and contracts	**$ 4,445,483**	$ 3,840,166
Fees for services	**78,508**	65,286
Contributions and other support	**437,948**	246,595
In-kind contributions	**92,443**	108,625
Investment income (loss), net	**12,981**	(544)
Other revenue	**17,000**	731,635
Total revenues and other support	**5,084,363**	4,991,763
Expenses:		
Program services	**4,272,037**	4,285,902
General and administrative	**631,764**	754,286
Total expenses	**4,903,801**	5,040,188
Change in net assets without donor restrictions	**180,562**	(48,425)
Net assets at beginning of year	**1,989,124**	2,037,549
Net assets at end of year	**$ 2,169,686**	$ 1,989,124

See accompanying notes.

Kids Incorporated of the Big Bend

Statements of Functional Expenses

	Year ended May 31, 2023			2022
	Program services	**General and administrative**	**Total**	**Total**
Bank charges	**$ 4,145**	**$ 4,171**	**$ 8,316**	$ 3,196
Center food supplies	**157,161**	**-**	**157,161**	136,192
Communication system	**38,785**	**7,171**	**45,956**	53,636
Contracted services	**36,063**	**24,046**	**60,109**	64,708
Depreciation	**76,635**	**11,333**	**87,968**	92,462
Employee benefits	**534,564**	**75,670**	**610,234**	597,495
Equipment maintenance	**24,637**	**7,574**	**32,211**	23,889
Equipment purchases	**11,608**	**330**	**11,938**	39,582
Insurance	**72,441**	**3,679**	**76,120**	64,596
Memberships and subscriptions	**10,729**	**4,402**	**15,131**	19,750
Occupancy	**385,866**	**19,347**	**405,213**	596,771
Other costs	**2,766**	**493**	**3,259**	26,274
Parent activity	**2,299**	**-**	**2,299**	4,676
Personnel	**2,640,891**	**386,210**	**3,027,101**	2,745,164
Professional services	**25,555**	**55,671**	**81,226**	137,350
Supplies	**159,201**	**13,844**	**173,045**	348,876
Travel and staff development	**73,629**	**17,195**	**90,824**	74,070
Vehicle	**15,062**	**628**	**15,690**	11,501
	$ 4,272,037	**$ 631,764**	**$ 4,903,801**	$ 5,040,188

See accompanying notes.

Kids Incorporated of the Big Bend

Statements of Cash Flows

	Years ended May 31, 2023	2022
Operating activities		
Change in net assets without donor restrictions	**$ 180,562**	$ (48,425)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by (used in) operating activities:		
Depreciation	**87,968**	92,462
Amortization right-of-use asset	**65,423**	-
Changes in operating assets and liabilities:		
Grants and contract receivable	**(128,802)**	582,299
Prepaid expenses	**2,720**	(2,720)
Other noncurrent assets	**(12,161)**	6,825
Accounts payable and accrued expenses	**(14,650)**	67,177
Deferred revenue	**-**	(806,233)
Net cash provided by (used in) operating activities	**181,060**	(108,615)
Investing activities		
Purchases of property and equipment	**(17,000)**	(145,918)
Net cash used in investing activities	**(17,000)**	(145,918)
Increase (decrease) in cash and cash equivalents	**164,060**	(254,533)
Cash and cash equivalents at beginning of year	**878,687**	1,133,220
Cash and cash equivalents at end of year	**$ 1,042,747**	$ 878,687
Supplemental disclosures of lease information		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows -payments on operating leases	**$ 195,409**	$ -
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	**$ 728,508**	$ -

See accompanying notes.

1. Summary of Significant Accounting Policies

Nature of Business

Kids Incorporated of the Big Bend (the Agency) is a not-for-profit organization that supports and educates families with young children through quality early learning, health, and family services provided primarily to low-income families in Leon, Jefferson, and Madison counties, Florida.

