

AVANCE, Inc. and Subsidiaries

Consolidated Financial Statements
and Supplementary Information
and Single Audit Reports and Schedules

June 30, 2025 and 2024



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
AVANCE, Inc. and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of AVANCE, Inc. and Subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AVANCE, Inc. and Subsidiaries as of June 30, 2025 and 2024, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 AVANCE, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards 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 AVANCE, Inc. and Subsidiaries' 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 AVANCE, Inc. and Subsidiaries' 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 consolidated financial statements as a whole. The supplementary information on pages 26 - 33 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Additionally, the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 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 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.



Dallas, Texas

January 15, 2026

AVANCE, Inc. and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash	\$ 6,044,927	\$ 5,888,407
Restricted cash	220,932	-
Certificates of deposit	221,120	519,961
Grants receivable	5,791,957	5,460,313
Other receivables	56,360	226,705
Prepaid expenses and deposits	282,647	263,250
Property and equipment, net	4,107,279	4,948,969
Investments	6,662,238	7,378,235
Right-of-use assets, net	<u>4,539,656</u>	<u>4,519,319</u>
Total assets	<u>\$ 27,927,116</u>	<u>\$ 29,205,159</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 2,788,125	\$ 4,209,190
Deferred revenue	30,000	96,918
Operating lease liabilities	<u>4,599,430</u>	<u>4,563,699</u>
Total liabilities	<u>7,417,555</u>	<u>8,869,807</u>
Net assets		
Without donor restrictions	13,813,051	17,587,745
With donor restrictions	<u>6,696,510</u>	<u>2,747,607</u>
Total net assets	<u>20,509,561</u>	<u>20,335,352</u>
Total liabilities and net assets	<u>\$ 27,927,116</u>	<u>\$ 29,205,159</u>

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

AVANCE, Inc. and Subsidiaries
Consolidated Statement of Activities
For the Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Federal grants	\$ 71,067,159	\$ -	\$ 71,067,159
State and local grants	1,698,986	-	1,698,986
Contributions and other	1,899,104	7,829,088	9,728,192
United Way	1,785,756	-	1,785,756
Fundraising events	613,434	-	613,434
Less: direct benefit to donors	(119,315)	-	(119,315)
Donated professional services	4,687,838	-	4,687,838
Donated use of facilities	7,034,439	-	7,034,439
Donated Supplies	69,227	-	69,227
Investment income, net	787,960	-	787,960
Net assets released from restriction	<u>3,880,185</u>	<u>(3,880,185)</u>	<u>-</u>
Total revenues and other support	<u>93,404,773</u>	<u>3,948,903</u>	<u>97,353,676</u>
Functional expenses			
Program services	84,837,064	-	84,837,064
General and administrative	11,556,845	-	11,556,845
Fundraising	<u>785,558</u>	<u>-</u>	<u>785,558</u>
Total functional expenses	<u>97,179,467</u>	<u>-</u>	<u>97,179,467</u>
Change in net assets	(3,774,694)	3,948,903	174,209
Net assets, beginning of year	<u>17,587,745</u>	<u>2,747,607</u>	<u>20,335,352</u>
Net assets, end of year	<u><u>\$ 13,813,051</u></u>	<u><u>\$ 6,696,510</u></u>	<u><u>\$ 20,509,561</u></u>

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

AVANCE, Inc. and Subsidiaries
Consolidated Statement of Activities
For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Federal grants	\$ 70,416,539	\$ -	\$ 70,416,539
State and local grants	5,301,868	-	5,301,868
Contributions and other	5,171,659	2,138,521	7,310,180
United Way	1,818,475	-	1,818,475
Fundraising events	587,967	-	587,967
Less: direct benefit to donors	(89,633)	-	(89,633)
Donated professional services	4,394,147	-	4,394,147
Donated use of facilities	7,017,399	-	7,017,399
Donated Supplies	46,993	-	46,993
Investment income, net	546,058	-	546,058
Net assets released from restriction	<u>2,491,221</u>	<u>(2,491,221)</u>	<u>-</u>
Total revenues and other support	<u>97,702,693</u>	<u>(352,700)</u>	<u>97,349,993</u>
Functional expenses			
Program services	84,122,039	-	84,122,039
General and administrative	11,727,474	-	11,727,474
Fundraising	<u>744,079</u>	<u>-</u>	<u>744,079</u>
Total functional expenses	<u>96,593,592</u>	<u>-</u>	<u>96,593,592</u>
Change in net assets	1,109,101	(352,700)	756,401
Net assets, beginning of year	<u>16,478,644</u>	<u>3,100,307</u>	<u>19,578,951</u>
Net assets, end of year	<u><u>\$ 17,587,745</u></u>	<u><u>\$ 2,747,607</u></u>	<u><u>\$ 20,335,352</u></u>

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

AVANCE, Inc. and Subsidiaries
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2025

