

EPISCOPAL CHILDREN'S SERVICES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2025

EPISCOPAL CHILDREN'S SERVICES, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of,
Episcopal Children's Services, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Episcopal Children's Services, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 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 Controller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance 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); Section 215.97, Florida Statutes, *Florida Single Audit Act*; and Chapter 10.650 Rules of the State of Florida Office of the Auditor General, 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 and State Financial Assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

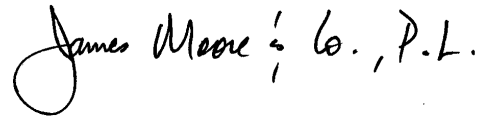
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Source and Expenditures of City Grant Funds but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2025, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

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

Gainesville, Florida
December 9, 2025

EPISCOPAL CHILDREN'S SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025

ASSETS

Current assets

Cash and cash equivalents	\$ 2,390,167
Grants receivable	4,263,840
Investments	1,557,547
Prepaid expenses and other current assets	1,090,841
Total current assets	9,302,395

Property and equipment, net	6,729,543
Right-of-use asset, operating	3,606,632
Right-of-use asset, finance	487,474
Other non-current assets	15,276
Total non-current assets	10,838,925

Total Assets	\$ 20,141,320
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LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 696,177
Accrued expenses	2,809,688
Refundable advances	1,463,662
Accrued leave	952,598
Operating lease liabilities, current	857,134
Finance lease liabilities, current	36,621
Total current liabilities	6,815,880

Long-Term Liabilities

Operating lease liabilities, noncurrent	2,957,113
Finance lease liabilities, noncurrent	263,239
Total long-term liabilities	3,220,352

Total Liabilities	10,036,232
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Net assets

Without donor restrictions:	
Invested in property and equipment, net	6,709,542
Undesignated	3,395,546
Total net assets	10,105,088

Total Liabilities and Net Assets	\$ 20,141,320
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The accompanying notes to the financial statements
are an integral part of this statement.

EPISCOPAL CHILDREN'S SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions
Support and Revenue	
Federal grants - direct	\$ 43,387,014
Federal grants - state pass-through	25,827,037
State grants	17,377,185
Kids Hope Alliance	1,496,454
Local counties	259,501
Contracts with other non-profit agencies	1,762,773
Contributions	335,763
In-kind contributions	1,176,196
Program fees	15,225
Investment income, net	157,199
Miscellaneous	88,049
Total revenue	91,882,396
Expenses	
Program services	86,728,950
Management and general	5,671,885
Total expenses	92,400,835
Change in net assets	(518,439)
Net assets, beginning of year	10,623,527
Net assets, end of year	\$ 10,105,088

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

EPISCOPAL CHILDREN'S SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 30,387,166	\$ 4,091,713	\$ 34,478,879
Employee benefits	4,177,636	591,912	4,769,548
Payroll taxes	2,223,613	295,222	2,518,835
Total salaries and related expenses	<u>36,788,415</u>	<u>4,978,847</u>	<u>41,767,262</u>
Provider payments	41,068,582	-	41,068,582
Program expenses	2,012,659	147,677	2,160,336
Food and kitchen supplies	1,491,633	-	1,491,633
Occupancy	1,031,944	22,889	1,054,833
Office expense	198,604	33,196	231,800
Repairs and maintenance	705,289	4,142	709,431
Travel	524,746	18,899	543,645
Depreciation and amortization	1,198,541	352	1,198,893
Utilities and telephone	648,830	15,260	664,090
Insurance	429,636	74,691	504,327
Professional fees	315,810	356,934	672,744
Janitorial services	173,412	3,390	176,802
Conferences and meetings	89,504	8,826	98,330
Interest	25,196	-	25,196
Bank charges and fees	24,749	-	24,749
Advertising	173	6,780	6,953
Miscellaneous expenses	1,227	2	1,229
Total operating expenses	<u>49,940,535</u>	<u>693,038</u>	<u>50,633,573</u>
 Total expenses	 <u>\$ 86,728,950</u>	 <u>\$ 5,671,885</u>	 <u>\$ 92,400,835</u>

