

KIDS INCORPORATED OF THE BIG BEND, INC.

FINANCIAL STATEMENTS

MAY 31, 2025 AND 2024

KIDS INCORPORATED OF THE BIG BEND, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of,
Kids Incorporated of the Big Bend, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kids Incorporated of the Big Bend, Inc. (the Organization), which comprise the statements of financial position as of May 31, 2025 and 2024, and the related statements of activities, 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 present fairly, in all material respects, the financial position of the Organization as of May 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 Organization'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 Organization's ability to continue as a going concern for a reasonable period of time.

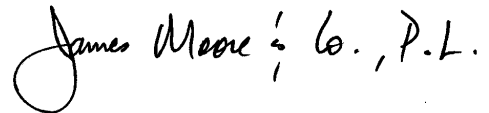
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is 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 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2025, on our consideration of the Organization'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 Organization'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 the Organization's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida
December 10, 2025

KIDS INCORPORATED OF THE BIG BEND, INC.
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2025 AND 2024

	2025	2024
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 495,894	\$ 636,830
Certificates of deposit	689,218	247,042
Grants and contracts receivable	321,755	407,907
Refundable deposits	7,000	42,335
Total current assets	1,513,867	1,334,114
Property and equipment, net	3,235,124	1,595,263
Other assets		
Other noncurrent assets	18,123	17,098
Operating lease, right-of-use assets, net	15,884	557,225
Total other assets	34,007	574,323
Total Assets	\$ 4,782,998	\$ 3,503,700
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 276,981	\$ 355,575
Operating lease liabilities, current portion	16,278	160,948
Total current liabilities	293,259	516,523
Long-term liabilities		
Operating lease liabilities, net of current portion	-	475,452
Total Liabilities	293,259	991,975
Net assets		
Without donor restrictions:		
Invested in property and equipment, net	3,252,853	2,008,638
Undesignated	1,236,886	503,087
Total net assets	4,489,739	2,511,725
Total Liabilities and Net Assets	\$ 4,782,998	\$ 3,503,700

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

KIDS INCORPORATED OF THE BIG BEND, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MAY 31, 2025 AND 2024

	2025	2024
	Without Donor Restrictions	Without Donor Restrictions
Revenues and other support:		
Grants and contracts	\$ 6,788,497	\$ 5,313,453
Contributions and other support	100,413	46,309
Fees for services	100,419	52,126
In-kind contributions	121,383	59,688
Interest income	31,396	36,837
Other revenue	1,700	-
Gain on lease termination	78,543	-
Total support and revenue	7,222,351	5,508,413
Expenses		
Program services	4,600,638	4,413,235
General and administrative	643,699	753,139
Total expenses	5,244,337	5,166,374
Change in net assets	1,978,014	342,039
Net assets, beginning of year	2,511,725	2,169,686
Net assets, end of year	\$ 4,489,739	\$ 2,511,725

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

KIDS INCORPORATED OF THE BIG BEND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2025

	Program Services	General and Administrative	Total
Bank charges	\$ 5,422	\$ 810	\$ 6,232
Center food supplies	154,127	-	154,127
Communication system	26,494	6,430	32,924
Contracted service	38,103	27,769	65,872
Depreciation	121,868	17,672	139,540
Employee benefits	570,582	91,735	662,317
Equipment maintenance	16,550	8,707	25,257
Equipment purchases	37,055	99	37,154
In-kind	121,383	-	121,383
Insurance	80,998	9,155	90,153
Memberships and subscriptions	11,340	4,785	16,125
Occupancy	319,568	6,522	326,090
Other costs	9,974	1,731	11,705
Personnel	2,741,089	416,428	3,157,517
Professional services	67,059	24,182	91,241
Supplies	149,947	6,781	156,728
Travel and staff development	62,807	19,553	82,360
Short-term lease expense	49,876	986	50,862
Vehicle	16,396	354	16,750
Total Expenses	<u>\$ 4,600,638</u>	<u>\$ 643,699</u>	<u>\$ 5,244,337</u>

The accompanying notes to the financial statements
are an integral part of this statement.

KIDS INCORPORATED OF THE BIG BEND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2024

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Bank charges	\$ 758	\$ 4,549	\$ 5,307
Center food supplies	140,083	-	140,083
Communication system	32,464	6,739	39,203
Contracted service	38,222	25,648	63,870
Depreciation	75,702	11,312	87,014
Employee benefits	534,110	89,193	623,303
Equipment maintenance	21,896	10,060	31,956
Equipment purchases	62,242	1,608	63,850
In-kind	58,380	-	58,380
Insurance	62,774	8,322	71,096
Memberships and subscriptions	11,779	5,833	17,612
Occupancy	432,416	12,435	444,851
Other costs	14,890	1,340	16,230
Personnel	2,580,871	500,288	3,081,159
Professional services	56,416	42,401	98,817
Supplies	188,475	9,404	197,879
Travel and staff development	62,395	23,171	85,566
Short-term lease expense	26,201	535	26,736
Vehicle	13,161	301	13,462
Total Expenses	<u>\$ 4,413,235</u>	<u>\$ 753,139</u>	<u>\$ 5,166,374</u>

The accompanying notes to the financial statements
are an integral part of this statement.

