



**CHILD INC.
(A Nonprofit Organization)**

FINANCIAL STATEMENTS

APRIL 30, 2025 AND 2024
(With Independent Auditor's Report Thereon)

CHILD INC.
(A Nonprofit Organization)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Child Inc.
(A Nonprofit Organization)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Child Inc. (A Nonprofit Organization), which comprise the statement of financial position as of April 30, 2025, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 Child Inc. (A Nonprofit Organization) as of April 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 Child Inc.'s (A Nonprofit Organization) 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 Child Inc.'s (A Nonprofit Organization) ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Child Inc.'s (A Nonprofit Organization) April 30, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 29, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 January 29, 2026, on our consideration of Child Inc.'s (A Nonprofit Organization) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Child Inc.'s (A Nonprofit Organization) internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Child Inc.'s (A Nonprofit Organization) internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Doeren Mayhew Assurance".

Troy, Michigan
January 29, 2026

CHILD INC.
(A Nonprofit Organization)

STATEMENT OF FINANCIAL POSITION
AS OF APRIL 30, 2025
WITH COMPARATIVE INFORMATION AS OF APRIL 30, 2024

<u>Assets</u>	<u>2025</u>	<u>2024</u>
Current assets		
Cash	\$ 501,730	\$ 597,475
Investments (note 4)	210,563	186,785
Grants receivable	2,114,765	3,443,211
Prepaid expenses and other current assets	73,803	72,474
Deposits	<u>28,067</u>	<u>28,067</u>
Total current assets (note 2)	2,928,928	4,328,012
Property and equipment at cost, less accumulated depreciation of \$3,623,830 in 2025 and \$3,473,814 in 2024 (note 5)	3,737,231	3,884,255
Other assets		
Right-of-use assets, operating leases (note 6)	886,764	844,203
Long-term prepaid expenses	<u>55,679</u>	<u>25,743</u>
Total other assets	<u>942,443</u>	<u>869,946</u>
Total assets	<u>\$ 7,608,602</u>	<u>\$ 9,082,213</u>

See accompanying notes to financial statements

CHILD INC.
(A Nonprofit Organization)

STATEMENT OF FINANCIAL POSITION
AS OF APRIL 30, 2025
WITH COMPARATIVE INFORMATION AS OF APRIL 30, 2024

<u>Liabilities and Net Assets</u>	<u>2025</u>	<u>2024</u>
Current liabilities		
Accounts payable	\$ 274,075	\$ 1,101,494
Accrued payroll and payroll taxes	1,652,183	2,391,692
Accrued compensated absences	182,382	181,277
Current portion of long-term debt (note 8)	84,682	81,526
Lease liabilities - operating, current portion (note 6)	140,859	192,140
Total current liabilities	2,334,181	3,948,129
Long-term liabilities		
Long-term debt, net of current portion and fees (note 8)	427,825	511,738
Lease liabilities - operating, net of current portion (note 6)	758,286	662,247
Total long-term liabilities	1,186,111	1,173,985
Total liabilities	3,520,292	5,122,114
Net assets		
Without donor restrictions	4,078,310	3,960,099
With donor restrictions	10,000	-
Total net assets	4,088,310	3,960,099
Total liabilities and net assets	<u>\$ 7,608,602</u>	<u>\$ 9,082,213</u>

See accompanying notes to financial statements

CHILD INC.
(A Nonprofit Organization)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED APRIL 30, 2025
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED APRIL 30, 2024

	Without Donor Restrictions	With Donor Restrictions	2025	2024
Revenue and other support				
Federal grants	\$ 20,311,548	\$ -	\$ 20,311,548	\$ 19,737,253
Local grants	603,247	-	603,247	991,160
Contributions of nonfinancial assets (note 9)	4,306,919	-	4,306,919	3,098,457
Contributions	130,156	10,000	140,156	19,854
Other income	4,477	-	4,477	58,026
Rental income	33,000	-	33,000	33,000
Net investment return	23,960	-	23,960	34,474
Total revenue and other support	25,413,307	10,000	25,423,307	23,972,224
Net assets released from restrictions	-	-	-	-
Total revenue, other support and net assets released from restrictions	25,413,307	10,000	25,423,307	23,972,224
Expenses				
Program services	22,167,372	-	22,167,372	20,374,881
General and administrative	2,985,577	-	2,985,577	3,111,016
Fundraising	142,147	-	142,147	128,508
Total expenses	25,295,096	-	25,295,096	23,614,405
Change in net assets	118,211	10,000	128,211	357,819
Net assets - beginning	3,960,099	-	3,960,099	3,602,280
Net assets - ending	<u>\$ 4,078,310</u>	<u>\$ 10,000</u>	<u>\$ 4,088,310</u>	<u>\$ 3,960,099</u>