	Program Services								Support Services		Cost of Direct Benefit to Donors	
	Head Start/Early Head Start	Parent Child Education Program	Provider Services	USDA	Child Care Relief Funds	Healthy Marriages	Other Programs	Total Program Services	General and Administrative	Fundraising		Total
Salaries & wages	\$ 31,155,920	\$ 4,765,757	\$ 573,985	\$ 192,117	\$ -	\$ 1,186,316	\$ 857,229	\$ 38,731,324	\$ 6,379,641	\$ 319,061	\$ -	\$ 45,430,026
Employee benefits	5,990,710	920,003	75,778	53,554	-	160,433	137,872	7,338,350	711,456	36,343	-	8,086,149
Payroll taxes	2,895,137	476,815	48,406	29,040	-	94,175	82,264	3,625,837	505,183	27,672	-	4,158,692
Contract and professional services	11,661,568	294,927	99,466	-	-	258,712	225,968	12,540,641	1,751,579	199,650	-	14,491,870
Donated professional services	3,840,409	13,853	-	-	-	-	590	3,854,852	832,889	97	-	4,687,838
Donated Supplies	64,630	2,104	-	-	-	-	281	67,015	2,212	-	-	69,227
Donated supplies	2,080,659	156,031	4,839	392,157	-	41,620	383,769	3,059,075	66,424	4,035	-	3,129,534
Telephone, fax, & internet	339,392	57,105	2,005	-	-	25,687	16,212	440,401	65,449	86	-	505,936
Postage & shipping	37,030	461	93	-	-	423	552	38,559	5,143	276	-	43,978
Occupancy	3,819,143	190,928	-	-	-	330,818	111,484	4,452,373	431,822	4,268	-	4,888,463
Donated use of facilities	5,982,337	883,842	-	-	-	10,562	50,313	6,927,054	107,385	-	-	7,034,439
Rental & maintenance of equipment	282,154	36,457	-	-	-	11,801	3,414	333,826	46,513	1,053	-	381,392
Printing & publications	64,550	39,604	10,398	-	-	270	3,816	118,638	250,681	8,391	-	377,710
Travel	146,609	86,534	13,148	519	-	11,925	4,035	262,770	41,583	1,552	-	305,905
Transportation	112,366	11,852	-	104	-	60	2	124,384	1,677	-	-	126,061
Client participation	64,640	277,851	118,332	-	-	165,864	52,029	678,716	1,797	-	-	680,513
Conferences & meetings	45,676	35,918	1,250	402	-	-	7,187	90,433	38,145	3,433	-	132,011
Staff development	746,523	20,045	3,325	-	-	32,651	65,642	868,186	175,984	11,023	-	1,055,193
Membership fees	18,446	1,439	-	-	-	7	331	20,223	17,497	-	-	37,720
Insurance	254,243	49,818	457	-	-	5,280	1,994	311,792	67,357	1,579	-	380,728
Interest	251	22	-	-	-	-	51	324	10,914	10,899	-	22,137
Miscellaneous	248	1,391	-	-	-	-	725	2,364	10,992	1,535	-	14,891
Capital assets	-	20,912	-	-	-	-	-	20,912	30,376	-	-	51,288
Fundraising, supplies and special events	-	-	-	-	-	-	-	-	-	154,605	119,315	154,605
Depreciation and amortization	-	-	-	-	-	-	929,015	929,015	4,146	-	-	933,161
Total expenses	69,602,641	8,343,669	951,482	667,893	-	2,336,604	2,934,775	84,837,064	11,556,845	785,558	119,315	97,179,467
Less expenses included with revenue on the consolidated statement of activities												
Special events - direct benefit to donors	-	-	-	-	-	-	-	-	-	-	(119,315)	-
Total expenses included in the expense section on the consolidated statement of activities	\$ 69,602,641	\$ 8,343,669	\$ 951,482	\$ 667,893	\$ -	\$ 2,336,604	\$ 2,934,775	\$ 84,837,064	\$ 11,556,845	\$ 785,558	\$ -	\$ 97,179,467

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

AVANCE, Inc. and Subsidiaries
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services								Support Services			Cost of Direct Benefit to Donors	Total
	Head Start/Early Head Start	Parent Child Education Program	Provider Services	USDA	Child Care Relief Funds	Healthy Marriages	Other Programs	Total Program Services	General and Administrative	Fundraising			
Salaries & wages	\$ 30,363,841	\$ 3,972,624	\$ 2,119,263	\$ 212,170	\$ 45,982	\$1,006,700	\$ 470,681	\$ 38,191,261	\$ 6,435,525	\$ 240,447	\$ -	\$ 44,867,233	
Employee benefits	5,289,253	641,514	162,500	48,836	5,706	118,202	76,520	6,342,531	714,639	22,659	-	7,079,829	
Payroll taxes	2,844,993	400,653	168,715	31,539	4,008	81,177	40,458	3,571,543	513,800	21,632	-	4,106,975	
Contract and professional services	11,268,032	285,609	214,867	15	26,320	264,984	35,559	12,095,386	2,014,268	188,535	-	14,298,189	
Donated professional services	3,849,176	-	-	-	-	-	-	3,849,176	544,971	-	-	4,394,147	
Donated Supplies	-	-	-	-	-	-	-	-	-	-	-	46,993	
Donated supplies	2,507,559	251,650	3,078	388,904	317,911	88,384	67,145	3,624,631	103,081	3,684	-	3,684,403	
Telephone, fax, & internet	396,040	69,858	13,761	-	-	32,426	7,740	519,825	93,054	846	-	613,725	
Postage & shipping	26,081	8,320	6,571	-	15,944	469	86	57,471	8,290	34	-	65,795	
Occupancy	3,486,517	325,300	-	24,051	494,028	345,048	92,698	4,767,642	451,838	8,345	-	5,227,825	
Donated use of facilities	5,846,547	870,776	-	-	-	55,240	73,795	6,846,358	171,041	-	-	7,017,399	
Rental & maintenance of equipment	592,060	61,346	-	-	5,274	46,585	9,617	714,882	130,926	3,466	-	849,274	
Printing & publications	31,504	26,893	13,074	-	11	1,966	167	73,615	93,421	9,032	-	176,068	
Travel	153,981	85,849	15,458	33	145	3,148	11,497	270,111	57,842	448	-	328,401	
Transportation	92,225	12,735	-	-	-	-	6	104,966	16,118	-	-	121,084	
Client participation	39,060	124,236	432,698	-	80	161,492	63,417	820,983	1,090	-	-	822,073	
Conferences & meetings	56,199	24,028	1,436	-	833	-	375	82,871	41,956	2,257	-	127,084	
Staff development	685,507	89,523	6,375	-	2,855	27,940	40,083	852,283	223,985	300	-	1,076,568	
Membership fees	12,552	290	-	-	-	317	3,515	16,674	12,826	95	-	29,595	
Insurance	234,182	45,522	1,503	-	-	12,235	6,440	299,882	29,643	759	-	330,284	
Interest	1,180	-	-	-	-	-	-	1,180	8,288	4,806	-	14,274	
Miscellaneous	86	6,498	110	-	4,270	-	92	11,056	9,720	404	-	21,180	
Capital assets	40,173	51,463	-	-	-	-	-	91,636	38,939	-	-	130,575	
Fundraising, supplies and special events	-	5,753	-	-	-	-	-	5,753	8,421	236,330	89,633	340,137	
Depreciation and amortization	-	536,501	-	-	-	-	373,822	910,323	3,792	-	-	914,115	
Total expenses	67,816,748	7,896,941	3,159,409	705,548	923,367	2,246,313	1,373,713	84,122,039	11,727,474	744,079	89,633	96,683,225	
Less expenses included with revenue on the consolidated statement of activities													
Special events - direct benefit to donors	-	-	-	-	-	-	-	-	-	-	(89,633)	(89,633)	
Total expenses included in the expense section on the consolidated statement of activities	\$ 67,816,748	\$ 7,896,941	\$ 3,159,409	\$ 705,548	\$ 923,367	\$2,246,313	\$ 1,373,713	\$ 84,122,039	\$ 11,727,474	\$ 744,079	\$ -	\$ 96,593,592	

