



CHILDNET, INC. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2025 and 2024



CHILDNET, INC. AND AFFILIATE

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Independent Auditors' Report

The Board of Directors of
ChildNet, Inc. and Affiliate

Opinion

We have audited the consolidated financial statements of ChildNet, Inc. and Affiliate (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2025, and the changes in its net assets (deficiency) 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 (*Government Auditing Standards*). 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.

Prior Period Financial Statements

The financial statements of the Organization as of and for the year ended June 30, 2024, were audited by Marcum LLP, whose report dated December 23, 2024, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated 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 consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2026 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. The 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.

CBIZ CPAs P.C.

Fort Lauderdale, FL
February 26, 2026

CHILDNET, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	\$ 6,704,931	\$ 5,541,085
Restricted cash	751,106	731,263
Grants and other receivables	5,147,675	2,344,841
Prepaid expenses	1,789,996	108,844
Total Current Assets	14,393,708	8,726,033
Property and Equipment, Net	158,658	301,450
Operating Lease Right-of-Use Assets	11,566,608	13,978,906
Financing Lease Right-of-Use Assets	183,571	324,973
Other Assets	345,336	345,336
Total Assets	\$ 26,647,881	\$ 23,676,698

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

CHILDNET, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2025 and 2024

	2025	2024
Liabilities and Net Assets (Deficiency)		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,885	\$ 26,690
Accounts payable - providers	5,724,404	5,211,092
Accrued salaries and annual leave	3,266,340	3,032,622
Funds due to Florida Department of Children and Families	4,846,800	348,553
Funds due to clients - Social Security benefits	751,106	731,263
Current portion of operating lease liabilities	2,550,396	2,472,205
Current portion of financing lease liabilities	<u>125,355</u>	<u>220,355</u>
Total Current Liabilities	<u>17,267,286</u>	<u>12,042,780</u>
Long-Term Liabilities		
Operating lease liabilities, less current portion	9,732,434	12,282,829
Financing lease liabilities, less current portion	<u>55,997</u>	<u>105,842</u>
Total Long-Term Liabilities	<u>9,788,431</u>	<u>12,388,671</u>
Total Liabilities	<u>27,055,717</u>	<u>24,431,451</u>
Commitments and Contingencies		
Net Assets (Deficiency)		
Without donor restrictions	(566,494)	(1,056,203)
With donor restrictions	<u>158,658</u>	<u>301,450</u>
Total Net Assets (Deficiency)	<u>(407,836)</u>	<u>(754,753)</u>
Total Liabilities and Net Assets (Deficiency)	<u>\$ 26,647,881</u>	<u>\$ 23,676,698</u>

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

CHILDNET, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2025 and 2024

	2025			2024		
	Without donor restrictions	With donor restrictions	Totals	Without donor restrictions	With donor restrictions	Totals
Support and Revenues						
Government grants and contracts	\$ 155,990,182	\$ --	\$ 155,990,182	\$ 160,820,726	\$ 72,358	\$ 160,893,084
In-kind contributions	1,564,784	--	1,564,784	1,652,916	--	1,652,916
Contributions	264,404	--	264,404	220,054	--	220,054
Other revenue	17,871	--	17,871	--	--	--
Net assets released from restrictions	142,792	(142,792)	--	261,791	(261,791)	--
Total Support and Revenues	<u>157,980,033</u>	<u>(142,792)</u>	<u>157,837,241</u>	<u>162,955,487</u>	<u>(189,433)</u>	<u>162,766,054</u>
Expenses						
Program services:						
DCF community based care	153,178,477	--	153,178,477	157,887,215	--	157,887,215
Other community based care	672,572	--	672,572	485,742	--	485,742
Supporting activities:						
General and administrative	3,431,299	--	3,431,299	3,878,693	--	3,878,693
Fundraising	207,976	--	207,976	109,050	--	109,050
Total Expenses	<u>157,490,324</u>	<u>--</u>	<u>157,490,324</u>	<u>162,360,700</u>	<u>--</u>	<u>162,360,700</u>
Change in Net Assets (Deficiency)	489,709	(142,792)	346,917	594,787	(189,433)	405,354
Net Assets (Deficiency) - Beginning	<u>(1,056,203)</u>	<u>301,450</u>	<u>(754,753)</u>	<u>(1,650,990)</u>	<u>490,883</u>	<u>(1,160,107)</u>
Net Assets (Deficiency) - Ending	<u>\$ (566,494)</u>	<u>\$ 158,658</u>	<u>\$ (407,836)</u>	<u>\$ (1,056,203)</u>	<u>\$ 301,450</u>	<u>\$ (754,753)</u>

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

CHILDNET, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2025

	Program Services			Supporting Activities			Total Expenses
	DCF Community Based Care	Other Community Based Care	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Personnel costs	\$ 37,484,304	\$ 573,403	\$ 38,057,707	\$ 2,750,136	\$ 10,455	\$ 2,760,591	\$ 40,818,298
Contract and other services	106,485,876	53,943	106,539,819	3,002	13,322	16,324	106,556,143
Occupancy and utilities	3,364,172	20,684	3,384,856	156,294	657	156,951	3,541,807
Insurance	1,525,481	9,080	1,534,561	131,115	293	131,408	1,665,969
In-kind expenses	1,564,784	--	1,564,784	--	--	--	1,564,784
Data communications	551,795	3,532	555,327	26,059	109	26,168	581,495
Telephone	433,798	3,027	436,825	82,769	96	82,865	519,690
Travel	451,937	2,986	454,923	3,310	1,271	4,581	459,504
Professional fees	283,935	1,553	285,488	78,057	26,254	104,311	389,799
Marketing and community outreach	212,500	427	212,927	3,767	126,415	130,182	343,109
Office and computer supplies	282,102	1,672	283,774	20,064	29,039	49,103	332,877
Equipment and leases	308,536	1,374	309,910	8,599	37	8,636	318,546
Maintenance	202,044	858	202,902	13,615	28	13,643	216,545
Depreciation and amortization	--	--	--	142,792	--	142,792	142,792
Staff training and recruitment	21,808	32	21,840	11,704	--	11,704	33,544
Other	5,405	1	5,406	16	--	16	5,422
Total	\$ 153,178,477	\$ 672,572	\$ 153,851,049	\$ 3,431,299	\$ 207,976	\$ 3,639,275	\$ 157,490,324