See accompanying notes to financial statements

CHILD INC.
(A Nonprofit Organization)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED APRIL 30, 2025
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED APRIL 30, 2024

	Program Services			2025	2024
	Program Services	General and Administrative	Fundraising		
Salaries and related expenses					
Personnel	\$ 10,610,029	\$ 1,150,322	\$ 109,543	\$ 11,869,894	\$ 10,635,184
Personnel fringe	2,129,358	236,708	23,315	2,389,381	2,240,505
Payroll taxes	826,903	92,911	9,289	929,103	849,963
Total salaries and related expenses	13,566,290	1,479,941	142,147	15,188,378	13,725,652
Expenses					
Contract labor	1,427,720	91,030	-	1,518,750	1,403,377
Equipment and vehicles	93,622	183,771	-	277,393	261,229
Facilities/maintenance	515,816	260,547	-	776,363	1,195,129
Food and kitchen supplies	583,196	7,095	-	590,291	498,015
In-kind expenses	4,306,918	-	-	4,306,918	3,098,457
Insurance	88,347	142,562	-	230,909	150,571
Interest expense	-	22,138	-	22,138	25,258
Occupancy	327,878	109,292	-	437,170	542,105
Office supplies	162,476	69,510	-	231,986	569,699
Office expenses	7,157	30,159	-	37,316	55,366
Printing and advertising	1,220	-	-	1,220	100,426
Professional services	31,218	349,597	-	380,815	462,242
Program supplies and equipment	453,251	-	-	453,251	548,308
Telecommunications/utilities	264,120	101,102	-	365,222	345,143
Training	189,859	-	-	189,859	387,553
Travel	59,532	49,217	-	108,749	74,438
Total expenses	8,512,330	1,416,020	-	9,928,350	9,717,316
Total expenses before depreciation and amortization	22,078,620	2,895,961	142,147	25,116,728	23,442,968
Depreciation and amortization	88,752	89,616	-	178,368	171,437
Total expenses	<u>\$ 22,167,372</u>	<u>\$ 2,985,577</u>	<u>\$ 142,147</u>	<u>\$ 25,295,096</u>	<u>\$ 23,614,405</u>

See accompanying notes to financial statements

CHILD INC.
(A Nonprofit Organization)

STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 2025
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED APRIL 30, 2024

	2025	2024
Cash flows from operating activities		
Change in net assets	\$ 128,211	\$ 357,819
Adjustments		
Depreciation and amortization	178,368	171,437
Unrealized gain on investments	(24,011)	(34,476)
Loss on disposal of property and equipment	15,728	-
Decrease/(increase) in assets		
Grants receivable	1,328,446	(2,063,046)
Prepaid expenses and other current assets	(1,329)	142,299
Right-of-use asset and lease liability - operating leases	2,197	(4,646)
Long-term prepaid expenses	(29,936)	6,057
Increase/(decrease) in liabilities		
Accounts payable	(827,419)	448,011
Accrued payroll and payroll taxes	(739,509)	2,156,090
Accrued compensated absences	1,105	(5,351)
Total adjustments	(96,360)	816,375
Net cash provided from operating activities	31,851	1,174,194
Cash flows from investing activities		
Acquisition of property and equipment	(46,839)	(544,242)
Cash flows from financing activities		
Repayments of long-term debt	(80,757)	(77,637)
Net (decrease) increase in cash	(95,745)	552,315
Cash - beginning	597,475	45,160
Cash - ending	\$ 501,730	\$ 597,475
<u>Supplementary Information</u>		
Cash paid for interest	\$ 22,138	\$ 25,258