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

AVANCE, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets	\$ 174,209	\$ 756,401
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	933,161	914,115
Net realized and unrealized gains on investments	(398,583)	-
Amortization of operating lease right-of-use assets	(20,337)	1,779,912
Changes in operating assets and liabilities		
Grants receivable	(331,644)	(1,386,211)
Other receivables	170,345	(94,388)
Prepaid expenses and deposits	(19,397)	43,081
Other assets	-	193,112
Accounts payable and accrued expenses	(1,421,065)	1,013,172
Deferred revenue	(66,918)	(289,219)
Refundable advance	-	(1,771,401)
Operating lease liabilities	35,731	(1,945,607)
Net cash used in operating activities	<u>(944,498)</u>	<u>(787,033)</u>
Cash flows from investing activities		
Purchases of property and equipment	(158,991)	(2,238,963)
Sale of property and equipment	67,520	-
Maturities of certificates of deposit	298,841	142,000
Purchases of investments	(780,522)	(7,114,104)
Proceeds from sale of investments	1,895,102	-
Net cash provided by (used in) investing activities	<u>1,321,950</u>	<u>(9,211,067)</u>
Net increase (decrease) in cash and restricted cash	377,452	(9,998,100)
Cash and restricted cash, beginning of year	<u>5,888,407</u>	<u>15,886,507</u>
Cash and restricted cash, end of year	<u><u>\$ 6,265,859</u></u>	<u><u>\$ 5,888,407</u></u>
Cash and restricted cash consisted of the following:		
Cash	\$ 6,044,927	\$ 5,888,407
Restricted cash	<u>220,932</u>	<u>-</u>
	<u><u>\$ 6,265,859</u></u>	<u><u>\$ 5,888,407</u></u>

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

AVANCE, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

1. NATURE OF OPERATIONS

AVANCE, Inc. (the "Organization") is a Texas 501(c)(3) nonprofit organization established in 1973 to provide educational programs for parents and children. AVANCE-National ("National"), the Organization's national office located in San Antonio, Texas, has been established as part of a plan to expand its programs nationally.

The Organization operates chapters in major cities throughout Texas, which are associated directly with National. The Organization receives a substantial portion of its financial support from federal, state, and local governmental entities, as well as from private sources. The Organization's programs include:

- *Head Start* - The Head Start program provides comprehensive services to low-income children (ages 3-4) through a center-based services program option. Head Start provides children with comprehensive education, health, developmental, family support, and family engagement services. Head Start promotes school readiness and gauges progress and outcomes of children.
- *Early Head Start* - The Early Head Start (EHS) program provides low-income infants and toddlers (ages 0-3) with home-based and center-based service program options. The EHS programs enhance children's physical, social, emotional, and cognitive development; and promotes prenatal engagement on all levels. EHS promotes pre-school readiness and gauges progress and outcomes of children.
- *Parent Child Education Program (PCEP)* - This program fosters parenting knowledge and skills that directly impact children's development, while also empowering parents to achieve their own educational and professional goals. PCEP offers a two generation approach that capitalizes on parents' strength and love to help them become the best teachers and stewards of their children's success.
- *USDA - Child and Adult Care Food Program (CACFP)* - This program provides funding to daily serve family style breakfast, lunch and snack to all children enrolled in the licensed child development centers in San Antonio and Texas Wintergarden service areas. The menus are developed by a licensed dietitian meeting all the food requirements of the Texas Department of Agriculture for Nutritious and Healthy Meals.
- *Child Care Relief Funds (CCRF)* - The Texas Workforce Commission provided funding to support licensed child care business affected by the COVID-19 pandemic. The Commission recognized that owners and staff had to work harder, longer hours, and under challenging circumstances. CCRF 2022 funds provided an opportunity to reward hard-working employees as well as means to attract and retain staff in a competitive job market so they can safely serve children and families. These funds were used to cover expenses necessary to maintain or resume operations, including fixed costs and increased operating expenses. Additionally, the funds were utilized to do much needed safety improvements to facilities, such as, placing cameras, upgrading existing outdated security systems (alarms), install fencing, and upgrade sinks, toilets, and ramps.

AVANCE, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

1. NATURE OF OPERATIONS (continued)

- *Healthy Marriages* - The focus of this initiative is to help Hispanic couples gain access to marriage education services, so that they can acquire the skills and knowledge necessary to form and sustain a healthy marriage for the overall well-being of their children. This program is in response to the National Hispanic Healthy Marriage Initiative, and the couple's participation is entirely voluntary.