Basis of Accounting

The Agency uses the accrual basis of accounting. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board.

Basis of Presentation

Effective June 1, 2022, the Agency has adopted Accounting Standard Update (ASU) No.2016-02, *Leases* (ASC 842) as the Financial Accounting Standards Board (FASB) believes the standard improves the usefulness and understandability of the Agency's financial reporting.

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits with financial institutions and deposits in highly liquid money market funds. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC). The Agency's financial instruments exposed to concentrations of credit risk consist primarily of its cash and cash equivalents. Deposits with financial institutions are insured by either the FDIC or the SIPC up to $250,000 per depositor, per FDIC-insured financial institution. Bank deposits at times may exceed federally insured limits. The Agency has not experienced any losses in such accounts.

Grants and Contracts Receivable

Grants and contracts receivable consist primarily of amounts due from grant agencies and local organizations. All receivables are considered by management to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded.

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on the straight line method over the estimated useful lives of the related assets. The estimated useful lives are as follows:

	Useful Lives
Building and improvements	39 years
Leasehold improvements	10 - 39 years
Furniture and equipment	3 - 10 years
Vehicles	5 years

The Agency's policy is to capitalize asset acquisitions greater than $5,000.

Leases

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Agency adopted Topic 842 on June 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Entity has applied Topic 842 to reporting periods beginning on June 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Agency's historical accounting treatment under ASC Topic 840, *Leases*.

The Agency elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Agency does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Agency has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on June 1, 2022.

The Agency determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Agency obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Agency also considers whether its service arrangements include the right to control the use of an asset.

1. Summary of Significant Accounting Policies (continued)

Leases (continued)

The Agency made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or June 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Agency made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Agency has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the Agency, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoptionof Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Agency's operating leases of approximately $990,614 at June 1, 2022. The adoption of the new lease standard did not materially impact consolidated net earnings or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of retained earnings.

Revenue Recognition

Operating revenues

Operating revenues consist principally of proceeds from cost reimbursement federal grants and fee for service state contracts. Revenues from these sources are recognized during the year in which the terms of the grant or contract are satisfied and the related services are provided. See Note 5 regarding concentrations of revenue.

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions

Contributions and grants are recorded as with donor restrictions or without donor restrictions when received, depending on the existence and/or nature of any donor restrictions. Contributions of donated noncash assets are recorded at their fair values in the period received.

Contributions and grants of cash and other assets are reported as with donor restrictions if they are received with donor stipulations that limit the use and duration of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

If a restriction expires within the same year in which the restricted contributions are received, these contributions are reported as increases in net assets without donor restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function and contains certain categories of expenses that are attributable to the program or supporting functions of the Agency. These expenses, such as personnel expenses, are allocated based on estimates of time and effort by the individual. Other expenses, such center food supplies, are allocated on a direct method for expenses directly related to the program.

Income Taxes

Pursuant to a determination letter received from the Internal Revenue Service, the Agency is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and as such is liable for tax only on business income unrelated to the purpose for which it is exempt. No provision for income tax expense or liability has been made for the year presented. There are currently no Internal Revenue Service audits in progress for any tax periods, and no significant nonfederal tax jurisdictions. With few exceptions, the Agency is no longer subject to examinations by major tax jurisdictions for years ended May 31, 2019 and prior.

1. Summary of Significant Accounting Policies (continued)

Subsequent Events

The Agency has evaluated subsequent events through November 17, 2023, the date the financial statements were available to be issued. During the period from May 31, 2023 to November 17, 2023, the Agency did not have any material recognizable subsequent events other than the matters disclosed in Note 8.

In-Kind Support

To satisfy the non-federal share requirement of its grants, the Agency records in-kind contributions at the fair value of services provided by volunteers. Such in-kind services provided consist primarily of volunteer hours related to Early Head Start program services.