See accompanying notes to financial statements

CHILD INC.
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2025 AND 2024

Note 1 – Nature of Business and Significant Accounting Policies

Nature of Activities

Child Inc. (A Nonprofit Organization) is a private, nonprofit corporation incorporated on July 20, 1972 under the State of Texas Nonprofit Corporation Act. The operations of the Organization are financed by grants from federal and state agencies and local contributions of volunteer time, space and supplies. The Organization's major federal funding is used to operate both Head Start and Early Head Start child development programs serving children 0-5 years of age who live in Travis County, Texas. The children receive comprehensive Head Start/Early Head Start services, including education, health, dental, nutrition, mental health and special education for children with disabilities. The children are served with several delivery options, including full-day center classrooms, in-home services in a home-based program or in collaborations with area independent school districts' Pre-K classrooms.

The Organization also receives federal funding from the United States Department of Agriculture for food reimbursements. Texas state agencies provide a cost-reimbursement contract for child care services, as well as a contract to provide child abuse prevention services in the Organization's facilities and other related programs.

In addition, the Organization also owns a 500-acre property, Flat Creek Crossing Ranch (the Ranch), from which rental income proceeds are used to support the Organization in its mission to serve at-risk children and their families. The Ranch is located in the rolling Texas Hill Country, adjacent to Pedernales Falls State Park and features two main lodges and eight cabins with accommodations for approximately 90 guests and over 700 campers.

Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the audited financial statements for the year ended April 30, 2024, from which the summarized information was derived.

Basis of Accounting

The Organization records revenues and support and expenses in the accompanying financial statements using the accrual basis of accounting.

Cash

For purposes of the statement of cash flows, Child Inc. (A Nonprofit Organization) considers all highly liquid investments with an initial maturity of three months or less to be cash. Child Inc. (A Nonprofit Organization) places its cash with high credit quality financial institutions. The total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) up to \$250,000 per bank. Child Inc.'s (A Nonprofit Organization) cash balance in excess of the FDIC insurance limit at April 30, 2025 and 2024 was approximately \$396,000 and \$477,000, respectively. There was no cash balance in excess of the NCUA Insurance limit at April 30, 2025 and 2024.

CHILD INC.
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NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2025 AND 2024

Fair Value Measurements

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. See Note 4 - Investments, for investment valuations.

Investments

The Organization's investments are classified as equity securities, which are measured at fair value as of the statement of financial position date. Realized gains and losses on investment transactions are recorded as the difference between proceeds received and carrying value. Net unrealized appreciation or depreciation in the fair value of investments is recorded as the change in carrying value of the investment portfolio from the beginning of the year or date of purchase to the end of the year.

Conditional Grants and Contributions

The Organization has received the following conditional grants and contributions that are not recognized in the financial statements due to the following conditions not being satisfied as of April 30, 2025:

Conditional based on incurring allowable expenses	\$ 624,589
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CHILD INC.
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NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2025 AND 2024

Revenue Recognition

Revenue is recorded when earned as support without or with donor restrictions depending on the existence and/or nature of any donor restrictions. Federal and state grants represent cost-reimbursable contracts and grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when Child Inc. (A Nonprofit Organization) has incurred expenditures in compliance with specific contract or grant provisions. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. All revenue is considered to be without donor restrictions unless specifically restricted by the funding source.

Revenue from conditional grant awards under expense reimbursement programs is recognized in the period during which the conditions are substantially met. In cases where the conditions are substantially met in advance of receiving the grant reimbursement, revenue and grant receivable are recorded. In cases where a grant advance is received prior to the conditions being substantially met, the advance is recorded as a refundable advance (liability). All revenue is considered to be without donor restrictions unless specifically restricted by the funding source.

Support that is restricted by the funding source is reported as an increase in net assets with donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. When support is expended to satisfy the restricted purpose, net assets with donor restrictions are classified to net assets without donor restrictions.