Other Programs:

- *Caminos al Futuro Program* - This program focuses on workforce and career readiness for AVANCE parents by providing opportunities to enhance their current career or begin a new one. The program includes assistance with obtaining a General Educational Development (GED) certificate or high school diploma and/or further their career in various areas by earning certification or degrees in disciplines such as child development, hospitality, information technology, medical and certified nursing assistance, and other career areas.
- *Adult Literacy* - The Adult Literacy program involves a continuum of learning that prepares students to access higher education through the Adult Basic Education (ABE) and GED classes. The ABE program provides instruction in mathematics, reading, and writing. Within the ABE program, the GED academic program prepares students to succeed in obtaining their GED certificate (high school equivalency). This program offers assistance with financial aid applications, mentorships, online labs, tutoring, and an AVANCE scholarship.
- *Financial Stability* - The financial stability program provides youth and adults with financial literacy classes and coaching. Participants learn about various aspects of finance, such as generating income, budgeting, home buying, savings, loans, and investing. The program supports youth and adults with making informed and effective financial decisions. This program offers weekly interactive, educational, and fun workshops. The program partners with banks seeking to volunteer their time to educate the community and money management.
- *Early Childhood Education* - The early childhood education program serves children ages 18 months - 5 years old in a center-based setting, four days per week for nine months. To prepare children for school readiness, the Organization offers a holistic approach to child development focusing on their health, nutrition, development, and education. In addition to nutritious meals, children are provided with daily instruction by degreed teachers in accordance with a research-evidence-based curriculum. Each child receives GOLD (zero to 3 years old) or CIRCLE assessments (3 to 5 years old), every quarter. These assessments measure their progress from baseline, midpoint, and end of the program year. Children are prepared for the transition to kindergarten. Parents are supported in parenting education, school readiness, and community resources for out-of-school time.
- *Services to Fathers Component* - This program is committed to enabling fathers to become involved and loving dads, enhancing family unity, increasing the father's role in their children's education and improving interpersonal relationships among couples.

AVANCE, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and consolidated 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 (U.S. GAAP).

Not-for-profit organizations are required to report information regarding their financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor-imposed restrictions.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed restrictions that are restricted by the donor for specific purposes, time restrictions, or restricted in perpetuity. There are no net assets restricted in perpetuity as of June 30, 2025 and 2024.

Basis of consolidation

Under the provisions of Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 810-10, *Consolidations*, the consolidated financial statements include the accounts of the Organization and its chapters including locations in Houston, San Antonio, Dallas, and Austin. All inter-organizational and inter-company transactions and balances have been eliminated in consolidation.

Cash and cash equivalents

The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from the date of purchase to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short term maturities of those financial instruments. The Organization had no cash equivalents at June 30, 2025 and 2024.

Restricted cash

For the year ended June 30, 2025, the San Antonio Chapter has restricted cash of \$158,432, \$110,000 of which is held for the Parent-Child Education Program and \$48,432 of which is held for Caminos. For the year ended June 30, 2025 the Houston Chapter has restricted cash of \$62,500 that is held for the Parent-Child Education Program. The Organization had no restricted cash at June 30, 2024.

AVANCE, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Certificates of deposit

Certificates of deposit held for investment with an original maturity date greater than three months are disclosed separately from cash in the accompanying consolidated statements of financial position. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

Grants receivable

Grants receivable represent pending reimbursements of program expenses incurred as of June 30, 2025 and 2024, both billed and unbilled, and expected to be received from the funding sources in the subsequent year. Management considers such receivables at June 30, 2025 and 2024 to be fully collectible. Accordingly, no allowance for credit losses was recorded in the accompanying consolidated financial statements.

Investments and fair value measurements

The Organization records investments in marketable securities at fair value. Fluctuations are recorded in the period in which they occur by adjusting the carrying value of such investments and recognizing a net unrealized gain or loss. Realized gains and losses are recognized in the period which they are earned or incurred. Interest income is recorded as earned.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels of inputs:

- *Level 1* - Quoted market prices in active markets for identical assets or liabilities.
- *Level 2* - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- *Level 3* - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The investments reported at NAV as practical expedient are not required to be categorized in the fair value hierarchy.

Dividend and interest income are accrued when earned. Net realized and unrealized gains (losses) are included in investment income, net on the consolidated statement of activities.

AVANCE, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

The Organization's policy is to capitalize all expenditures for property and equipment in excess of \$5,000 per unit. Maintenance and repairs are charged to expense when incurred. Major improvements and renewals are capitalized.

Depreciation and amortization is computed using the straight-line method over the following estimated useful lives:

Buildings	25-40 years
Leasehold improvements	3-7 years
Office furniture and equipment	5 years
Vehicles	5-8 years
Software	3-5 years

Property and equipment are stated at cost or, if donated, at their estimated fair value at the date of donation. Such donations are recorded as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire or maintain property and equipment are recorded as net assets with donor restrictions and are released from restrictions when placed in service. Presently, the Organization does not have any assets which have donor-imposed restrictions that limit the use beyond the general purpose of the Organization.

Substantially all property and equipment presented in the accompanying consolidated statement of financial position were purchased with federal funds. Although the title to facilities acquired with federal funds vests with the Organization, the federal government has an interest in the property and equipment acquired or upon which major renovations have been undertaken with grant funds for use as a Head Start facility. Facilities acquired with grant funds may not be mortgaged, used as collateral, or sold or otherwise transferred to another party without the written permission of the appropriate U.S. Department of Health and Human Services official. Additionally, the use of the facility for other than the purpose for which the facility was funded is prohibited without the express written approval of such official.

The cost of certain facilities, which are used by the Organization in connection with their various programs, are not reflected in the consolidated statements of financial position because asset titles remain with the contributing organizations. The Organization has reported in-kind contribution revenue and program expense in the accompanying consolidated statements of activities for the free and/or below market use of the facilities during the year ended June 30, 2025 and 2024. These leases are conditional based on the Organization maintaining funding through Head Start.

AVANCE, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the Organization, using its best estimates and projections, reviews for impairment of the carrying value of long-lived identifiable assets to be held and used in the future. The Organization will record impairment losses when determined. No indicators of impairment existed at June 30, 2025 and 2024.

Revenue recognition

Grants that operate on a reimbursement basis are recognized on the accrual basis as revenues only to the extent of disbursements and commitments that are allowable for reimbursement. Revenues from special events are recognized when the events are held.

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. Amounts received that are designated by the donor for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the contribution as net assets without restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Conditional promises to give are not included as revenue or pledges receivable until such time as the barriers and right of release/return have been overcome. As of June 30, 2025, the Organization had \$250,000 of conditional promises to give. As of June 30, 2024, the Organization had \$500,000 of conditional promises to give. The Organization receives 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 the underlying grant or contract. The Organization has received cost-reimbursable grants of approximately \$31,841,000 and \$31,288,000 that had not been recognized at June 30, 2025 and 2024, respectively, because qualifying expenditures had not been incurred. Conditional in-kind contributions for free or below market rent that have not been recognized are approximately \$5,554,315 and \$7,034,000 for the years ended June 30, 2025 and 2024, respectively.