These services are recorded as income and expense at the time they are received, which is normally the time they are used. Such in-kind contributions, which met criteria for recognition, amounted to $92,443 and $108,625 for the years ended May 31, 2023 and 2022, respectively.

Use of Estimates

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

2. Available Resources and Liquidity

The Agency receives contributions and grants and considers these revenue streams to be without donor restrictions (if unspecified) and available to meet cash needs for general expenditures. The Agency manages its liquidity while maintaining adequate liquid assets to fund near term operating needs.

The table below presents financial assets available for general expenditures within one year at May 31:

Financial assets at year end:

	2023	2022
Cash and cash equivalents	**$ 1,042,747**	$ 878,687
Grants and contracts receivable	**508,669**	379,867
Prepaid expenses	**-**	2,720
Financial assets available to meet general expenditures within one year	**$ 1,551,416**	$ 1,261,274

3. Property and Equipment

Property and equipment, net, consists of the following at May 31:

	2023	2022
Land	**$ 17,250**	$ 17,250
Building and improvements	**484,516**	484,516
Leasehold improvements	**2,236,084**	2,236,084
Furniture and equipment	**329,610**	329,610
Vehicles	**195,327**	219,018
Construction in progress	**17,000**	-
	3,279,787	3,286,478
Less accumulated depreciation and amortization	**2,236,680**	2,172,403
	$ 1,043,107	$ 1,114,075
Lease, right of use assets	**$ 755,804**	$ -

Depreciation and amortization expense totaled $87,968 and $92,462 for the years ended May 31, 2023 and 2022, respectively.

Substantially all property and equipment was purchased using grant funds. If assets purchased with proceeds from federal grants are sold, disposed, or foreclosed upon, a percentage of the proceeds or some other amount may be required to be returned to the grantor agency. This percentage, if due, is typically equal to the percentage of grant funds used to purchase the related asset disposed, although the total amount due may also be based on the value of the asset disposed (regardless of its sales price). No material disposals of assets purchased with federal dollars took place during the years ended May 31, 2023 or 2022. See Note 8 for subsequent events surrounding leasehold improvements in properties with federal interest dollars.

4. Retirement Plan

The Agency has a 403(b) tax-deferred annuity retirement plan, which is funded by contributions from both the Agency and its employees. The Agency's matching contribution covers employees who are at least 18 years old and have two years of service. The contribution is 100% up to 3% of eligible employees' salaries, and is charged to expense annually. The related expense for the years ended May 31, 2023 and 2022, was $45,560 and $44,180, respectively.

5. Concentrations

The Agency's primary source of operating revenue is derived through various contracts and grants with the U.S. Department of Health and Human Services. Revenue earned under these contracts and grants accounted for 74% and 67% of total revenues for the years ended May 31, 2023 and 2022, respectively. Additionally, the Agency has a pass-through contract funded by the U.S. Department of Agriculture. In the event these contracts and grants are not renewed, the Agency's ability to continue operations without interruption would be significantly affected. The pass-through contracts have been renewed through the year ending May 31, 2024.

6. Leases

The Agency leases building space under operating leases expiring at various dates through fiscal year 2028. Some leases include one or more options to renew, generally at the Agency's sole discretion, with renewal terms on a month-to-month basis until a formal agreement has been reached. These options to extend or terminate a lease have been included in the lease terms if it is reasonably certain that the Agency will exercise that option. The Agency's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended May 31, 2023:

Operating lease cost	$ 821,227
Total lease cost	$ 821,227

Total rent expense for operating leases was $260,832 for the year ended May 31, 2023.