Grants Receivable

Grants receivable are stated based on contracted rates and expected reimbursements. Grants receivable consists of payments due from the federal government, State of Texas, and foundations. Grants that are paid over multiple years are recorded as revenue based on the discounting of future cash flows relating to these payments. At April 30, 2025 and 2024, all grants receivable are collectible within one year. No allowance for uncollectible receivables has been provided. Management has evaluated grants receivable based on historical experience and review of current status and believes grants receivable are collectible.

Property and Equipment and Depreciation

Child Inc. (A Nonprofit Organization) follows the practice of capitalizing all expenditures in excess of \$5,000 for property and equipment. The fair market value of donated fixed assets at the time of donation is similarly capitalized. The property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements.

Certain assets were purchased with federal dollars and, if they were to be disposed of, are subject to approval of the funding agency. These assets are included in net assets without donor restrictions on the statement of financial position.

CHILD INC.
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2025 AND 2024

Leases

The Organization recognizes right-of-use assets and lease liabilities for leases with terms greater than 12 months. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method (finance leases) or on a straight-line basis over the term of the leases (operating leases). The Organization's right-of-use assets and lease liabilities primarily relate to buildings and copiers. Renewal periods are included in the expected lease term if they are reasonably certain of being exercised.

Right-of-use assets and lease liabilities are recorded at the net present value of future lease payments and include any initial direct costs incurred at lease commencement. The Organization has elected to use the prime rate, which represents the incremental borrowing rate, as the discount rate to determine the net present value of the lease when the rate implicit in the lease is not readily determinable. Right-of-use assets under finance leases are amortized over the life of the lease or, if shorter, the life of the leased asset, on a straight-line basis. Right-of-use assets under operating leases are reduced as lease expense is incurred.

Short-term leases (initial terms less than 12 months) are expensed on a straight-line basis over the lease term.

Compensated Absences

The Organization provides its employees with a paid time off (PTO) benefit to manage time away from work for sick, vacation and personal leave. Under the policy, employees are allowed a maximum of 240 hours of unused PTO annually and the amount to be paid to employees who terminate employment with the Organization is based on the employee's length of service and accrued PTO balance at the time of departure. Accrued compensated absences at April 30, 2025 and 2024 amounted to \$182,382 and \$181,277, respectively.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, Child Inc.'s (A Nonprofit Organization) net assets are categorized and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

CHILD INC.
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2025 AND 2024

Net Assets With Donor Restrictions

Net assets with donor restrictions are subject to donor-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, such as those that the donor stipulates that resources be maintained in perpetuity.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. As of April 30, 2025, the Organization has net assets with donor restrictions in the amount of \$10,000 which are restricted to support Sun Safe Play. The Organization had no net assets with donor restrictions as of April 30, 2024.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

Functional expenses are allocated among the program services and supporting services based on specific identification of costs to programs, when possible, and various time studies performed by the Organization's management. The financial statements report certain categories of expenses that are attributed to both program and supporting function.

Advertising

The costs of advertising are expensed as incurred. Advertising expense for the years ended April 30, 2025 and 2024 amounted to \$1,220 and \$100,426, respectively.

Concentrations

The Organization received approximately 76% and 80% of total revenue from a single grantor during the years ended April 30, 2025 and 2024, respectively. At April 30, 2025 and 2024, grants receivable from this grantor amounted to approximately 83% and 95% of total grants receivable, respectively.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including January 29, 2026, which is the date the financial statements were available to be issued.

CHILD INC.
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2025 AND 2024

Note 2 – Liquidity and Availability

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

	<u>2025</u>	<u>2024</u>
Total current assets	\$ 2,928,928	\$ 4,328,012
Less prepaid expenses and deposits	<u>(99,457)</u>	<u>(93,199)</u>
Total	<u>\$ 2,829,471</u>	<u>\$ 4,234,813</u>

Financial assets in the amount of \$2,829,471 and \$4,234,813 are available for general expenditure without donor or other restrictions limiting their use as of April 30, 2025 and 2024, respectively. If funds to cover the cost of current liabilities are backed out, a net amount of \$495,290 and \$286,684 is available as of April 30, 2025 and 2024, respectively. The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments. The Organization has multiple sources of liquidity at its disposal, including cash and operating investments. In addition, the Organization operates with a balanced budget and anticipates annual earned revenues and support contributions sufficient to cover expenditures.