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

CHILDNET, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2024

	Program Services			Supporting Activities			Total Expenses
	DCF Community Based Care	Other Community Based Care	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Personnel costs	\$ 38,523,028	\$ 393,327	\$ 38,916,355	\$ 2,960,711	\$ --	\$ 2,960,711	\$ 41,877,066
Contract and other services	110,072,270	4,915	110,077,185	6,942	31,328	38,270	110,115,455
Occupancy and utilities	3,462,056	41,978	3,504,034	169,011	861	169,872	3,673,906
In-kind expenses	1,652,916	--	1,652,916	--	--	--	1,652,916
Insurance	1,429,843	12,941	1,442,784	113,983	268	114,251	1,557,035
Data communications	589,377	7,008	596,385	28,834	145	28,979	625,364
Travel	521,193	8,102	529,295	5,622	3,300	8,922	538,217
Telephone	435,633	5,856	441,489	92,657	612	93,269	534,758
Maintenance	341,366	3,491	344,857	13,653	--	13,653	358,510
Professional fees	105,006	1,357	106,363	223,514	10,852	234,366	340,729
Equipment and leases	299,839	3,126	302,965	11,544	92	11,636	314,601
Office and computer supplies	212,822	2,734	215,556	66,025	4,332	70,357	285,913
Marketing and community outreach	176,369	756	177,125	3,071	48,699	51,770	228,895
Depreciation and amortization	--	--	--	164,034	--	164,034	164,034
Staff training and recruitment	60,952	151	61,103	19,092	8,561	27,653	88,756
Other	4,545	--	4,545	--	--	--	4,545
Total	\$ 157,887,215	\$ 485,742	\$ 158,372,957	\$ 3,878,693	\$ 109,050	\$ 3,987,743	\$ 162,360,700

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

CHILDNET, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Change in net assets	\$ 346,917	\$ 405,354
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	142,792	164,034
Operating lease right of use assets amortization	2,652,637	2,618,878
Change in operating assets and liabilities:		
Grants and other receivables	(2,802,834)	(1,336,830)
Prepaid expenses	(1,681,152)	1,655,073
Other assets	--	54,900
Accounts payable and accrued expenses	(23,805)	26,690
Accounts payable - providers	513,312	2,512,798
Accrued salaries and annual leave	233,718	(82,684)
Funds due to Florida Department of Children and Families	4,498,247	(957,768)
Funds due to clients - Social Security benefits	19,843	(224,662)
Operating lease liabilities	(2,472,204)	(2,399,021)
Grant advances	--	(5,450,613)
	1,080,554	(3,419,205)
Total Adjustments		
	1,427,471	(3,013,851)
Net Cash Provided By (Used in) Operating Activities		
Cash Flows Used in Investing Activities		
Purchase of property and equipment	--	(72,358)
Net Cash Used in Investing Activities	--	(72,358)
Cash Flows Used in Financing Activities		
Payments on financing lease obligations	(243,782)	(233,851)
Net Cash Used in Financing Activities	\$ (243,782)	\$ (233,851)

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

CHILDNET, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Net Change in Cash, Cash Equivalents and Restricted Cash	\$ 1,183,689	\$ (3,320,060)
Cash, Cash Equivalents and Restricted Cash - Beginning	<u>6,272,348</u>	<u>9,592,408</u>
Cash, Cash Equivalents and Restricted Cash - Ending	<u>\$ 7,456,037</u>	<u>\$ 6,272,348</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ --	\$ --
Supplemental Disclosure of Noncash Investing and Financing Activities		
Right-of-use assets acquired in exchange for operating and financing lease obligations	\$ 98,937	\$ 118,995

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

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2025 and 2024

NOTE 1 – THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE ORGANIZATION

ChildNet, Inc. (“ChildNet”) was incorporated on July 25, 2001 under the laws of the State of Florida as a not-for-profit organization. ChildNet is a non-profit organization devoted to the development of community-based services and support for children and families served by the Broward and Palm Beach Counties child protection and foster care system. ChildNet’s mission is to develop and manage a comprehensive, community-based, coordinated system of care for abused, neglected, and abandoned children and their families and for children and families who are at risk of maltreatment and/or placement in the foster care system. ChildNet receives its funding principally from the Florida Department of Children and Families (“DCF”) in the form of Mental Health Treatment, Substance Abuse Treatment, Adoption Subsidy, Foster Care Subsidy, and Independent Living Services for Adults and Children grants.

Tech Care For Kids, Inc. (“TCFK”), a social purpose corporation, was incorporated on August 13, 2014 under the laws of the State of Florida. The purpose of TCFK’s formation is to create, design, deliver and support technology to improve the delivery of social services. There are 1,000 shares of common stock issued and outstanding, all of which are held by ChildNet. TCFK had minimal operations as of and for the years ended June 30, 2025 and 2024.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of ChildNet and TCFK (collectively, the “Organization”). All significant transactions and account balances between entities have been eliminated in consolidation.

FINANCIAL STATEMENT PRESENTATION

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Net assets (deficiency) and revenues are classified based on the existence or absence of donor-imposed restrictions as follows:

Without Donor Restrictions

Net assets (deficiency) used by the Organization, which are free of donor-imposed restrictions; all revenues that are not changes in net assets (deficiency) with donor restrictions.