Supplemental balance sheet information related to leases is as follows as of May 31, 2023:

Operating leases:	
Operating lease right-of-use assets	$ 755,804
Operating lease liabilities	$ 187,299
Operating lease liabilities, non-current	633,928
Total operating lease liabilities	$ 821,227
Weighted-average remaining lease term:	
Operating leases	4.1 years
Weighted-average discount rate:	
Operating leases	2.90%

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of May 31, 2023:

Years ending	Operating Leases
2024	$ 187,299
2025	170,607
2026	157,578
2027	153,853
2028	151,890
Total lease payments	821,227
Less imputed interest	(56,248)
Total present value of lease liabilities	$ 764,979

6. Leases (continued)

Future minimum lease commitments, as determined under Topic 840, for all non-cancelable leases are as follows as of May 31, 2023:

Years ending	Operating Leases
2024	$ 208,254
2025	186,441
2026	168,601
2027	160,418
2028	153,762
Thereafter	-
Total minimum lease payments	$ 877,476

7. Other Matters

The agency received Employee Retention Credits under the CARES Act of $0 and $537,289 for the years ended May 31, 2023, and 2022, respectively. This is recorded in other revenue on the statement of activities and changes in net assets.

8. Subsequent Events

The Agency has various leases of which they have made leasehold improvements to in prior years using federal grant funds. On July 31, 2023, the Agency was required to vacate one of their buildings and leases early as the building was purchased by another entity. As a result, the Agency no longer has a lease on a building for which there are remaining years on the federal interest. The leasehold improvements of $487,628 are fully depreciated. No adjustment to the leasehold improvements has been made as of May 31, 2023. Further, on September 19, 2023, the Agency received $124,500 from the Early Head Start grant as one-time supplemental funds for relocation assistance.

Other Reports

Thomas Howell Ferguson P.A.
Certified Public Accountants

Report of Independent Auditors 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*

Board of Directors
Kids Incorporated of the Big Bend

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 (*Government Auditing Standards)*, the financial statements of Kids Incorporated of the Big Bend (the Agency), which comprise the statement of financial position as of May 31, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated November 17, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's 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 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.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
November 17, 2023

Thomas Howell Ferguson P.A.
Certified Public Accountants

Report of Independent Auditors on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Kids Incorporated of the Big Bend

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Kids Incorporated of the Big Bend's (the Agency) 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 the Agency's major federal program for the year ended May 31, 2023. The Agency's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended May 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the Agency 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 the Agency'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 the Agency's federal program.

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 the Agency'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 GAAS, *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 the Agency's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the Agency'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 the Agency'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 the Agency'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.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
November 17, 2023

Kids Incorporated of the Big Bend

Schedule of Expenditures of Federal Awards

Year ended May 31, 2023

Grantor and Program Title	CFDA	Contract Number	Expenditures
Federal Grantor			
U.S. Department of Agriculture			
Pass-through State of Florida Department of Health:			
Child and Adult Care Food Program	10.558	S-621	$192,364
U.S. Department of Health and Human Services			
Early Head Start	93.600	04CH010922-01	3,973,527
Early Head Start	93.600	04HE000110	17,000
			3,990,527
Total Federal awards			$ 4,182,891

Note 1 - This Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal grant activity of Kids Incorporated of the Big Bend (the Agency) under programs of the federal government for the year ended May 31, 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 this schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Agency.

Note 2 - Expenditures reported on this 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 this schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 - The Agency has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

See report of independent auditors.

Kids Incorporated of the Big Bend

Schedule of Findings and Questioned Costs Relating to Federal Awards

Year ended May 31, 2023

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major federal programs?	Unmodified
Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None reported
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)?	No

Identification of major programs:

CFDA Number	Name of Federal Program
93.600	U.S. Department of Health and Human Services Early Head Start

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low risk auditee?	Yes

Section II -- Financial Statement Findings

We noted no matters involving internal control over financial reporting and its operation that we considered to be material weaknesses, significant deficiencies and/or control deficiencies required to be reported in accordance with *Government Auditing Standards.*

Section III -- Federal Award Findings and Questioned Costs

This section identifies audit findings required to be reported by the 2 CFR 200.516(a) (for example, significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program. We noted no such matters required to be reported in accordance with the provisions outlined above.

See report of independent auditors.