Note 3 – Tax Status

Child Inc. (A Nonprofit Organization) is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income derived from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. No provision for federal income taxes has been made in the accompanying financial statements.

The Organization may recognize the tax benefit from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBTI). Management has analyzed its tax positions taken for filings with the Internal Revenue Service and has determined there are no material uncertain income tax positions. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations, or cash flows.

Child Inc.'s (A Nonprofit Organization) income tax filings are subject to audit by various taxing authorities. Child Inc.'s (A Nonprofit Organization) open audit periods are for the fiscal years ended April 30, 2022 - 2025.

CHILD INC.
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2025 AND 2024

Note 4 – Investments

The tables below segregate all financial assets as of April 30, 2025 and 2024 that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date:

April 30, 2025				
Fair Value Based On				
Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Mutual Funds				
Equity	\$ 203,823	\$ 203,823	\$ -	\$ -
Fixed income	6,740	6,740	-	-
Total investments	<u>\$ 210,563</u>	<u>\$ 210,563</u>	<u>\$ -</u>	<u>\$ -</u>
April 30, 2024				
Fair Value Based On				
Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Mutual Funds				
Equity	\$ 180,370	\$ 180,370	\$ -	\$ -
Fixed income	6,415	6,415	-	-
Total investments	<u>\$ 186,785</u>	<u>\$ 186,785</u>	<u>\$ -</u>	<u>\$ -</u>

For the above Mutual Funds, the fair value was determined by reference to quoted market prices in active markets (Level 1) and other relevant information generated by market transactions.

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APRIL 30, 2025 AND 2024

Note 5 – Property and Equipment

The cost of property and equipment at April 30, 2025 and 2024 are summarized as follows:

	April 30, 2025		
	Acquired With Federal Funds	Acquired With Non- Federal Funds	Total
Land	\$ 209,602	\$ 1,502,465	\$ 1,712,067
Buildings and improvements	1,985,439	2,546,883	4,532,322
Equipment	412,116	78,831	490,947
Furniture and fixtures	49,773	78,568	128,341
Vehicles	309,953	56,835	366,788
Software	95,401	35,195	130,596
Total cost	3,062,284	4,298,777	7,361,061
Less accumulated depreciation and amortization	<u>(1,758,950)</u>	<u>(1,864,880)</u>	<u>(3,623,830)</u>
Net property and equipment	<u>\$ 1,303,334</u>	<u>\$ 2,433,897</u>	<u>\$ 3,737,231</u>
	April 30, 2024		
	Acquired With Federal Funds	Acquired With Non- Federal Funds	Total
Land	\$ 209,602	\$ 1,502,465	\$ 1,712,067
Buildings and improvements	1,995,569	2,546,883	4,542,452
Equipment	398,994	78,831	477,825
Furniture and fixtures	49,773	78,568	128,341
Vehicles	309,953	56,835	366,788
Software	95,401	35,195	130,596
Total cost	3,059,292	4,298,777	7,358,069
Less accumulated depreciation and amortization	<u>(1,640,492)</u>	<u>(1,833,322)</u>	<u>(3,473,814)</u>
Net property and equipment	<u>\$ 1,418,800</u>	<u>\$ 2,465,455</u>	<u>\$ 3,884,255</u>

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NOTES TO FINANCIAL STATEMENTS
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Fixed assets purchased with federal funds are related to the Head Start grants. These assets represent all nonexpendable property and equipment accounted for by the Organization under its federal grant program funds. These assets would revert back to the funding source if the Organization no longer existed as a nonprofit entity. The Organization has maintained detailed subsidiary records of real property, furniture and equipment showing the value of each fixed asset and its location. Fixed assets purchased with nonfederal funds are recorded in the general cash account.

Depreciation and amortization expense was \$178,368 and \$171,437 for the years ended April 30, 2025 and 2024, respectively.

Note 6 – Leases

The Organization has operating leases for several facilities that house its Head Start centers, as well as certain copy machines, under long-term, non-cancellable operating leases that expire at various dates through June 2033, some of which include the payment of taxes and insurance on the lease property. Monthly payments range from \$287 to \$9,712.