With Donor Restrictions

Net assets used by the Organization, which are limited by donor-imposed stipulations that either expire with the passage of time or that can be fulfilled or removed by actions of the Organization pursuant to those stipulations. As of June 30, 2025 and 2024, the Organization had net assets with donor restriction of approximately \$159,000 and \$301,000, respectively, which consists principally of nonexpendable property and equipment, net of depreciation, in which DCF maintains title upon completion or termination of the Broward and Palm Beach Counties contracts (See Notes 3 and 12).

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2025 and 2024

NOTE 1 – THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH EQUIVALENTS

All highly liquid investments with original maturities of three months or less when acquired are considered to be cash equivalents.

RESTRICTED CASH

The Organization acts as a representative payee for Social Security benefits on behalf of children who are in custody of the State of Florida as a result of either their parents being deceased, disabled, lost their parental rights or the child is disabled. The benefits are managed by the Organization to ensure that the children's current and foreseeable needs are being provided. Restricted cash represents the benefits received in excess of the current need requirements which are held in escrow and monitored by the DCF.

RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following tables provide a reconciliation of cash, cash equivalents, and restricted cash reported within the accompanying consolidated statements of financial position that sum to the total of the same such amounts shown in the accompanying consolidated statements of cash flows.

	<u>June 30, 2025</u>
Cash and cash equivalents	\$ 6,704,931
Restricted cash	<u>751,106</u>
Total Cash, Cash Equivalents, and Restricted Cash Presented in the Consolidated Statements of Cash Flows as of June 30, 2025	<u>\$ 7,456,037</u>
	<u>June 30, 2024</u>
Cash and cash equivalents	\$ 5,541,085
Restricted cash	<u>731,263</u>
Total Cash, Cash Equivalents, and Restricted Cash Presented in the Consolidated Statements of Cash Flows as of June 30, 2024	<u>\$ 6,272,348</u>

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2025 and 2024

NOTE 1 – THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially expose the Organization to concentrations of credit risk consist principally of cash and cash equivalents (including restricted cash) and grants and other receivables.

Cash and Cash Equivalents (Including Restricted Cash)

The Organization maintains its cash and cash equivalents in deposit accounts at certain financial institutions. The Organization had approximately \$10,110,000 of balances in excess of insurance limits of \$250,000 per depositor per institution covered by the Federal Deposit Insurance Corporation (“FDIC”) as of June 30, 2025. The Organization maintains these balances in what it believes to be high quality financial institutions, which it believes limits its risk.

Grants and Other Receivables

Grants and other receivables consist principally of amounts due from grantor agencies pursuant to the terms of the respective grant agreements. Grants and other receivables are stated at net realizable value. Allowances are provided for amounts estimated to be uncollectible based on historical experience and any specific collection issues that the Organization has identified. It is the Organization’s policy to charge uncollectible receivables against the allowance when management determines that the related balance will not be collected. Management determined that an allowance for doubtful accounts was not necessary as of June 30, 2025 and 2024.

PROPERTY AND EQUIPMENT

Property and equipment valued in excess of \$5,000 with a useful life over one year are capitalized. Property and equipment are recorded at cost or, if donated, at fair value at the date of donation. Major renewals and improvements are capitalized, while repairs and maintenance expenditures are expensed as incurred. When items are retired or otherwise disposed of, the related costs and accumulated depreciation or amortization are removed from the accounts and any resulting gains or losses are recognized. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the lesser of the useful life or the term of the lease.

The estimated useful lives of each asset group are as follows:

<u>Asset Group</u>	<u>Years</u>
Leasehold improvements	5 - 20
Furniture, fixtures and equipment	3 - 20

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2025 and 2024

NOTE 1 – THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RIGHT-OF-USE ASSETS

Right-of-use assets under leases are recorded at the amount of the initial measurement of the lease liability plus any lease payments made at or before the commencement date of the lease and any initial direct costs, less any lease incentives received. After initial measurement, the right-of-use asset for a lease is measured at the amount of the lease liability, adjusted for prepaid or accrued lease payments, unamortized lease incentives and initial direct costs each period.

The lease liability is recorded at the present value of the remaining lease payments discounted using the rate implicit in the lease or, if not readily determinable, the incremental borrowing rate or the risk free rate. The Organization uses the risk free rate for all financing and operating leases. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets, current portion of operating lease liabilities, and operating lease liabilities less current portion in the accompanying consolidated statements of financial position. Financing leases are included in financing lease right-of-use-assets, current portion of financing lease liabilities, and financing lease liabilities less current portion in the accompanying consolidated statements of financial position.

IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) No. 360, *Property, Plant and Equipment*, the carrying value of long-lived assets is reviewed whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by determining if the carrying value of the asset exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the asset over the remaining economic life of the asset. If recoverability is not assured, impairment is determined based on comparing the carrying value of the asset and the estimated fair value of the asset. Management does not believe that long-lived assets were impaired as of June 30, 2025 and 2024.

FAIR VALUE MEASUREMENTS

Pursuant to FASB ASC 820, *Fair Value Measurements*, the Organization defines fair value as the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization’s assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2025 and 2024

NOTE 1 – THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENTS (CONTINUED)

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- 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.

The asset 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.

The Organization did not have any assets or liabilities requiring fair value measurement on a recurring basis as of June 30, 2025 and 2024.

CONTRIBUTIONS

Contributions and gifts received with no restrictions or specified uses identified by the donor are included in without donor restriction revenue in the accompanying consolidated statements of activities when received. Contributions received with donor stipulations that limit the use of donated assets are reported as with donor restriction revenue in the accompanying consolidated statements of activities when received.

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2025 and 2024

NOTE 1 – THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS (CONTINUED)

When donor restrictions expire or are fulfilled by actions of the Organization, with donor restriction net assets are reclassified as without donor restriction net assets (deficiency) and reported in the accompanying consolidated statements of activities as net assets released from restriction. Donor restricted contributions whose restrictions are met within the same year as received are reflected as without donor restriction revenue in the accompanying consolidated statements of activities.

