

KIDS INCORPORATED OF THE BIG BEND, INC.

FINANCIAL STATEMENTS

MAY 31, 2026 AND 2025

KIDS INCORPORATED OF THE BIG BEND, INC.
TABLE OF CONTENTS
MAY 31, 2026 AND 2025

	<u>Page Number(s)</u>
Independent Auditors' Report	1 – 3
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6 – 7
Statements of Cash Flows	8
Notes to Financial Statements	9 – 15
Schedule of Expenditures of Federal Awards	16
Notes to Schedule of Expenditures of Federal Awards	17
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	18 – 20
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 <i>Government Auditing Standards</i>	21 – 22
Schedule of Findings and Questioned Costs	23 – 24

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, 2026 and 2025, 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, 2026 and 2025, 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 Comptroller 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 GAS 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 GAS, 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.

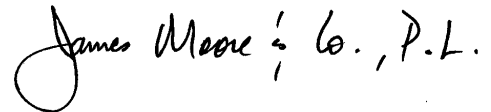
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 GAS

In accordance with GAS, we have also issued our report dated October 16, 2026, 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 GAS in considering the Organization's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida
October 16, 2026

KIDS INCORPORATED OF THE BIG BEND, INC.
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 918,036	\$ 495,894
Certificates of deposit	553,925	689,218
Grants and contracts receivable	521,347	321,755
Prepaid expenses	8,446	-
Refundable deposits	7,675	7,000
Total current assets	<u>2,009,429</u>	<u>1,513,867</u>
Property and equipment, net	3,084,976	3,235,124
Other assets		
Other noncurrent assets	20,248	18,123
Operating lease, right-of-use assets, net	<u>-</u>	<u>15,884</u>
Total other assets	20,248	34,007
Total Assets	<u><u>\$ 5,114,653</u></u>	<u><u>\$ 4,782,998</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 311,303	\$ 276,981
Operating lease liabilities, current portion	<u>-</u>	<u>16,278</u>
Total current liabilities	311,303	293,259
Total Liabilities	<u>311,303</u>	<u>293,259</u>
Net assets		
Without donor restrictions:		
Invested in net property and equipment and right-of-use assets, net of related liabilities	3,084,976	3,234,730
Undesignated	<u>1,718,374</u>	<u>1,255,009</u>
Total net assets	4,803,350	4,489,739
Total Liabilities and Net Assets	<u><u>\$ 5,114,653</u></u>	<u><u>\$ 4,782,998</u></u>

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, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
Revenues and other support:		
Grants and contracts	\$ 5,266,223	\$ 6,788,497
Contributions and other support	34,970	100,413
Fees for services	543,967	100,419
In-kind contributions	73,734	121,383
Interest income	41,386	31,396
Other revenue	49,880	1,700
Gain on lease termination	-	78,543
Total support and revenue	<u>6,010,160</u>	<u>7,222,351</u>
Expenses		
Program services	4,878,080	4,600,638
General and administrative	818,469	643,699
Total expenses	<u>5,696,549</u>	<u>5,244,337</u>
Change in net assets	<u>313,611</u>	<u>1,978,014</u>
Net assets, beginning of year	<u>4,489,739</u>	<u>2,511,725</u>
Net assets, end of year	<u><u>\$ 4,803,350</u></u>	<u><u>\$ 4,489,739</u></u>