The Organization also has certain short-term leases. During the years ended April 30, 2025 and 2024, the Organization incurred \$174,434 and \$195,707 of expenses related to its short-term leases which is included in occupancy expense in the statement of functional expenses, respectively.

The Organization's lease expense consists of the following for the years ended April 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Operating lease expense	\$ 296,711	\$ 320,377
Short-term lease expense	<u>174,434</u>	<u>195,707</u>
Total lease cost	<u>\$ 471,145</u>	<u>\$ 516,084</u>

Supplemental lease information is as follows for the years ended April 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in measurement of lease liabilities		
Operating cash flows from operating leases	\$ 296,711	\$ 340,550
ROU assets obtained in exchange for new operating lease liabilities	933,850	-
Weighted-average remaining lease term in years for operating leases	6.37	15.70
Weighted-average discount rate for operating leases	7.93%	3.98%

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NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2025 AND 2024

Remaining lease payments are as follows for the years ending April 30th:

	Operating Leases
2026	\$ 205,259
2027	171,433
2028	173,717
2029	175,694
2030	177,137
Thereafter	250,706
Total minimum lease payments	1,153,946
Less: imputed interest	(254,801)
Total	\$ 899,145

Note 7 – Employee Benefit Plan

The Organization has a 401(k) retirement plan. The following description of the Child Inc. 401(k) Retirement Plan (the Plan) provides only general information. The Plan is a defined contribution plan covering all employees who have completed at least one month of service and are at least 20 ½ years of age, except for those who are covered by a collective bargaining agreement that does not provide for participation in the plan, non-resident aliens with no U.S. income, or leased employees. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, the Internal Revenue Code and other federal and state laws, which may affect employee rights.

Eligible participants may contribute between 1% and 85% of eligible compensation, not to exceed the federal maximum limits, including catch-up provisions. The Organization may match the contributions in a percentage set by the employer prior to the end of each Plan year. The Organization may also make discretionary non-elective contributions. Participant accounts are fully vested in all benefits and cannot be forfeited for any reason. The full value of the retirement benefits is payable as of the later of the employee's normal retirement age or the actual retirement date. There are other accommodations for death, disability, and for other terminations of service at an amount other than the full normal retirement benefits, as described in the Plan agreement. The Organization contributed \$646,377 and \$854,806 to the Plan during the years ended April 30, 2025 and 2024, respectively.

Note 8 – Long-Term Debt

The Organization has a promissory note with a United States bank due November 2, 2030. The long-term note payable bears interest at 3.75%, and is shown net of unamortized origination costs of \$4,423 and \$5,215 as of April 30, 2025 and 2024, respectively.

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Scheduled principal maturities of long-term debt for the years succeeding April 30, 2025 are summarized as follows:

2026	\$	84,682
2027		87,982
2028		91,358
2029		94,020
2030		98,591
Thereafter		60,297
Total		\$ 516,930

Interest expense for the years ended April 30, 2025 and 2024 amounted to \$22,138 and \$25,258, respectively.

Note 9 – Contributions of Nonfinancial Assets

The Organization recognizes contribution revenue for certain services received at the estimated fair value of those services, provided those services create or enhance nonfinancial assets or require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased.

The Organization records contributions of nonfinancial assets and expenses related to these contributions.

For the years ended April 30, 2025 and 2024, contributed nonfinancial assets recognized within the statement of activities and changes in net assets include:

	2025	2024
Donated services	\$ 23,969	\$ 92,266
Intermediate school districts	3,629,160	3,006,191
Donated space	653,790	-
Total	\$ 4,306,919	\$ 3,098,457

Donated services comprise services performed by individuals outside of the Organization for the Head Start/Early Head Start programs. These services are measured at the fair market value of the cost of the services performed based on current market rates.

Intermediate school districts comprise of the use of classroom and campus facilities to carry out its program services for the Head Start/Early Head Start programs. The facilities utilized by the Organization are provided to it at either no cost or at rates below market rates. These facilities are measured at the difference between the market rental rates of the facilities used by the Organization and the rates paid by the Organization.