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

EPISCOPAL CHILDREN'S SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

Cash flows from operating activities	
Change in net assets without donor restrictions	\$ (518,439)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities	
Depreciation	1,078,922
Amortization operating right-of-use asset	1,021,050
Realized and unrealized gains on investments	(91,556)
Changes in operating assets and liabilities:	
Grants receivable	268,667
Prepaid expenses and other current assets	(49,998)
Accounts payable and accrued expenses	(499,047)
Refundable advances	(25,913)
Operating lease liability	(953,336)
Net cash provided by operating activities	<u>230,350</u>
Cash flows from investing activities	
Purchases of property and equipment	(354,759)
Purchases of investments	(100,234)
Net cash used in investing activities	<u>(454,993)</u>
Cash flows from financing activities	
Payments on finance lease	(33,804)
Net cash used in financing activities	<u>(33,804)</u>
Net decrease in cash and cash equivalents	<u>(258,447)</u>
Cash and cash equivalents, beginning of year	2,648,614
Cash and cash equivalents, end of year	<u><u>\$ 2,390,167</u></u>
Supplemental schedule of non-cash investing and financing activities:	
Right-of-use assets obtained in exchange for new lease obligations:	<u><u>\$ 416,246</u></u>

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

EPISCOPAL CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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

The following is a summary of the more significant accounting policies and practices of Episcopal Children's Services, Inc. (the Organization), which affect significant elements of the accompanying financial statements.

(a) **Reporting entity**—Founded in 1966, Episcopal Children's Services, Inc. (the Organization) provides high quality services to children in fourteen counties in Northeast and Central Florida. Services provided by ECS include high quality early education programs at twenty-seven Head Start/Early Head Start centers, nine Community Partnership childcare centers for Head Start services and home-based Early Head Start childcare programs, and one directly operated Early Learning Center; School Readiness, Child Care Resource and Referral, and Voluntary Pre-Kindergarten Administration; the USDA Child Care Food Program to over 1,800 children daily; the Regional Training Institute for child care teachers; social services and partnership in the Jacksonville Early Learning Partnership in Duval County.

(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 in the existence or absence of donor or grantor-composed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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

Net Assets With Donor Restrictions – Net assets subject to donor – (or certain grantor) – imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. There were no net assets with donor restrictions as of June 30, 2025.

(d) **Cash and cash equivalents**—For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, demand deposits held with banks, and short-term investments with original maturities of 90 days or less.

(e) **Investments**—Investments in equity securities, treasury notes, and exchange traded funds with readily determinable market values are reported at fair values in the statements of financial position. Unrealized gains and losses are included in the statements of activities.

(f) **Grants receivable**—Grants receivable consists primarily of amounts due from federal and state grant agencies and local organizations. All receivables are considered by management to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded.

EPISCOPAL CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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

(g) **Property and equipment**—Expenditures for property, equipment and improvements are capitalized at cost. Equipment expenditures of less than \$5,000 and ordinary repairs and maintenance are charged to expense when incurred. Donated assets are capitalized and recorded at their fair value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful life of the asset, ranging from 3 to 39 years.

(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.

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, state, and local 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 June 30, 2025, \$1,463,662 had been received in advance.

(j) **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.

EPISCOPAL CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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

(k) **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 in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Organization uses the direct costing method to allocate costs. Directly identifiable expenses are charged to the programs and supporting services. Expenses related to more than one function are charged to programs and support on the basis of periodic time. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

(l) **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 year ended June 30, 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.

(m) **Subsequent events**—The Organization has performed an analysis of the activities and transactions subsequent to June 30, 2025, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2025. Management has performed their analysis through December 9, 2025, the date the financial statements were available to be issued.

(n) **Leases**—The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position as of June 30, 2025. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

The Organization combines lease and non-lease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office buildings and equipment.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when it is readily determinable. As some leases do not provide an implicit rate, the Organization uses the risk-free rate based on the information available at the commencement date to determine the present value of lease payments. The Organization has elected not to record leases with an initial term of 12 months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

EPISCOPAL CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(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 and the Florida Department of Education. Revenue earned under these contracts and grants accounted for approximately 75% and 19% of total revenues, respectively, for the year ended June 30, 2025. 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 multiple financial institutions. The Organization has no policy requiring collateral or other security to support its deposits, although all demand deposits with each institution is federally insured up to FDIC limits.
- (b) **Grants receivable**—The Organization's receivables are for amounts due under contracts with federal, state, and local agencies. The Organization has no policy requiring collateral or other security to support its receivables.