AVANCE, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued)

For the year ended June 30, 2024, the San Antonio Chapter was a beneficiary of Child Care Relief Funds ("CCRF") in the amount of \$2,140,175, which is included as state and local grant revenue on the accompanying consolidated statement of activities. The San Antonio chapter was not a beneficiary of CCRF for the year ended June 30, 2025. As a beneficiary of the funds, the Organization must spend the amounts received quarterly on allowable expenditures in order to receive the next quarter of funding and to record as revenue. For the years ended June 30, 2025 and 2024, there were no further refundable advances or conditional portions of the grant outstanding as the CCRF grant period ended.

Contributed nonfinancial assets

The Organization's policy is to recognize in-kind goods when donated as revenue at fair value in the period such contribution is made or pledged. Donated professional services are recognized if the services create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization collaborates with several independent school districts to provide teachers and other resources at those centers at little or no cost to the Organization. The Organization leases various Head Start centers at or below market rental rates.

AVANCE, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed nonfinancial assets (continued)

Contributed nonfinancial assets for the years ended June 30, 2025 and 2024, consisted of the following:

	Revenue Recognized - June 30, 2025	Revenue Recognized - June 30, 2024	Utilization in Programs/ Activities	Donor Restrictions	Valuation Techniques and Inputs
Professional services	\$ 4,687,838	\$ 4,394,147	Head Start/Early Head Start	No donor restrictions	Estimated fair value on the basis of values that would be paid for similar services per student based on position of the resource provider.
Use of facilities	7,034,439	7,017,399	Head Start/Early Head Start	No donor restrictions	Estimated fair value on the basis of values that would be paid for renting comparable space.
Supplies	<u>69,227</u>	<u>46,993</u>	Head Start/Early Head Start	No donor restrictions	Estimated fair value on the date of donation.
	<u>\$ 11,458,539</u>	<u>\$ 11,330,326</u>			

Functional allocation of expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited in accordance with each chapter's cost allocation plan. Certain salaries and benefits are allocated based on estimates of time and effort. Certain facilities' rent expense is allocated based on the positions of the employees occupying the space.

AVANCE, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax-exempt status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent that it has unrelated business income. The Organization did not have taxable unrelated business income during the years ended June 30, 2025 and 2024. The Organization's estimate of the potential outcome for any uncertain tax issues is subject to management's assessment of relevant risks, facts, and circumstances existing at the time. The Organization uses a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. To the extent that the Organization's assessment of such tax position changes, the change in estimate is recorded in the period in which the determination is made. The Organization reports tax-related interest and penalties, if applicable, as a component of income tax expense as incurred. As of June 30, 2025 and 2024, no uncertain tax positions have been identified and, therefore, no amounts have been recognized in the accompanying consolidated financial statements.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and 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. Accordingly, actual results could differ from those estimates. Significant estimates included in the consolidated financial statements relate primarily to the useful lives applied in asset depreciation, estimates of the values of in-kind contributions and services, as well as the functional allocation of expenses.

AVANCE, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

3. LIQUIDITY AND FUNDS AVAILABLE

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following disclosure describes assets that are available or expected to be available within one year of June 30, 2025 and June 30, 2024 to fund general expenditures:

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and restricted cash	\$ 6,265,859	\$ 5,888,407
Certificates of deposit	221,120	519,961
Grants receivable	5,791,956	5,460,313
Other receivables	56,360	226,705
Investments	<u>6,662,238</u>	<u>7,378,235</u>
	<u>18,997,533</u>	<u>19,473,621</u>
Less amounts unavailable for general expenditure within one year:		
Net assets with donor restrictions	<u>(5,828,189)</u>	<u>(2,747,607)</u>
	<u>(5,828,189)</u>	<u>(2,747,607)</u>
	<u>\$ 13,169,344</u>	<u>\$ 16,726,014</u>

4. INVESTMENTS, AT FAIR VALUE

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash held for investment	\$ 226,744	\$ -	\$ -	\$ 226,744
Equity funds	3,078,372	-	-	3,078,372
Fixed income securities	<u>2,482,135</u>	<u>-</u>	<u>-</u>	<u>2,482,135</u>
	<u>\$ 5,787,251</u>	<u>\$ -</u>	<u>\$ -</u>	5,787,251
Investments measured at net asset value				<u>874,987</u>
				<u>\$ 6,662,238</u>

AVANCE, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

4. INVESTMENTS, AT FAIR VALUE (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash held for investment	\$ 2,402,675	\$ -	\$ -	\$ 2,402,675
Equity Funds	1,092,545	-	-	1,092,545
Fixed income securities	<u>3,064,306</u>	<u>-</u>	<u>-</u>	<u>3,064,306</u>
	<u>\$ 6,559,526</u>	<u>\$ -</u>	<u>\$ -</u>	6,559,526
Investments measured at net asset value				<u>818,709</u>
				<u>\$ 7,378,235</u>

The following table describes the funding commitment and redemption information for alternative investments held at NAV at June 30, 2025:

<u>Product</u>	<u>NAV in Funds</u>	<u># of Funds</u>	<u>Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Hedge funds	\$ 874,987	4	N.A.	N/A	None

The following table describes the funding commitment and redemption information for alternative investments held at NAV at June 30, 2024:

<u>Product</u>	<u>NAV in Funds</u>	<u># of Funds</u>	<u>Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Hedge funds	\$ 818,709	4	N.A.	N/A	None

AVANCE, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2025</u>	<u>2024</u>
Land	\$ 1,169,594	\$ 1,239,044
Buildings	1,509,282	1,509,282
Leasehold improvements	10,055,163	10,052,496
Office furniture and equipment	1,772,316	1,798,212
Vehicles	1,511,557	1,511,557
Software	<u>25,123</u>	<u>25,123</u>
	16,043,035	16,135,714
Accumulated depreciation and amortization	<u>(11,935,756)</u>	<u>(11,186,745)</u>
	<u><u>\$ 4,107,279</u></u>	<u><u>\$ 4,948,969</u></u>

Depreciation and amortization expense for the years ended June 30, 2025 and 2024 was \$933,161 and \$914,115, respectively.