CHILD INC.
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NOTES TO FINANCIAL STATEMENTS
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Donated space comprise of the use of facilities to carry out its program services for the Head Start/Early Head Start programs. The facilities utilized by the Organization are provided to it at either no cost or at rates below market rates. These facilities are measured at the difference between the market rental rates of the facilities used by the Organization and the rates paid by the Organization.

There were no donor imposed restrictions on contributions of nonfinancial assets.

Note 10 – Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Organization, but which will only be resolved when one or more future events occur or fail to occur. The Organization's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Organization's financial statements.

If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. At April 30, 2025 and 2024, Child Inc. (A Nonprofit Organization) does not have any loss contingencies.

SUPPLEMENTARY INFORMATION

CHILD INC.
(A Nonprofit Organization)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED APRIL 30, 2025

Federal Agency/Pass-Through Agency Program Title	Federal Assistance Listing Number	Award Amount	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>				
Head Start / Early Head Start Project 5/1/22 - 4/30/23 (06CH010969-04)	93.600	\$ 16,267,011	\$ -	\$ 6,057
Head Start / Early Head Start Project 5/1/23 - 4/30/24 (06CH010969-05)	93.600	17,620,587	-	282,434
Head Start / Early Head Start Project 5/1/24 - 4/30/25 (06CH010969-06)	93.600	18,029,962	-	17,936,207
Early Head Start CCP Project 8/1/23 - 7/31/24 (06HP000294-05)	93.600	864,307	-	433,880
Early Head Start CCP Project 8/1/24 - 7/31/25 (06HP000567-01)	93.600	884,241	-	754,146
Covid-19 Head Start/Early Head Start Project 4/1/21 - 3/31/24 (06HE000778-01)	93.600	2,237,219	-	5,233
Total Head Start Cluster		55,903,327	-	19,417,957
Total U.S. Department of Health and Human Services		55,903,327	-	19,417,957
<u>U.S. Department of Agriculture</u>				
Passed through from Texas Department of Agriculture: Child and Adult Care Food Program (Head Start) Project 10/1/23 - 9/30/24 (75-G1005)	10.558	609,603	-	184,596
Project 10/1/24 - 9/30/25 (75-G1005)		585,213	-	388,219
Total Child and Adult Care Food Program (Head Start)		1,194,816	-	572,815
Total Passed Through the Texas Department of Agriculture		1,194,816	-	572,815
<u>U.S. Department of Housing and Urban Development</u>				
Passed through from the City of Austin: Community Development Block Grants Project 10/1/21 - 9/30/25 (72000 NG220000028)	14.218	861,658	-	320,776
Total Community Development Block Grants Cluster		861,658	-	320,776
Total Passed Through the City of Austin		861,658	-	320,776
Total Expenditures of Federal Awards		\$ 57,959,801	\$ -	\$ 20,311,548

See accompanying notes to schedule of expenditures of federal awards

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
APRIL 30, 2025

Note A – Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Child Inc. (A Nonprofit Organization) under programs of the federal government for the year ended April 30, 2025. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Child Inc. (A Nonprofit Organization), it is not intended to and does not present the financial position, changes in net assets, or cash flows of Child Inc. (A Nonprofit Organization).

Note B – Basis of Accounting

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Child Inc. (A Nonprofit Organization) has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

Note C – Major Programs

Major programs are identified in the Summary Auditor's Results section of the Schedule of Findings and Questioned Costs.

Note D – Head Start Cluster

The Organization's Schedule of Expenditures of Federal Awards for the year ended April 30, 2025 includes expenditures related to Head Start/Early Head Start grants that had a budget period end date of April 30, 2024 and 2023. These expenditures were incurred during the year ended April 30, 2025 however the federal grantor allows the Organization to allocate the expenditures to the grant if the obligation is entered into prior to the end of the budget period. The federal grantor classifies obligations as orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment during the same or a future period. Unliquidated obligations are obligations entered into by the grant recipient for which an expenditure under accrual basis has not yet been recorded. The total unliquidated obligations as of April 30, 2024 amounted to \$293,724 which were incurred during the year ended April 30, 2025.