(4) **Property and Equipment:**

Property and equipment, net, consists of the following at May 31, 2024:

Land	\$ 482,939
Building and improvements	7,252,571
Leasehold improvements	1,286,253
Land Improvements	375,458
Furniture and equipment	5,511,552
Vehicles	532,872
Software	2,500
	15,444,145
Less accumulated depreciation	8,714,602
	\$ 6,729,543

Depreciation and amortization expense totaled \$1,078,922 for the year ended June 30, 2025.

(5) **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 matches the employee's contributions dollar-for-dollar, up to 5% of their annual salary after one year of service and worked at least 1000 hours. Upon completion of five years of service, employees become 100% vested in employer contributions. The related expense for the year ended June 30, 2025, was \$859,502.

EPISCOPAL CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(6) **Leases:**

Finance leases consist of a building for use in the Head Start program. The lease is payable in monthly installments of \$4,917. At the end of the lease, ECS may purchase the property for any unpaid amounts under the lease.

The Organization has various operating leases principally for property and some office equipment, some of which requires the payment of a share of property taxes, insurance, and normal maintenance costs. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended June 30, 2025:

Finance lease expense		
Amortization of right to use asset	\$	24,432
Interest on lease liabilities		25,196
Operating lease cost		1,070,152
Short-term lease cost		3,996
Variable lease cost		15,483
	<u>\$</u>	<u>1,139,259</u>

Supplemental balance sheet information related to leases is as follows as of June 30, 2025:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from finance leases: \$25,196
Financing cash flows from finance leases: \$33,804
Operating cash flows from operating leases: \$463,379

Weighted-average remaining lease term:

Finance leases	6.51 years
Operating leases	6.02 years

Weighted-average discount rate:

Finance leases	8.03%
Operating leases	3.31%

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the statement of net position are as follows as of June 30, 2025:

Year ending	Financing Leases	Operating Leases
2026	\$ 59,000	\$ 1,052,503
2027	59,000	780,728
2028	59,000	688,534
2029	59,000	645,733
2030	59,000	334,507
Thereafter	88,500	824,337
Total lease payments	383,500	4,326,342
Less present value discount	83,640	512,095
Total present value of lease liabilities	\$ 299,860	\$ 3,814,247

EPISCOPAL CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(7) **In-Kind:**

The Organization received the following in-kind donations included with program services on the Statement of Functional Expenses during the year ended June 30, 2025:

Occupancy	\$ 476,810
Program expenses	724,104
Total	<u>\$ 1,200,914</u>

Occupancy is recorded based on the appraised value of the space. Contributed amounts included with program expenses are for professional services. These are recorded based on the competitive market rate for the professional services contributed. All of the in-kind contributions received by ECS were used in administering the programs.

(8) **Volunteer Services**

The Organization receives a significant amount of volunteer services from unpaid individuals who assist in various programs and administrative functions. These services are not reflected in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles (GAAP).

Under GAAP, contributed services are recognized in the financial statements if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Management estimates that volunteers contributed approximately \$10,114,782 in value. These volunteer hours, while not recognized as revenue or expense in the financial statements, are an integral part of the Organization's ability to carry out its mission.

(9) **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 has a line of credit with a \$1,000,000 limit that it could draw upon as necessary.

The table below presents financial assets available for general expenditures within one year at June 30, 2025:

Cash and cash equivalents	\$ 2,390,167
Grants receivable	4,263,840
Investments	1,557,547
Financial assets available to meet general expenditures within one year	<u>\$ 8,211,554</u>

EPISCOPAL CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(10) **City of Jacksonville Grant:**

The City of Jacksonville Grant is a reimbursement for services rendered supporting the Kid's Hope Alliance program. The Organization requests reimbursement by submitting monthly expense reports accompanied by supporting documentation. Revenue and expenses for the grant totaled \$1,496,454 for the year ended June 30, 2025.

The City of Jacksonville also provides grant funding to ECS through the support of Public Service Grant funds and Community Development Block Grant funding.

(11) **Commitments and 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.