6. LINE OF CREDIT

The AVANCE San Antonio Chapter has a \$300,000 line of credit with a financial institution that matures on March 10, 2026. There was no outstanding balance for the years ended June 30, 2025 and 2024. Interest on outstanding borrowings under the line of credit is payable monthly at the rate of the lender's prime rate plus 1%. Borrowings under the line of credit are collateralized by the Organization's accounts receivable, including grants receivable.

7. RIGHT-OF-USE LEASE ASSETS AND LEASE LIABILITIES

The Organization leases office facilities and office equipment pursuant to non-cancelable operating lease agreements expiring in various years through fiscal year 2038. The leases are non-cancelable as long as the Organization is receiving Head Start funding.

AVANCE, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

7. RIGHT-OF-USE LEASE ASSETS AND LEASE LIABILITIES (continued)

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2026	\$ 2,090,696
2027	800,394
2028	583,738
2029	362,665
2030	340,768
Thereafter	<u>824,313</u>
	5,002,574
Less: imputed interest	<u>(403,144)</u>
	<u><u>\$ 4,599,430</u></u>

A summary of the remaining lease term and discount rate is as follows:

Weighted-average lease discount rate	3.24%
Weighted-average remaining lease term in years	6.31 years

Rent expense for the years ended June 30, 2025 and 2024 was \$2,310,440 and \$2,136,337, respectively.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2025</u>	<u>2024</u>
Purpose restrictions	\$ 2,294,033	\$ 1,504,761
Time restrictions	<u>4,402,477</u>	<u>1,242,846</u>
	<u><u>\$ 6,696,510</u></u>	<u><u>\$ 2,747,607</u></u>

Net assets with donor restrictions released from restriction during the year were as follows:

	<u>2025</u>	<u>2024</u>
Purpose restrictions accomplished	\$ 1,484,091	\$ 1,293,308
Expiration of time restrictions	<u>2,396,094</u>	<u>1,197,913</u>
	<u><u>\$ 3,880,185</u></u>	<u><u>\$ 2,491,221</u></u>

AVANCE, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

9. RETIREMENT PLAN

The Organization is a sponsor of a 403(b) Annuity Plan (the "Plan") retirement vehicle which allows employees the opportunity to invest a portion of their income in a tax-deferred annuity. The Plan covers all full-time employees who are at least 21 years of age, and who elect to participate in the Plan. The Organization contributes 40% of the first 5% of the amount which a participant contributes through salary deferral for all employees who have completed one year of service with the Organization.

The Organization's contributions to the Plan for the years ended June 30, 2025 and 2024 totaled \$521,690 and \$467,502, respectively.

10. CONCENTRATIONS, CREDIT RISKS, AND UNCERTAINTIES

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash and certificates of deposit, revenues and grants receivable.

Cash and certificates of deposit are placed with high credit quality financial institutions to minimize risk. At times, cash and certificates of deposit may exceed the Federal Deposit Insurance Corporation limits and other insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to significant credit risk on cash and certificates of deposit.

During the years ended June 30, 2025 and 2024, the Organization recognized revenues of \$68,256,668 and \$67,701,215 from the United States Department of Health and Human Services (DHHS), which comprises approximately 69% and 70% of its total revenues and other support, respectively. Accordingly, substantially all grants receivable as of June 30, 2025 and 2024 are from DHHS. Credit risk associated with grants receivable is minimal due to the credit worthiness of the federal, state, and local funding agencies.

For the year ended June 30, 2025, two donors provided support to the Organization which equaled approximately 49% of total contributions. For the year ended June 30, 2024, one donor provided support to the Organization which equaled approximately 22% of the total contributions.

11. RELATED PARTY TRANSACTIONS

The Organization is comprised of National and four chapters. Chapter bylaws must conform to the requirements of the Organization's bylaws. Chapters have their own separately elected advisory Boards. During the years ended June 30, 2025 and 2024, the chapters paid \$347,084 and \$559,984 in affiliation fees to National, respectively.

AVANCE, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

12. FEDERAL PROGRAMS

The Organization receives grants from federal and local sources that are subject to review and audit by the funding sources. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by the Organization with the terms of the grants/contracts. In the opinion of the Organization's management, such disallowances, if any, would not be significant in relation to the consolidated financial statements of the Organization.

13. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 15, 2026, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

AVANCE, Inc. and Subsidiaries
Consolidating Statement of Financial Position
June 30, 2025

ASSETS

	<u>National</u>	<u>San Antonio</u>	<u>Houston</u>	<u>Dallas</u>	<u>Austin</u>	<u>Eliminating Entries</u>	<u>Total</u>
Cash	\$ 1,603,600	\$ 984,481	\$ 653,921	\$ 17,242	\$ 2,785,683	\$ -	\$ 6,044,927
Restricted cash	-	158,432	62,500	-	-	-	220,932
Certificates of deposit	-	162,000	59,120	-	-	-	221,120
Grants receivable	2,821,508	1,102,527	1,173,161	194,761	500,000	-	5,791,957
Other receivables	21,931	23,229	200	11,000	-	-	56,360
Prepaid expenses and deposits	78,642	6,111	197,894	-	-	-	282,647
Property and equipment, net	14,500	3,354,149	738,630	-	-	-	4,107,279
Due from chapters	331,094	-	-	-	-	(331,094)	-
Investments	6,662,238	-	-	-	-	-	6,662,238
Right-of-use assets, net	<u>276,502</u>	<u>1,940,098</u>	<u>2,045,993</u>	<u>277,063</u>	<u>-</u>	<u>-</u>	<u>4,539,656</u>
Total assets	<u>\$ 11,810,015</u>	<u>\$ 7,731,027</u>	<u>\$ 4,931,419</u>	<u>\$ 500,066</u>	<u>\$ 3,285,683</u>	<u>\$ (331,094)</u>	<u>\$ 27,927,116</u>