KIDS INCORPORATED OF THE BIG BEND, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets without donor restrictions	\$ 1,978,014	\$ 342,039
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation	139,540	87,014
(Gain) on lease termination	(78,543)	-
Amortization operating right-of-use asset	31,080	198,579
Changes in operating assets and liabilities:		
Grants and contract receivable	86,152	100,762
Refundable deposits	35,335	(25,000)
Other noncurrent assets	(1,025)	(1,193)
Accounts payable and accrued expenses	(78,594)	(37,079)
Operating lease liability	<u>(31,318)</u>	<u>(184,827)</u>
Net cash provided by operating activities	<u>2,080,641</u>	<u>480,295</u>
Cash flows from investing activities		
Purchases of certificates of deposits	(442,176)	(247,042)
Purchases of property and equipment	<u>(1,779,401)</u>	<u>(639,170)</u>
Net cash used in investing activities	<u>(2,221,577)</u>	<u>(886,212)</u>
Net change in cash and cash equivalents	(140,936)	(405,917)
Cash and cash equivalents, beginning of year	636,830	1,042,747
Cash and cash equivalents, end of year	<u>\$ 495,894</u>	<u>\$ 636,830</u>

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

KIDS INCORPORATED OF THE BIG BEND
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies and practices of Kids Incorporated of the Big Bend, Inc. (the Organization), which affect significant elements of the accompanying financial statements.

(a) **Reporting entity**—Kids Incorporated of the Big Bend, Inc. (the Organization) 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.

(b) **Basis of accounting**—The Organization 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.

(c) **Net assets**—Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-composed 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 the resources be maintained in perpetuity.

(d) **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 Organization'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 financial institution. Bank deposits at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

(e) **Certificates of deposit**—Certificates of deposit consists of deposits held by financial institutions with a maturity date greater than 90 days. These deposits are FDIC insured.

(f) **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.

KIDS INCORPORATED OF THE BIG BEND
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

(1) **Summary of Significant Accounting Policies:** (Continued)

(g) **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:

Buildings and improvements	15 - 39 years
Leasehold Improvements	10 - 39 years
Furniture and equipment	3 - 10 years
Machinery and equipment	5 years

The Organization’s policy is to capitalize asset acquisitions greater than \$5,000.

(h) **Contributions**—The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment is recorded at fair value at the date of donation. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

The value of donated professional services, if any, is included as in-kind contributions and related expense in the financial statements. The value of these donations is based upon current rates for similar services. In addition, the Organization receives a significant amount of donated services from unpaid volunteers who assist the Organization.

Contributed materials and supplies are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution.

(i) **Revenue recognition**—With the exception of contributions, substantially all the Organization’s revenue is grant and contract revenue from federal, state, and local agencies. The Organization recognizes contract revenue (up to the contract ceiling) from its contracts over a period which represents the service period for certain contracts, or to the extent of expenses. Revenue recognition depends on the contract. A substantial portion of the revenue is derived from cost reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. At May 31, 2025 and 2024, no amount had been received in advance.

KIDS INCORPORATED OF THE BIG BEND
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

(1) **Summary of Significant Accounting Policies:** (Continued)

(j) **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 statements of functional expenses present 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 Organization. Other expenses, such as rent and center food supplies are allocated on the square footage method or direct method for expenses directly related to the program, respectively,

(k) **Income taxes**—The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated business income. Since the Organization had no taxable unrelated business income during the years ended May 31, 2025 and 2024, no provision for income taxes is provided in the financial statements.

Management of the Organization considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to the Organization's status as a not-for-profit entity. Management believes the Organization met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore no provision for income taxes has been provided in these financial statements. The Organization's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

(l) **Subsequent events**—The Organization has evaluated events and transactions for potential recognition and disclosure in the financial statements through December 10, 2025, the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

(m) **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.

(n) **Leases**—The Organization leases office space. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the Organization's statement of net position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Organization's leases do not provide an implicit rate, the Organization uses the incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

KIDS INCORPORATED OF THE BIG BEND
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

(1) **Summary of Significant Accounting Policies:** (Continued)

The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization has elected to apply the short-term lease exemption to office space. In 2025 and 2024, the Organization has only one lease within this class of underlying assets that qualifies for the exemption as the lease term of this agreement is cancellable. As such, the Organization does not have the unilateral right to renew or extend the lease, and the legally enforceable lease term is between two and three months, which is classified as a short-term lease. Total payments made under this agreement totaled \$50,862 and \$26,736 for the years ended May 31, 2025 and 2024.