GRANTS AND CONTRACTS FROM GOVERNMENT AGENCIES

In accordance with ASC 958, *Not-for-Profit Entities*, funding from government contracts is generally considered nonreciprocal transactions. The Organization receives funds on a fee-for-service basis as well as based on fixed rates as established in the contracts. This revenue has been deemed contribution revenue as the services provided by the Organization benefits the general public and the funders do not receive commensurate value in exchange. The revenue is recognized as the services are provided and billed to the funders.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as grant advances in the consolidated statements of financial position. Refer to Note 3 for further disclosure.

CONTRIBUTED GOODS AND SERVICES

Contributed goods and services are reflected in the accompanying consolidated financial statements at their estimated fair value, if reasonably determined. The donations of services are recognized as contributions if the services received (a) create or enhance non-financial 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 donations. The Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value of the donation. For the years ended June 30, 2025 and 2024, there were approximately \$1,565,000 and \$1,653,000, respectively, in non-cash contributions.

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2025 and 2024

NOTE 1 – THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTED GOODS AND SERVICES (CONTINUED)

For the year ended June 30, 2025, contributed goods and services consisted of:

<u>Program or Supporting Service</u>	<u>Donated Services</u>
Family Preservation	\$ 308,852
Family Support	5,000
Family Reunification	80,754
Adoption, Promotion and Support	1,096,078
IT Services	<u>74,100</u>
Total	<u>\$ 1,564,784</u>

For the year ended June 30, 2024, contributed goods and services consisted of:

<u>Program or Supporting Service</u>	<u>Donated Services</u>
Family Preservation	\$ 425,764
Family Support	5,000
Family Reunification	64,324
Adoption, Promotion and Support	1,096,078
IT Services	<u>61,750</u>
Total	<u>\$ 1,652,916</u>

For the year ended June 30, 2025, the Organization received free advertising through digital media that served as a platform to market and bring awareness to the community regarding the programs administered by the Organization totaling \$750,000. The Organization also received various donated services to assist with IT services, home builder, kinship, parenting and family support, and adoption recruiting and therapeutic services totaling \$74,100, \$175,158, \$133,694, \$85,754 and \$346,078 respectively.

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2025 and 2024

NOTE 1 – THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTED GOODS AND SERVICES (CONTINUED)

For the year ended June 30, 2024, the Organization received free advertising through digital media that served as a platform to market and bring awareness to the community regarding the programs administered by the Organization totaling \$750,000. The Organization also received various donated services to assist with IT services, home builder, kinship, parenting and family support, and adoption recruiting and therapeutic services totaling \$61,750, \$175,159, \$126,326, \$193,604, and \$346,077 respectively.

These donated advertisements and services are recognized as in-kind contributions at fair value, with the corresponding expense allocated to programs benefitted. The valuation of these advertisements and services are provided by the service provider, who estimates the fair value based on the current rates for similar marketing services, IT services and programmatic services they provide in the market.

All donated services were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets. There were no contributed goods received by the Organization for the years ended June 30, 2025 and 2024.

Services provided by volunteers throughout the year are not recognized as contributions in the consolidated financial statements since these services are not susceptible to objective measurement or valuation.

FUND-RAISING ACTIVITIES

The Organization's consolidated financial statements are presented in accordance with FASB ASC 958 *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities that Included Fund Raising*. FASB ASC 958 establishes criteria for accounting and reporting for any entity that solicits contributions.

Directly identifiable fund-raising expenses are charged to supporting services. Expenses related to more than one function are charged to supporting services on the basis of time spent. 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.

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and other activities has been detailed in the accompanying consolidated statements of functional expenses and is summarized on a functional basis in the accompanying consolidated statements of activities. Salaries and other expenses, which are associated with a specific program, are charged directly to that program. Salaries and other expenses, which benefit more than one program, are allocated to the various programs based on an analysis of time spent.

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2025 and 2024

NOTE 1 - THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

ChildNet is a not-for-profit organization, as defined by section 501(c)(3) of the Internal Revenue Code, and as such is subject to federal income taxes only on unrelated business income. There were no income taxes resulting from unrelated business income during the years ended June 30, 2025 and 2024.

TCFK is taxed as a corporation for federal income tax purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enacted date. The Organization did not record a provision for income taxes for TCFK in the accompanying consolidated financial statements as TCFK's operations since inception are minimal.

The Organization accounts for uncertainty in income taxes in accordance with GAAP, which requires recognition in the accompanying consolidated financial statements of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Organization had no material unrecognized tax benefits and no adjustments to its consolidated financial position, activities or cash flows were required. The Organization does not expect that unrecognized tax benefits will increase within the next twelve months.

The Organization did not record any interest or penalties on uncertain tax positions in the accompanying consolidated statements of financial position as of June 30, 2025 and 2024 or the accompanying consolidated statements of activities for the years then ended. If the Organization were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Organization's tax returns are subject to examination by federal and state taxing authorities but management has stated there are currently no examinations pending or in progress.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2025 and 2024

NOTE 1 - THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through February 26, 2026, the date the consolidated financial statements were available to be issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization regularly monitors liquidity required to meet its operating needs and other commitments. The Organization has various sources of liquidity at its disposal, including cash and cash equivalent and access to a line of credit (Note 6). In addition to the financial assets available to meet expenditures over the 12 months, the Organization operates with a budget and anticipates collecting sufficient revenues to cover expenditures. Refer to the accompanying consolidated statements of cash flows which identify the sources and uses of the Organization's cash for each of the twelve months ended June 30, 2025 and 2024.

For the years ended June 30, 2025 and 2024, the Organization's operations were funded through normal recurring advance payments from the DCF.