Self-insurance—The Organization utilizes a self-insurance program for health benefits. As of June 30, 2025, the Organization has accrued for claims of approximately \$380,000 that were incurred but not reported (IBNR) and included with other accrued expenses on the Statement of Financial Position. IBNR represents management's estimate of the amount of future health and pharmacy claims related to services provided in the fiscal year. The IBNR claims reserve model projects claims based upon average historical claims activity and industry trends. Considerable amounts of uncertainty and variability are inherent in this accounting estimate, and accordingly, the subsequent development of these reserves may not conform to the assumptions inherent in the determination. The ultimate liability could be significantly more than or less than the amount indicated in the financial statements. To mitigate this risk, the Organization purchased Stop Loss insurance that will cover higher-than-anticipated claims, with a \$125,000 deductible per employee per calendar year. The Stop Loss insurance also has a maximum claims liability for the 2025 fiscal year of approximately \$1 million.

(12) **Investments and Fair Value Measurements:**

Generally accepted accounting principles (GAAP) defines fair value as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP utilizes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

EPISCOPAL CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(12) **Investments and Fair Value Measurements:** (Continued)

The following is a brief description of those three levels:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access as of the measurement date.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates and yield curves, volatilities, prepayment speeds, credit risks, default rates, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

Level 3: Unobservable inputs to measure fair value of assets and liabilities for which there is little, if any market activity at the measurement date, using reasonable inputs and assumptions based upon the best information at the time, to the extent that inputs are available without undue cost and effort.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Association's financial assets carried at fair value at June 30, 2025.

Fair values measured on a recurring basis are as follows:

	Fair Value	Quoted Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Fixed income	\$ 572,541	\$ 572,541	\$ -	\$ -
Exchange traded products	985,006	985,006	-	-
Total investments at fair value	<u>\$ 1,557,547</u>	<u>\$ 1,557,547</u>	<u>\$ -</u>	<u>\$ -</u>

Investment income for the year ended June 30, 2025, consisted of the following:

Interest and dividends	\$ 65,643
Net change in realized and unrealized gains	106,112
Investment fees	(14,556)
Net investment income	<u>\$ 157,199</u>

EPISCOPAL CHILDREN'S SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2025

Grantor/Pass-Through Entity/ Federal Program/State Project or Cluster Title	Federal Assistance Listing Number/CSFA	Contract Number	Current Year Expenditures
FEDERAL AWARDS			
U.S. Department of Health and Human Services			
Direct:			
Central Florida Head Start & Early Head Start Grant	93.600	04CH012126-03-00	\$ 22,035,915
Central Florida Head Start & Early Head Start Grant	93.600	04CH012126-04-00	7,551,452
North Florida Head Start & Early Head Start Grant	93.600	04CH01163-06-00	10,768,348
North Florida Head Start & Early Head Start Grant	93.600	04CH01163-06-00	3,529,677
Total Head Start Cluster			43,885,392
Passed through Early Learning Coalition of North Florida:			
SR Discretionary	93.575	EL435	5,984,306
VPK Program Assessments	93.575	EL435	161,526
SR CCDF Matching and MOE	93.596	EL435	17,370,065
Total CCDF Cluster			23,515,897
Temporary Assistance for Needy Families	93.558	EL435	230,756
Total Department of Health and Human Services			67,632,045
U.S. Department of Agriculture			
Passed through Florida Department of Health:			
Child Care Food Program	10.558	S-583	284,910
Child Care Food Program	10.558	S-583	1,184,119
Total Department of Agriculture			1,469,029
TOTAL EXPENDITURES OF FEDERAL AWARDS			69,101,074
STATE FINANCIAL ASSISTANCE			
Department of Education			
Passed through Early Learning Coalition of North Florida:			
Voluntary Pre-Kindergarten Education	48.108	EL435	17,354,148
School Readiness (SR) Plus	48.209	EL435	23,037
TOTAL STATE FINANCIAL ASSISTANCE			17,377,185
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			\$ 86,478,259

The accompanying notes to schedule of expenditures of federal awards and state financial assistance are an integral part of this schedule.

EPISCOPAL CHILDREN'S SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2025

(1) **Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the federal awards and state project activity of Episcopal Children's Services, Inc. under programs of the federal government and state governments for the year ended June 30, 2025, in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Section 215.97, Florida Statutes. Because the Schedule presents only a selected portion of the operations of Episcopal Children's Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Episcopal Children's Services, Inc..

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

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance, and Section 215.97, Florida Statutes, *Florida Single Audit Act*, and Chapter 10.650, Rules of the State of Florida, 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 June 30, 2025.