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, 2026

	Program Services	General and Administrative	Total
Bank charges	\$ 470	\$ 6,336	\$ 6,806
Center food supplies	191,486	-	191,486
Communication system	39,908	7,149	47,057
Contracted service	57,611	15,585	73,196
Depreciation	127,758	22,390	150,148
Employee benefits	653,458	100,587	754,045
Equipment maintenance	22,941	10,577	33,518
Equipment purchases	17,231	2,594	19,825
In-kind	73,734	-	73,734
Insurance	67,192	4,615	71,807
Memberships and subscriptions	17,843	3,170	21,013
Occupancy	212,926	4,345	217,271
Other costs	13,830	1,841	15,671
Personnel	3,010,130	562,854	3,572,984
Professional services	66,312	42,582	108,894
Supplies	182,077	11,969	194,046
Travel and staff development	71,788	20,911	92,699
Short-term lease expense	43,373	885	44,258
Vehicle	8,012	79	8,091
Total Expenses	<u>\$ 4,878,080</u>	<u>\$ 818,469</u>	<u>\$ 5,696,549</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, 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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
Cash flows from operating activities		
Change in net assets	\$ 313,611	\$ 1,978,014
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	150,148	139,540
Gain on lease termination	-	(78,543)
Amortization operating right-of-use asset	15,884	31,080
Changes in operating assets and liabilities:		
Grants and contracts receivable	(199,592)	86,152
Prepaid expenses	(8,446)	-
Refundable deposits	(675)	35,335
Other noncurrent assets	(2,125)	(1,025)
Accounts payable and accrued expenses	34,322	(78,594)
Operating lease liability	(16,278)	(31,318)
Net cash provided by operating activities	<u>286,849</u>	<u>2,080,641</u>
Cash flows from investing activities		
Purchases of certificates of deposits	-	(442,176)
Purchases of property and equipment	-	(1,779,401)
Proceeds from maturity of certificate of deposit	135,293	
Net cash provided by (used in) investing activities	<u>135,293</u>	<u>(2,221,577)</u>
Net change in cash and cash equivalents	422,142	(140,936)
Cash and cash equivalents, beginning of year	495,894	636,830
Cash and cash equivalents, end of year	<u><u>\$ 918,036</u></u>	<u><u>\$ 495,894</u></u>

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

KIDS INCORPORATED OF THE BIG BEND, Inc.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2026 AND 2025

(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**—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-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor – (or certain grantor) – imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. There are no net assets with donor restrictions at May 31, 2026 and 2025.

(d) **Cash and cash equivalents**—Cash and cash equivalents consists 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 consist 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 are stated at the amount management expects to collect. The Organization estimates an allowance for credit losses based on historical collection experience, current conditions, and reasonable and supportable forecasts, as applicable. Management determined that expected credit losses were not material as of May 31, 2026 and 2025; accordingly, no allowance for credit losses was recorded.

KIDS INCORPORATED OF THE BIG BEND, Inc.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2026 AND 2025

(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, 2026 and 2025, no amount had been received in advance.

KIDS INCORPORATED OF THE BIG BEND, Inc.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2026 AND 2025

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

Fees for service are the service fees paid by individuals to the organization for extended day and afterschool programs provided by the Organization. Revenue for these services is recognized at the time the service is performed.

(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 contain 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, 2026 and 2025, 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 October 16, 2026, 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, and operating lease liabilities on the Organization's statement of financial 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. 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.

KIDS INCORPORATED OF THE BIG BEND, Inc.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2026 AND 2025

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

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 2026 and 2025, the Organization had one lease within this class of underlying assets that qualified for the exemption, as the lease term was 12 months or less. As such, the Organization does not recognize a right-of-use asset or lease liability related to this lease. Total payments made under this agreement totaled \$44,258 and \$50,862 for the years ended May 31, 2026 and 2025.

(o) **Reclassifications**—Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

(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 73% and 90% of total revenues for the years ended May 31, 2026 and 2025, respectively. 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 are 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.

(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 Organization also opened a \$250,000 line of credit with a local financial institution on May 12, 2026, as an additional source of liquidity if needed. No amounts were drawn on this agreement as of May 31, 2026.

KIDS INCORPORATED OF THE BIG BEND, Inc.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2026 AND 2025

(4) **Liquidity and Availability:** (Continued)

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

	2026	2025
Cash and cash equivalents	\$ 918,036	\$ 495,894
Certificates of deposit	553,925	689,218
Grants and contracts receivable	521,347	321,755
Financial assets available to meet general expenditures within one year	<u>\$ 1,993,308</u>	<u>\$ 1,506,867</u>

(5) **Property and Equipment:**

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

	2026	2025
Land	\$ 401,250	\$ 401,250
Building and improvements	2,058,939	2,058,939
Leasehold improvements	2,713,232	2,713,232
Furniture and equipment	329,610	329,610
Vehicles	178,927	178,927
	<u>5,681,958</u>	<u>5,681,958</u>
Less accumulated depreciation and amortization	<u>2,596,982</u>	<u>2,446,834</u>
	<u>\$ 3,084,976</u>	<u>\$ 3,235,124</u>

Depreciation and amortization expense totaled \$150,148 and \$139,540 for the years ended May 31, 2026 and 2025.