As required by the General Appropriations Act, the Organization continues to implement the Financial Viability Plan ("Plan"). The Plan provides a detailed analysis and plan of action detailing the steps necessary to mitigate costs and bring projected expenditures in line with revenues. As part of the implementation of this Plan, DCF provides a quarterly financial performance update on all 16 statewide Community Based Care agencies ("CBC").

Effective July 1, 2024, the Organization was awarded certain 5 year contract awards with DCF for both Broward and Palm Beach Counties. These contracts will allow the Organization to meet identified service array demands and afford opportunities for piloting and implementing evidence-based services. These contracts will continue to allow the Organization to be eligible to receive Risk Pool/Back of the Bill appropriations provided by DCF as part of the General Appropriations Acts.

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2025 and 2024

NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

As of June 30, 2025, the following financial assets could be readily made available within one year of the financial condition to meet general expenditures.

**Financial Assets Available to Meet General Expenditures
over the Next 12 Months**

Cash and cash equivalents	\$ 6,704,931
Grants and other receivables	<u>5,147,675</u>
Total Financial Assets Available to Meet General Expenditures over the Next 12 Months	<u>\$ 11,852,606</u>

As of June 30, 2024, the following financial assets could be readily made available within one year of the financial condition to meet general expenditures. There were no financial assets with donor restrictions at June 30, 2024.

**Financial Assets Available to Meet General Expenditures
over the Next 12 Months**

Cash and cash equivalents	\$ 5,541,085
Grants and other receivables	<u>2,344,841</u>
Total Financial Assets Available to Meet General Expenditures over the Next 12 Months	<u>\$ 7,885,926</u>

NOTE 3 – GOVERNMENT CONTRACTS

The Organization coordinates and administers certain child welfare services in Broward and Palm Beach Counties including emergency shelter, residential group care, in-home protection services, relative care placements, foster care, case management, post-placement supervision, independent living, family reunification and preservation, and adoption services.

Effective July 1, 2019, the Organization negotiated and was awarded through competitive procurement a 5-year contract with DCF, Contract JJ217, for services in Broward in the amount \$437,892,582 (per most recent contract amendment). The Organization also negotiated its second 5-year term under the renewal provision option with the DCF for a total amount of \$510,119,975 (per most recent contract amendment) for the Palm Beach, Contract - IJ706 ending June 30, 2024. During

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2025 and 2024

NOTE 3 – GOVERNMENT CONTRACTS (CONTINUED)

the year ended June 30, 2025, the State of Florida led a solicitation for both Broward and Palm Beach Counties whereby the Organization was the sole respondent for both counties. The Organization's award of new contracts for Broward services, Contract JJ220 in the amount of \$463,523,580 and for Palm Beach services, Contract IJ716 in the amount of \$305,933,545 are for a 5-year period beginning July 1, 2024 through June 30, 2029. These contracts will allow the Organization to meet identified service array demands and afford opportunities for piloting and implementing evidence-based services. These contracts will continue to allow the Organization to be eligible to receive Risk Pool/Back of the Bill appropriations provided by DCF as part of the General Appropriations Acts.

The contracts can be terminated by either party with 180 days' notice in writing. The contracts require the Organization to comply with certain performance measures on a monthly basis and may be terminated in the event of non-compliance.

For the years ended June 30, 2025 and 2024, service fees earned by the Organization under the contracts (including any Back-of-the-Bill and Risk Pool funding) amounted to approximately \$154,500,000 and \$152,000,000, respectively, net of overpayments, which are included in government grants and contracts in the accompanying consolidated statements of activities. There were no grant advances as of June 2025 and 2024. As of June 30, 2025 and 2024, amounts due back to the DCF under the contracts amounted to approximately \$4,847,000 and \$349,000, respectively, as a result of advance payment funds that were unearned throughout the respective year from the DCF.

NOTE 4 - CONTRACTS WITH OUTSIDE PROVIDERS

The Organization has contractual agreements with various non-profit agencies and one for-profit agency (collectively, the "Providers") to provide foster care and intervention and family support services for them.

The foster care contracts specify the responsibility of the Providers to arrange for expedient shelter of children, monitor licensing of foster homes in accordance with Florida state statutes, and report certain performance measures to the Organization on a monthly basis. The Organization pays the Providers a specified amount per licensed foster home each month up to a set maximum amount.

Intervention and family support services contracts specify that the Providers shall deliver certain services to children and families as needed and report regularly to the Organization.

The Organization pays the Providers based on the number of children or families served each month up to a set maximum amount.

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2025 and 2024

NOTE 4 - CONTRACTS WITH OUTSIDE PROVIDERS (CONTINUED)

Contracts are for a period of one year. Under these contracts, the Organization paid approximately \$54,011,000, which is included in program services in the accompanying consolidated statements of activities, to Providers for the year ended June 30, 2025 and had an amount payable to the Providers of approximately \$5,724,000 as of June 30, 2025. The Organization paid approximately \$48,627,000 to Providers for the year ended June 30, 2024 and had an amount payable to the Providers of approximately \$5,211,000 as of June 30, 2024.

NOTE 5 - PROPERTY AND EQUIPMENT

As of June 30, 2025 and 2024, property and equipment consist of the following:

	2025	2024
Furniture, fixtures and equipment	\$ 2,879,653	\$ 2,879,653
Leasehold improvements	<u>19,560</u>	<u>19,560</u>
	2,899,213	2,899,213
Less: Accumulated depreciation and amortization	<u>(2,740,555)</u>	<u>(2,597,763)</u>
Property and Equipment, Net	<u>\$ 158,658</u>	<u>\$ 301,450</u>

Depreciation and amortization expense for the years ended June 30, 2025 and 2024 was approximately \$143,000 and \$164,000, respectively.