LIABILITIES AND NET ASSETS

Liabilities							
Accounts payable and accrued expenses	\$ 783,407	\$ 725,262	\$ 1,177,002	\$ 26,114	\$ 76,340	\$ -	\$ 2,788,125
Due to chapters	-	-	-	331,094	-	(331,094)	-
Deferred revenue	30,000	-	-	-	-	-	30,000
Operating lease liabilities	<u>291,181</u>	<u>1,964,268</u>	<u>2,062,559</u>	<u>281,422</u>	<u>-</u>	<u>-</u>	<u>4,599,430</u>
Total liabilities	<u>1,104,588</u>	<u>2,689,530</u>	<u>3,239,561</u>	<u>638,630</u>	<u>76,340</u>	<u>(331,094)</u>	<u>7,417,555</u>
Net assets							
Without donor restrictions	6,899,543	4,683,153	1,608,224	(267,564)	1,758,016	-	14,681,372
With donor restrictions	<u>3,805,884</u>	<u>358,344</u>	<u>83,634</u>	<u>129,000</u>	<u>1,451,327</u>	<u>-</u>	<u>5,828,189</u>
Total net assets	<u>10,705,427</u>	<u>5,041,497</u>	<u>1,691,858</u>	<u>(138,564)</u>	<u>3,209,343</u>	<u>-</u>	<u>20,509,561</u>
Total liabilities and net assets	<u>\$ 11,810,015</u>	<u>\$ 7,731,027</u>	<u>\$ 4,931,419</u>	<u>\$ 500,066</u>	<u>\$ 3,285,683</u>	<u>\$ (331,094)</u>	<u>\$ 27,927,116</u>

AVANCE, Inc. and Subsidiaries
Consolidating Statement of Financial Position
June 30, 2024

ASSETS

	National	San Antonio	Houston	Dallas	Austin	Eliminating Entries	Total
Cash	\$ 2,160,494	\$ 777,068	\$ 566,390	\$ 85,913	\$ 2,298,542	\$ -	\$ 5,888,407
Certificates of deposit	-	462,000	57,961	-	-	-	519,961
Grants receivable	818,152	1,060,531	2,373,907	431,940	775,783	-	5,460,313
Other receivables	29,212	8,866	103,792	84,835	-	-	226,705
Prepaid expenses and deposits	8,615	18,191	236,444	-	-	-	263,250
Property and equipment, net	115,297	3,850,970	982,702	-	-	-	4,948,969
Due from chapters	347,084	-	-	-	-	(347,084)	-
Investments	7,108,171	-	-	-	270,064	-	7,378,235
Right-of-use assets, net	328,130	1,922,344	2,260,308	8,537	-	-	4,519,319
Total assets	<u>\$ 10,915,155</u>	<u>\$ 8,099,970</u>	<u>\$ 6,581,504</u>	<u>\$ 611,225</u>	<u>\$ 3,344,389</u>	<u>\$ (347,084)</u>	<u>\$ 29,205,159</u>

LIABILITIES AND NET ASSETS

Liabilities							
Accounts payable and accrued expenses	\$ 892,505	\$ 835,712	\$ 2,409,667	\$ 36,399	\$ 35,498	\$ (591)	\$ 4,209,190
Due to chapters	-	-	-	330,047	16,446	(346,493)	-
Deferred revenue	73,418	-	23,500	-	-	-	96,918
Operating lease liabilities	331,742	1,954,238	2,269,182	8,537	-	-	4,563,699
Total liabilities	<u>1,297,665</u>	<u>2,789,950</u>	<u>4,702,349</u>	<u>374,983</u>	<u>51,944</u>	<u>(347,084)</u>	<u>8,869,807</u>
Net assets							
Without donor restrictions	9,009,075	5,011,766	1,829,155	(13,758)	1,751,507	-	17,587,745
With donor restrictions	608,415	298,254	50,000	250,000	1,540,938	-	2,747,607
Total net assets	<u>9,617,490</u>	<u>5,310,020</u>	<u>1,879,155</u>	<u>236,242</u>	<u>3,292,445</u>	<u>-</u>	<u>20,335,352</u>
Total liabilities and net assets	<u>\$ 10,915,155</u>	<u>\$ 8,099,970</u>	<u>\$ 6,581,504</u>	<u>\$ 611,225</u>	<u>\$ 3,344,389</u>	<u>\$ (347,084)</u>	<u>\$ 29,205,159</u>

AVANCE, Inc. and Subsidiaries
Consolidating Statement of Activities
For The Year Ended June 30, 2025

	<u>National</u>	<u>San Antonio</u>	<u>Houston</u>	<u>Dallas</u>	<u>Austin</u>	<u>Eliminating Entries</u>	<u>Total</u>
Revenues and other support							
Federal grants	\$ 12,618,999	\$ 23,057,996	\$ 34,827,542	\$ 562,622	\$ -	\$ -	\$ 71,067,159
State and local grants	839,449	553,537	-	-	306,000	-	1,698,986
Contributions and other	7,040,092	831,706	385,858	1,271,894	1,786,193	(1,587,551)	9,728,192
United Way	-	730,442	375,968	679,346	-	-	1,785,756
Fundraising events	163,456	288,558	161,420	-	-	-	613,434
Less: direct benefit to donors	-	(56,584)	(62,731)	-	-	-	(119,315)
Donated professional services	64,327	2,203,124	2,420,387	-	-	-	4,687,838
Donated use of facilities	520,998	3,091,209	2,819,910	-	602,322	-	7,034,439
Donated Supplies	-	69,227	-	-	-	-	69,227
Interest income	<u>713,662</u>	<u>25,241</u>	<u>1,220</u>	<u>-</u>	<u>47,837</u>	<u>-</u>	<u>787,960</u>
Total revenues and other support	<u>21,960,983</u>	<u>30,794,456</u>	<u>40,929,574</u>	<u>2,513,862</u>	<u>2,742,352</u>	<u>(1,587,551)</u>	<u>97,353,676</u>
Functional expenses							
Program services	16,143,709	27,813,680	36,966,274	2,432,774	2,444,070	(963,443)	84,837,064
General and administrative	4,501,663	2,985,468	4,136,781	401,030	153,281	(621,378)	11,556,845
Fundraising	<u>227,674</u>	<u>263,831</u>	<u>13,816</u>	<u>54,864</u>	<u>228,103</u>	<u>(2,730)</u>	<u>785,558</u>
Total functional expenses	<u>20,873,046</u>	<u>31,062,979</u>	<u>41,116,871</u>	<u>2,888,668</u>	<u>2,825,454</u>	<u>1,587,551</u>	<u>97,179,467</u>
Change in net assets	1,087,937	(268,523)	(187,297)	(374,806)	(83,102)	-	174,209
Net assets, beginning of year	<u>9,617,490</u>	<u>5,310,020</u>	<u>1,879,155</u>	<u>236,242</u>	<u>3,292,445</u>	<u>-</u>	<u>20,335,352</u>
Net assets (deficit), end of year	<u>\$ 10,705,427</u>	<u>\$ 5,041,497</u>	<u>\$ 1,691,858</u>	<u>\$ (138,564)</u>	<u>\$ 3,209,343</u>	<u>\$ -</u>	<u>\$ 20,509,561</u>