(4) **Indirect Cost Rate:**

Expenditures include indirect costs, related primarily to general administrative services, which are allocated to direct cost objectives (including federal awards) based on negotiated formulas commonly referred to as administrative cost rates. Administrative cost rates allocated to such awards for the year ended June 30, 2025, were based on fixed rates negotiated with Episcopal Children's Services, Inc.'s cognizant federal Organization, the U.S. Department of Health and Human Services. Therefore, Episcopal Children's Services, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

(5) **Head Start Program:**

Episcopal Children's Services, Inc. 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, Episcopal Children's Services, Inc. is required to obtain matching revenue from private sources and in-kind contributions. Episcopal Children's Services, Inc. obtained the required matching revenue and in-kind contributions for the year ended June 30, 2025.

EPISCOPAL CHILDREN'S SERVICES, INC.
SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
FOR THE YEAR ENDED JUNE 30, 2025
(Unaudited)

	City FY 2022-2023 Grant # COJ 651341	City FY 2023-2024 Grant # COJ 666638	City FY 2023-2024 Grant # COJ 666488	City FY 2024-2025 Grant # COJ 684082
City of Jacksonville Public Service				
Grant for Fiscal Year 2023-2024				
Amount of award	\$ 80,000	\$ 137,000	\$ 150,000	\$ 358,187
Actual funds received from city in last audit period	-	(137,000)	-	-
Actual amount received this period	(76,276)	-	(150,000)	-
Amount remaining to be distributed	<u>\$ 3,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,187</u>
COJ 651341				
Item	Budgeted	Actual October 1, 2024 June 30, 2025		Remaining Balance
Salaries and benefits	\$ -	\$ -	\$ -	
Other operating expenses	80,000	76,276	3,724	
Total	<u>\$ 80,000</u>	<u>\$ 76,276</u>	<u>\$ 3,724</u>	
COJ 666638				
Item	Budgeted	Actual October 1, 2023 June 30, 2024		Remaining Balance
Salaries and benefits	\$ -	\$ -	\$ -	
Other operating expenses	137,000	137,000	-	
Total	<u>\$ 137,000</u>	<u>\$ 137,000</u>	<u>\$ -</u>	
COJ 666488				
Item	Budgeted	Actual October 1, 2023 June 30, 2024		Remaining Balance
Salaries and benefits	\$ 150,000	\$ 150,000	\$ -	
Other operating expenses	-	-	-	
Total	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>	
COJ 684082				
Item	Budgeted	Actual October 1, 2024 June 30, 2025		Remaining Balance
Salaries and benefits	\$ -	\$ -	\$ -	
Other operating expenses	358,187	-	358,187	
Total	<u>\$ 358,187</u>	<u>\$ -</u>	<u>\$ 358,187</u>	

- See Independent Auditors' Report -



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND CHAPTER 10.650, RULES OF THE STATE OF FLORIDA, OFFICE OF THE AUDITOR GENERAL

To the Board of Directors of,
Episcopal Children's Services, Inc.:

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited Episcopal Children's Services, Inc.'s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement*, and the requirements described in the *Florida Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs and major state projects for the year ended June 30, 2025. The Organization's major federal programs and major state projects 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 and state projects for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program and State Project

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*); 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); and Chapter 10.650, Rules of the Auditor General (Chapter 10.650). Our responsibilities under those standards 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 and state project. 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 and state projects.

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*, the Uniform Guidance, and Chapter 10.650, 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 and state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650, 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 and Chapter 10.650, 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.

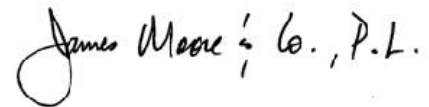
Report on Internal Control Over Compliance

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 and a state project 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 and state project 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 and state project 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 and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

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

Gainesville, Florida
December 9, 2025

**EPISCOPAL CHILDREN'S SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

I. Summary of Auditors' Results:

Financial Statements:

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

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards:

Internal control over major Federal programs:

Material weakness(es) identified? _____ yes X no

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

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

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

Identification of major Federal programs:

AL Number	Program Name
93.575/93.596	CCDF Cluster

Dollar threshold used to distinguish between type A and type B Federal programs: \$2,073,097

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



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,
Episcopal Children's Services, 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 Episcopal Children's Services, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 9, 2025.

Report On Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report On Compliance and Other Matters

As part of obtaining reasonable assurance about whether Episcopal Children's Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Gainesville, Florida
December 9, 2025