NOTE 6 - LINE OF CREDIT

On April 18, 2016, the Organization entered into a line of credit agreement (the "Line") in the amount of \$2,000,000. Payments of accrued unpaid interest are due monthly and the Line expires in May 2027. Interest on the Line is calculated at the bank's business prime rate (7.50% and 8.50% as of June 30, 2025 and 2024, respectively). Borrowings are secured by substantially all assets of the Organization. As of June 30, 2025 and 2024, there was no outstanding balance on the Line. In July 2024, the Line was increased to \$5,000,000.

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2025 and 2024

NOTE 7 - RETIREMENT PLAN

The Organization maintains a 403(b) tax-deferred annuity retirement plan (the “Retirement Plan”) for the benefit of all their employees meeting the minimum eligibility requirements. The Organization, at its discretion, will contribute a percentage of eligible compensation on behalf of each eligible employee. For the years ended June 30, 2025 and 2024, the Organization’s discretionary percentage was 2% of eligible employee compensation. In addition, the Organization matches 50% of the elective employee deferrals up to 6% of compensation. For the years ended June 30, 2025 and 2024, the Organization contributed approximately \$583,000 and \$918,000, respectively, to the Retirement Plan.

NOTE 8 - COMMITMENTS

OPERATING LEASE LIABILITIES

The Organization has various office space and vehicle leases under operating lease agreements expiring in various years through 2030. In accordance with Topic 842, the Organization records a right-of-use asset and a lease liability equal to the present value of the related future minimum lease payments. As of June 30, 2025 and 2024, the weighted average discount used on current leases was 2.80%, which was the Organization’s risk-free rate. As of June 30, 2025 and 2024, the weighted average remaining lease term was 4.42 and 5.41 years, respectively.

The classification and description of right-of-use assets and leases arising from operating leases consist of the following:

Leases	Description	June 30, 2025
Assets		
Non-current	Facility leases	\$ 11,533,509
Non-current	Vehicle leases	33,099
Total Assets		<u>\$ 11,566,608</u>
Liabilities		
Current	Facility leases	\$ 2,533,873
Current	Vehicle leases	16,523
Non-current	Facility leases	9,716,899
Non-current	Vehicle leases	15,535
Total Liabilities		<u>\$ 12,282,830</u>

Lease expense relating to operating leases was approximately \$2,716,000 and \$2,927,000 for the years ended June 30, 2025 and 2024, respectively.

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2025 and 2024

NOTE 8 - COMMITMENTS

OPERATING LEASE LIABILITIES

Future estimated minimum payments under the operating lease liabilities as of June 30, 2025 are as follows:

For the Year Ending June 30,	Operating
2026	\$ 2,861,210
2027	2,925,011
2028	2,976,214
2029	3,044,915
2030	<u>1,278,479</u>
Total minimum lease payments	13,085,829
Less: amount representing interest	<u>802,999</u>
Present value of net minimum lease payments	12,282,830
Less: current portion	<u>2,550,396</u>
Lease Obligations, Less Current Portion	<u>\$ 9,732,434</u>

FINANCE LEASES

The Organization has entered into certain finance leases for office equipment and vehicles with payments payable monthly through 2028. As of June 30, 2025 and 2024, the weighted average discount used on current leases was 4.11% and 3.91%, respectively, which was the Organization's risk-free rate. As of June 30, 2025 and 2024, the weighted average remaining lease term for both years was 1.56 years.

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2025 and 2024

NOTE 8 - COMMITMENTS (CONTINUED)

FINANCE LEASES (CONTINUED)

The classification and description of right-of-use assets and leases arising from finance leases consist of the following:

Leases	Description	June 30, 2025
Assets		
Non-current	Vehicle leases	\$ 76,570
Non-current	Office equipment leases	107,001
Total Assets		<u>\$ 183,571</u>
Liabilities		
Current	Vehicle leases	\$ 64,385
Current	Office equipment leases	60,970
Non-current	Vehicle leases	12,626
Non-current	Office equipment leases	43,371
Total Liabilities		<u>\$ 181,352</u>

Finance lease expenses were approximately \$218,000 and \$280,000 for the years ended June 30, 2025 and 2024, respectively.

Future minimum lease payments under finance lease liabilities as of June 30, 2025 are as follows:

For the Year Ending June 30,	Financing
2026	\$ 129,841
2027	40,964
2028	<u>16,691</u>
Total minimum lease payments	187,496
Less: amount representing interest	<u>6,144</u>
Present value of net minimum lease payments	181,352
Less: current portion	<u>125,355</u>
Lease Obligations, Less Current Portion	<u>\$ 55,997</u>

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2025 and 2024

NOTE 9 - CONTINGENCIES

FEDERAL, STATE, AND LOCAL GRANT PROGRAMS

The Organization participates in federal, state and local grant programs that are subject to audit by the respective grantor agencies. Any disallowed funds received or to be received under these programs may constitute a liability in the amount of the disallowed funds. Management does not believe that any potential disallowed funds would have a significant effect on the accompanying consolidated financial statements.

LEGAL MATTERS

The Organization is subject to legal proceedings and claims arising in the normal course of business. There are currently no pending legal proceedings to which the Organization is a party that management, after consulting with its legal counsel, believes will have a material effect on the Organization's consolidated financial position or results of operations.

NOTE 10 - CONCENTRATIONS

For the years ended June 30, 2025 and 2024, the Organization received approximately 98% of its government grant revenue from DCF for both years. As the revenue from DCF is significant to the overall operations of the Organization, any significant reduction or loss of funding from DCF may affect the Organization's ability to operate in its present form. As of June 30, 2025 and 2024, receivables from DCF were approximately 89% and 66%, respectively, of grants and other receivables.