(2) **Significant Funding Sources:**

The Organization'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 approximately 90% of total revenues for the years ended May 31, 2025 and 2024. In the event these contracts and grants are not renewed, the Organization's ability to continue operations without interruption would be significantly affected.

(3) **Concentrations of Credit Risk:**

The more significant concentrations of credit risk are as follows:

(a) **Demand deposits**—The Organization maintains cash deposits with a financial institution. The Organization has no policy requiring collateral or other security to support its deposits, although all demand deposits with this institution is federally insured up to FDIC limits.

(b) **Grants and contracts receivables**—The Organization's receivables are for amounts due under contracts with state and federal agencies. The Organization has no policy requiring collateral or other security to support its receivables.

**KIDS INCORPORATED OF THE BIG BEND
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024**

(4) Liquidity and Availability:

The Organization 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 Organization 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 as of May 31:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 495,894	\$ 636,830
Certificate of deposit	689,218	247,042
Grants and contracts receivable	321,755	407,907
Financial assets available to meet general expenditures within one year	<u>\$ 1,506,867</u>	<u>\$ 1,291,779</u>

(5) Property and Equipment:

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

	<u>2025</u>	<u>2024</u>
Land	\$ 401,250	\$ 17,250
Construction in process	-	179,022
Building and improvements	2,058,939	484,516
Leasehold improvements	2,713,232	2,713,232
Furniture and equipment	329,610	329,610
Vehicles	178,927	195,327
	<u>5,681,958</u>	<u>3,918,957</u>
Less accumulated depreciation and amortization	2,446,834	2,323,694
	<u>\$ 3,235,124</u>	<u>\$ 1,595,263</u>

Depreciation and amortization expense totaled \$139,540 and \$87,014 for the years ended May 31, 2025 and 2024.

Certain property and equipment items were acquired 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, 2025 and 2024. See Note 6 for events related to the purchase of a building for the year ended May 31, 2025, with federal grant funds.

KIDS INCORPORATED OF THE BIG BEND
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024

(6) **Leases:**

The Organization leases a building space under operating leases expiring in November 2025.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the years ended May 31, 2025 and 2024:

	2025	2024
Operating lease cost	\$ 31,960	\$ 195,271
Short-term lease cost	50,862	26,736
	\$ 82,822	\$ 222,007

Supplemental balance sheet information related to leases is as follows as of May 31, 2025 and 2024:

	2025	2024
Operating leases:		
Operating lease right-of-use assets	\$ 15,884	\$ 557,225
Operating lease liabilities	\$ 16,278	\$ 160,948
Operating lease liabilities, non-current	-	475,452
Total operating lease liabilities	\$ 16,278	\$ 636,400
Weighted-average remaining lease term:		
Operating leases	0.50 years	3.81 years
Weighted-average discount rate:		
Operating leases	2.86%	2.94%

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, 2025:

Years ending	Operating Leases
2026	\$ 16,375
Less present value discount	97
Total present value of lease liabilities	\$ 16,278

The Organization previously leased the Budd Bell building located in Tallahassee, Florida under a long-term operating lease. On July 19, 2024, the Organization purchased the Budd Bell building for \$1,600,000. Prior to the purchase, on July 15, 2024, the Organization received a Federal Interest and Grant Award totaling \$1,648,000 to support the acquisition of the Budd Bell property and to fund continued improvements and renovations to the facility.

**KIDS INCORPORATED OF THE BIG BEND
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2025 AND 2024**

(6) **Leases:** (Continued)

Because the building was acquired while still under an active lease, the purchase resulted in the termination of the related lease arrangement. In connection with this termination, the Organization wrote off approximately \$510,000 of the operating right-of-use (ROU) asset and \$589,000 of the corresponding operating lease liability associated with the Budd Bell lease during the year ended May 31, 2025. The difference between the carrying amounts of the ROU asset and lease liability at the termination date resulted in the recognition of a gain on lease termination of approximately \$79,000.

The purchase of the Budd Bell building is recorded as an addition to property and equipment, specifically building and improvements, in the accompanying financial statements.

(7) **Retirement Plan:**

The Organization has a 403(b) tax-deferred annuity retirement plan, which is funded by contributions from both the Organization and its employees. The Organization's matching contribution covers employees who are at least 18 years old and have two years of service. The contribution is 100% match up to 3% of eligible employees' salaries and is charged to expense annually. The related expense for the years ended May 31, 2025 and 2024, was \$58,497 and \$52,218.