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, 2026 and 2025.

KIDS INCORPORATED OF THE BIG BEND, Inc.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2026 AND 2025

(6) Leases:

The Organization leases building space under operating lease arrangements. During the year ended May 31, 2026, the Organization's operating lease expired.

The Organization has elected to apply the short-term lease exemption to office space for leases with terms of 12 months or less. Accordingly, right-of-use assets and lease liabilities are not recognized for qualifying short-term leases.

The components of lease expense for the years ended May 31, 2026 and 2025 were as follows:

	<u>2026</u>	<u>2025</u>
Operating lease cost	\$ 15,980	\$ 31,960
Short-term lease cost	44,258	50,862
	<u>\$ 60,238</u>	<u>\$ 82,822</u>

Supplemental balance sheet information related to operating leases as of May 31, 2026 and 2025 was as follows:

	<u>2026</u>	<u>2025</u>
Operating lease right-of-use assets	\$ -	\$ 15,884
Operating lease liabilities	\$ -	\$ 16,278

(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 a 100% match up to 3% of eligible employees' salaries and is charged to expense annually. The related expense for the years ended May 31, 2026 and 2025, was \$70,986 and \$58,497.

(8) In-Kind:

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

	<u>2026</u>	<u>2025</u>
Donated professional time and services	\$ 43,565	\$ 94,303
Donated tangible items	30,169	27,080
Total in-kind contributions	<u>\$ 73,734</u>	<u>\$ 121,383</u>

KIDS INCORPORATED OF THE BIG BEND, Inc.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2026 AND 2025

(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, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2026

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	N/A	\$ 4,401,088
Total Head Start Cluster			<u>4,401,088</u>
Total Department of Health and Human Services			<u>4,401,088</u>
U.S. Department of Agriculture			
Passed through State of Florida Department of Health:			
Child and Adult Care Food Program	10.558	S-621	<u>258,426</u>
Department of Housing and Urban Development			
Passed through the City of Tallahassee:			
Community Development Block Grants/Entitlement Grants	14.218	993050	25,248
Community Development Block Grants/Entitlement Grants	14.218	992694	<u>25,020</u>
Total Community Development Block Grants/Entitlement Grants			<u>50,268</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>\$ 4,767,968</u></u>

The accompanying notes to schedule of expenditures of federal awards are an integral part of this schedule.

KIDS INCORPORATED OF THE BIG BEND, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2026

(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, 2026, 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 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, 2026.

(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, 2026, were based on fixed rates negotiated with the respective federal agencies providing the awards. Therefore, the Organization has elected not to use the 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 obtained the required matching revenue and in-kind contributions for the year ended May 31, 2026.

**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, 2026. 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, 2026.

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.

Auditors' 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.

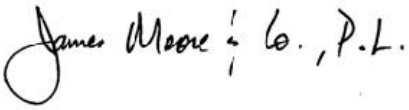
Report on Internal Control Over Compliance

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, flowing style.

Tallahassee, Florida
October 16, 2026

**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, 2026, 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 October 16, 2026.

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.

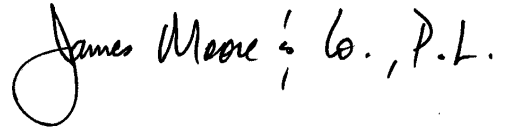
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not 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, looping initial "J".

Tallahassee, Florida
October 16, 2026

**KIDS INCORPORATED OF THE BIG BEND, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2026**

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 ☒ no

Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards:

Internal control over major Federal programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified? ☐ yes ☒ 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 ☒ no

Identification of major Federal programs:

<u>AL Number</u>	<u>Program Name</u>
93.600	Head Start Cluster

Dollar threshold used to distinguish between type A and type B Federal programs: \$1,000,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

KIDS INCORPORATED OF THE BIG BEND, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2026
(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, 2025.