NOTE 11 - NET ASSETS (DEFICIENCY)

Net assets (deficiency) without donor restrictions as of June 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Net assets (deficiency)	\$ (566,494)	\$ (1,056,203)
Total Net Assets (Deficiency) Without Donor Restrictions	<u>\$ (566,494)</u>	<u>\$ (1,056,203)</u>

CHILDNET, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2025 and 2024

NOTE 11 - NET ASSETS (DEFICIENCY) (CONTINUED)

Net assets with donor restrictions as of June 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Subject to Expenditure for Specified Purpose		
Capital assets, net	\$ 158,658	\$ 301,450
Total Net Assets With Donor Restrictions	<u>\$ 158,658</u>	<u>\$ 301,450</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes during the years ended June 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Purpose Restrictions Accomplished		
Capital assets, net	\$ 142,792	\$ 261,791
Total Net Assets Released from Donor Restriction	<u>\$ 142,792</u>	<u>\$ 261,791</u>

**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
ChildNet, Inc. and Affiliate

We have audited, in accordance with the auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the consolidated financial statements of ChildNet, Inc. and Affiliate (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements"), and have issued our report thereon dated February 26, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

CBIZ CPAs P.C.

Fort Lauderdale, FL
February 26, 2026

**Independent Auditors' Report on Compliance for the Major Federal Program
and State Project and Report on Internal Control Over Compliance
Required by the Uniform Guidance and Chapter 10.650, Rules of the Auditor General and
Report on Schedule of Expenditures of Federal Awards and State Projects Required by the
Uniform Guidance and Chapter 10.650, Rules of the Auditor General**

To the Board of Directors
ChildNet, Inc. and Affiliate

Report on Compliance for the Major Federal Program and State Project

Opinion on the Major Federal Program and State Project

We have audited ChildNet, Inc and Affiliate's (collectively, 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 *State of Florida Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on the Organization's major federal program and state project for the year ended June 30, 2025. The Organization's major federal program and state project 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 its major federal program and state project for the year ended June 30, 2025.

Basis for Opinion on the 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*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, Rules of the Auditor General. Our responsibilities under those standards, the Uniform Guidance and Chapter 10.650, Rules of the Auditor General 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 the 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 program and state project.

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, Rules of the Auditor General 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 the 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, Rules of the Auditor General, 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, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards and State Projects Required by the Uniform Guidance and Chapter 10.650, Rules of the Auditor General

We have audited the consolidated financial statements of the Organization as of and for the year ended June 30, 2025, and have issued our report thereon dated February 26, 2026, which contained an unmodified opinion on those financial statements. Our audit was performed 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 Uniform Guidance and Chapter 10.650, Rules of the Auditor General, 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

GAAS. 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. underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

CBIZ CPAs P.C.

Fort Lauderdale, FL

February 26, 2026

CHILDNET, INC. AND AFFILIATE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE**

For the Year Ended June 30, 2025

Federal/State Agency, Pass-through Entity/Program or Cluster	ALN/CSFA No.	Contract	Expenditures	Transfers to Subrecipients
Federal Awards				
U.S. Department of Health and Human Services:				
Pass-Through Florida Department of Children and Families:				
Adoption Assistance	93.659	JJ220 IJ716	\$ 22,257,238 <u>12,136,945</u>	\$ 1,868,471 <u>428,606</u>
Total Adoption Assistance			<u>34,394,183</u>	<u>2,297,077</u>
Medicaid Cluster				
Medical Assistance Program	93.778	JJ220 IJ716	1,109,604 <u>539,172</u>	8,083 <u>7,115</u>
Total Medicaid Cluster			<u>1,648,776</u>	<u>15,198</u>
477 Cluster				
Temporary Assistance for Needy Families	93.558	JJ220 IJ716	14,443,032 <u>9,928,303</u>	1,299,786 <u>931,622</u>
Total 477 Cluster			<u>24,371,335</u>	<u>2,231,408</u>
Foster Care Title IV-E	93.658	JJ220 IJ716	15,646,486 <u>11,716,323</u>	1,975,358 <u>3,731,389</u>
Total Foster Care Title IV-E			<u>27,362,809</u>	<u>5,706,747</u>
Stephanie Tubbs Jones Child Welfare Services Program	93.645	JJ220 IJ716	1,133,368 <u>706,863</u>	-- <u>--</u>
Total Stephanie Tubbs Jones Child Welfare Services Program			<u>1,840,231</u>	<u>--</u>
Social Services Block Grant	93.667	JJ220 IJ716	3,058,893 <u>2,070,536</u>	37,317 <u>30,057</u>
Total Social Services Block Grant			<u>5,129,429</u>	<u>67,374</u>
MaryLee Allen Promoting Safe and Stable Families Program	93.556	JJ220 IJ716	2,230,327 <u>1,385,118</u>	2,102,041 <u>1,385,118</u>
Total MaryLee Allen Promoting Safe and Stable Families Program			<u>3,615,445</u>	<u>3,487,159</u>
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	JJ220 IJ716	1,467,905 <u>1,089,730</u>	44,112 <u>548,118</u>
Total John H. Chafee Foster Care Program for Successful Transition to Adulthood			<u>2,557,635</u>	<u>592,230</u>
Chafee Education and Training Vouchers Program	93.599	JJ220 IJ716	1,519,822 <u>749,519</u>	-- <u>--</u>
Total Chafee Education and Training Vouchers Program			<u>2,269,341</u>	<u>--</u>
Grants to States for Access and Visitation Programs	93.597	JJ220 IJ716	31,671 <u>31,672</u>	-- <u>--</u>
Total Grants to States for Access and Visitation Programs			<u>63,343</u>	<u>--</u>
Child Abuse and Neglect State Grants	93.669	JJ220 IJ716	22,459 <u>21,896</u>	22,459 <u>21,896</u>
Total Child Abuse and Neglect State Grants			<u>44,355</u>	<u>44,355</u>
Guardianship Assistance	93.090	JJ220 IJ716	713,110 <u>1,747,684</u>	-- <u>--</u>
Total Guardianship Assistance			<u>2,460,794</u>	<u>--</u>
Community-Based Child Abuse Prevention Grants	93.590	IJ716	<u>261,398</u>	<u>261,398</u>
Total Community-Based Child Abuse Prevention Grants			<u>261,398</u>	<u>261,398</u>
Adoption Incentive Payments	93.603	JJ220 IJ716	1,041,929 <u>1,091,196</u>	-- <u>--</u>
Total Adoption Incentive Payments			<u>2,133,125</u>	<u>--</u>
Total U.S. Department of Health and Human Services			<u>108,152,199</u>	<u>14,702,946</u>
Total Federal Awards			\$ 108,152,199	\$ 14,702,946

See notes to the schedule of expenditures of federal awards and state financial assistance.