(8) **In-Kind:**

The Organization received the following in-kind donations presented as in-kind contributions on the statement of functional expenses during the year ended May 31:

	2025	2024
Donated time and services	\$ 94,303	\$ 58,380
Donated tangible items	27,080	1,308
Total in-kind contributions	\$ 121,383	\$ 59,688

(9) **Contingencies:**

Grant Programs—Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government and the state of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

**KIDS INCORPORATED OF THE BIG BEND
SCHEDULE OF FEDERAL EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED MAY 31, 2025**

Federal Grantor/Pass-Through Entity/ Federal Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identification Number	Federal Expenditures
Department of Health and Human Services			
Direct:			
Early Head Start	93.600	04CH01260301	\$ 4,401,088
Early Head Start	93.600	04WH000040	1,648,000
Total Head Start Cluster			<u>6,049,088</u>
Passed through the Early Learning Coalition Temporary Assistance to Needy Families	93.558	N/A	244,922
Passed through the Early Learning Coalition Child Care and Development Block Grant	93.575	N/A	48,085
Total Department of Health and Human Services			<u>6,342,095</u>
U.S. Department of Agriculture			
Passed through State of Florida Department of Health: Child and Adult Care Food Program	10.558	S0621	<u>215,624</u>
Department of Housing and Urban Development			
Passed through the City of Tallahassee:			
Community Development Block Grants/Entitlement Grants	14.218	N/A	57,500
Community Development Block Grants/Entitlement Grants	14.218	993050	25,248
Total Community Development Block Grants/Entitlement Grants			<u>82,748</u>
Department of the Treasury			
Passed through the City of Tallahassee:			
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	993050	58,186
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 6,698,653</u></u>

KIDS INCORPORATED OF THE BIG BEND, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS,
FOR THE YEAR ENDED MAY 31, 2025

(1) **Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal awards activity of Kids Incorporated of the Big Bend, Inc. (the Organization) under programs of the federal government for the year ended May 31, 2025, 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

(2) **Summary of Significant Accounting Policies:**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in a prior year. Pass-through entity identifying numbers are presented where available.

(3) **Subrecipients:**

No amounts were passed through to subrecipients during the fiscal year ended May 31, 2025.

(4) **Indirect Cost Rate:**

Expenditures include indirect costs, related primarily to general administrative services, which are allocated to direct cost objectives (including federal awards) based on negotiated formulas commonly referred to as administrative cost rates. Administrative cost rates allocated to such awards for the year ended May 31, 2025, were based on fixed rates negotiated with the Organization's cognizant federal agency, the U.S. Department of Health and Human Services. Therefore, the Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

(5) **Head Start Program:**

The Organization operates full year Head Start/Early Head Start Programs. The Head Start/Early Head Start Programs provide comprehensive early child development for disadvantaged infants and preschool children and their families. Under these programs, the Organization is required to obtain matching revenue from private sources and in-kind contributions. The Organization did not obtain the required matching revenue and in-kind contributions for the year ended May 31, 2025, however, the Organization received a waiver from the U.S. Department of Health and Human Services.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors of,
Kids Incorporated of the Big Bend, Inc.:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kids Incorporated of the Big Bend, Inc.'s (the Organization) 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 the Organization's major federal programs for the year ended May 31, 2025. The Organization's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization 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 Organization'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 Organization'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 the Organization'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 Organization's compliance with the requirements of each 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 Organization'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 Organization'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 Organization'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.

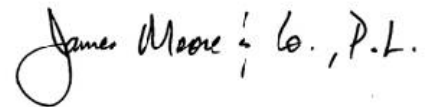
Report on Internal Control Over Compliance

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 Auditors' 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Tallahassee, Florida
December 10, 2025

**KIDS INCORPORATED OF THE BIG BEND, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2025**

I. Summary of Auditors' Results:

Financial Statements:

Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards:

Internal control over major Federal programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major Federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major Federal programs:

AL Number	Program Name
93.600	Head Start Cluster

Dollar threshold used to distinguish between type A and type B Federal programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

KIDS INCORPORATED OF THE BIG BEND, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2025
(Continued)

II. Financial Statement Findings:

No matters to report.

III. Federal Programs Findings and Questioned Costs:

No matters to report.

IV. Prior Audit Findings:

There were no audit findings for the year ended May 31, 2024.



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,
Kids Incorporated of the Big Bend, Inc.:

We have audited 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, the financial statements of Kids Incorporated of the Big Bend, Inc. (the Organization), which comprise the statement of financial position as of May 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 10, 2025.

Report On Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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.

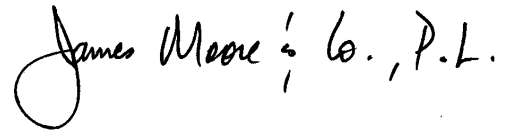
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report On Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, prominent initial "J" that loops around the first part of the name.

Tallahassee, Florida
December 10, 2025