CHILDNET, INC. AND AFFILIATE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE (CONTINUED)**

For the Year Ended June 30, 2025

Federal/State Agency, Pass-through Entity/Program or Cluster	ALN/CSFA No.	Contract	Expenditures	Transfers to Subrecipients
State Financial Assistance				
Florida Department of Children and Families:				
Out-of-Home Supports	60.074	JJ220	\$ 24,006,033	\$ 23,618,880
		IJ716	18,530,352	13,774,030
Total Out-of-Home Supports			<u>42,536,385</u>	<u>37,392,910</u>
CBC - Adoption Services	60.076	JJ220	168,443	--
		IJ716	60,717	--
Total CBC - Adoption Services			<u>229,160</u>	<u>--</u>
CBC - Sexually Exploited Children	60.138	JJ220	138,338	138,338
		IJ716	900,935	--
Total CBC - Sexually Exploited Children			<u>1,039,273</u>	<u>138,338</u>
The Independent Living and Road-to-Independence Program	60.112	JJ220	143,529	--
		IJ716	70,274	--
Total The Independent Living and Road-to-Independence Program			<u>213,803</u>	<u>--</u>
Extended Foster Care Program	60.141	JJ220	481,137	--
		IJ716	779,311	--
Total Extended Foster Care Program			<u>1,260,448</u>	<u>--</u>
CBC - Purchase of Therapeutic Services for Children	60.183	JJ220	939,031	939,031
		IJ716	392,713	392,713
Total CBC - Purchase of Therapeutic Services for Children			<u>1,331,744</u>	<u>1,331,744</u>
Family Finders Program	60.206	JJ220	240,821	--
		IJ716	140,254	100,000
Total Family Finders Program			<u>381,075</u>	<u>100,000</u>
Kinship Navigator Program	60.207	JJ220	250,878	250,878
		IJ716	70,704	70,704
Total Kinship Navigator Program			<u>321,582</u>	<u>321,582</u>
Guardian Assistance Program	60.210	JJ220	101,497	--
		IJ716	326,221	--
Total Guardian Assistance Program			<u>427,718</u>	<u>--</u>
CBC - Fatherhood Engagement Specialists	60.211	JJ220	59,759	--
		IJ716	184,388	23,658
Total CBC - Fatherhood Engagement Specialists			<u>244,147</u>	<u>23,658</u>
Early Childhood Court Case Management & Prevention Services	60.225	JJ220	479,918	--
		IJ716	82,416	--
Total Early Childhood Court Case Management & Prevention Services			<u>562,334</u>	<u>--</u>
State Funded Child Care Subsidy	60.244	JJ220	368,785	--
		IJ716	190,943	--
Total State Funded Child Care Subsidy			<u>559,728</u>	<u>--</u>
Substance Abuse and Mental Health - Community Services	60.153	ID104	291,000	--
Total Florida Department of Children and Families			<u>49,398,397</u>	<u>39,308,232</u>
Total State Financial Assistance			<u>49,398,397</u>	<u>39,308,232</u>
Total Federal Awards and State Financial Assistance			<u>\$ 157,550,596</u>	<u>\$ 54,011,178</u>

See notes to the schedule of expenditures of federal awards and state financial assistance.

CHILDNET, INC. AND AFFILIATE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2025

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") presents the federal award and state financial activity of the Organization for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, Rules of the Auditor General. As the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the consolidated financial position, changes in net assets (deficiency), or cash flows of the Organization.

NOTE 2 - BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and Chapter 10.650, Rules of the Auditor General, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

CHILDNET, INC. AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2025

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: **UNMODIFIED OPINION**
Internal control over financial reporting:
Material weakness(es) identified? _____ Yes X No
Significant deficiency(ies) identified? _____ Yes X None reported
Noncompliance material to financial statement noted? _____ Yes X No

FEDERAL PROGRAM AND STATE PROJECT

Internal control over major federal program and state project:
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 program and state project: **UNMODIFIED OPINION**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) and Chapter 10.650, Rules of the Auditor General? _____ Yes X No

Identification of major federal program and state project:

NAME OF FEDERAL PROGRAM **AL NUMBER**

U.S. Department of Health & Human Services:
Adoption Assistance 93.659

CHILDNET, INC. AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2025

SECTION I - SUMMARY OF AUDITORS' RESULTS (CONTINUED)

<u>NAME OF STATE PROJECT</u>	<u>CFSA NUMBER</u>
<u>State of Florida Department of Children and Families:</u> Out-of-Home Supports	60.074
Dollar threshold used to distinguish between type A and type B Federal programs:	<u>\$3,000,000</u>
Dollar threshold used to distinguish between type A and type B State projects:	<u>\$1,481,952</u>
Auditee qualified as low-risk auditee pursuant to the Uniform Guidance?	<u> X </u> Yes <u> </u> No

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL PROGRAMS AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS

None. A management letter was not issued because there were no items that were required to be reported related to Federal programs or State projects.

CHILDNET, INC. AND AFFILIATE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2025

I. PRIOR YEAR FINANCIAL STATEMENT FINDINGS

None.

II. PRIOR YEAR FEDERAL PROGRAMS AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS

None.