AVANCE, Inc. and Subsidiaries
Consolidating Statement of Activities
For The Year Ended June 30, 2024

	<u>National</u>	<u>San Antonio</u>	<u>Houston</u>	<u>Dallas</u>	<u>Austin</u>	<u>Eliminating Entries</u>	<u>Total</u>
Revenues and other support							
Federal grants	\$ 12,730,793	\$ 21,814,339	\$ 35,246,389	\$ 625,018	\$ -	\$ -	\$ 70,416,539
State and local grants	2,347,636	2,666,146	-	-	288,086	-	5,301,868
Contributions and other	3,762,918	728,572	299,221	1,266,460	1,979,473	(726,464)	7,310,180
United Way	-	675,374	383,619	629,482	130,000	-	1,818,475
Fundraising events	80,229	128,242	75,745	97,589	206,162	-	587,967
Less: direct benefit to donors	-	(60,735)	(28,898)	-	-	-	(89,633)
Donated professional services	54,056	2,213,000	2,127,091	-	-	-	4,394,147
Donated use of facilities	496,558	2,984,063	2,933,411	-	603,367	-	7,017,399
Donated Supplies	46,993	-	-	-	-	-	46,993
Investment income, net	460,398	41,031	1,876	9	42,744	-	546,058
Total revenues and other support	<u>19,979,581</u>	<u>31,190,032</u>	<u>41,038,454</u>	<u>2,618,558</u>	<u>3,249,832</u>	<u>(726,464)</u>	<u>97,349,993</u>
Functional expenses							
Program services	16,204,132	26,832,475	37,029,866	2,130,717	2,216,476	(291,627)	84,122,039
General and administrative	4,298,894	3,064,249	4,319,844	291,653	183,985	(431,151)	11,727,474
Fundraising	163,973	141,445	14,027	108,589	319,731	(3,686)	744,079
Total functional expenses	<u>20,666,999</u>	<u>30,038,169</u>	<u>41,363,737</u>	<u>2,530,959</u>	<u>2,720,192</u>	<u>726,464</u>	<u>96,593,592</u>
Change in net assets	(687,418)	1,151,863	(325,283)	87,599	529,640	-	756,401
Net assets, beginning of year	<u>10,304,908</u>	<u>4,158,157</u>	<u>2,204,438</u>	<u>148,643</u>	<u>2,762,805</u>	<u>-</u>	<u>19,578,951</u>
Net assets, end of year	<u>\$ 9,617,490</u>	<u>\$ 5,310,020</u>	<u>\$ 1,879,155</u>	<u>\$ 236,242</u>	<u>\$ 3,292,445</u>	<u>\$ -</u>	<u>\$ 20,335,352</u>

AVANCE, Inc. and Subsidiaries
Austin Statement of Financial Position
June 30, 2025
(With Comparative Totals for 2024)

ASSETS

	<u>2025</u>	<u>2024</u>
Cash	\$ 2,785,683	\$ 2,298,542
Other receivables	500,000	775,783
Investments	<u>-</u>	<u>270,064</u>
Total assets	<u><u>\$ 3,285,683</u></u>	<u><u>\$ 3,344,389</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 76,340	\$ 35,498
Due to National	<u>-</u>	<u>16,446</u>
Total liabilities	<u>76,340</u>	<u>51,944</u>
Net Assets		
Without donor restrictions	1,758,016	1,751,507
With donor restrictions	<u>1,451,327</u>	<u>1,540,938</u>
Total net assets	<u>3,209,343</u>	<u>3,292,445</u>
Total liabilities and net assets	<u><u>\$ 3,285,683</u></u>	<u><u>\$ 3,344,389</u></u>

AVANCE, Inc. and Subsidiaries
Austin Statement of Activities
For The Year Ended June 30, 2025
(With Comparative Totals for 2024)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2025 <u>Total</u>	2024 <u>Total</u>
Revenue and other support				
State and local grants	\$ 306,000	\$ -	\$ 306,000	\$ 288,086
Contribution and other	498,787	1,287,406	1,786,193	1,979,473
United Way	-	-	-	130,000
Fundraising events	-	-	-	206,162
In-kind contributions	602,322	-	602,322	603,367
Investment income, net	47,837	-	47,837	42,744
Net assets released from restriction	<u>1,377,017</u>	<u>(1,377,017)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>2,831,963</u>	<u>(89,611)</u>	<u>2,742,352</u>	<u>3,249,832</u>
Functional expenses				
Program	2,444,070	-	2,444,070	2,216,476
General and administrative	153,281	-	153,281	183,985
Fundraising	<u>228,103</u>	<u>-</u>	<u>228,103</u>	<u>319,731</u>
Total functional expenses	<u>2,825,454</u>	<u>-</u>	<u>2,825,454</u>	<u>2,720,192</u>
Changes in net assets from operations	6,509	(89,611)	(83,102)	529,640
Net assets, beginning of year	<u>1,751,507</u>	<u>1,540,938</u>	<u>3,292,445</u>	<u>2,762,805</u>
Net assets, end of year	<u>\$ 1,758,016</u>	<u>\$ 1,451,327</u>	<u>\$ 3,209,343</u>	<u>\$ 3,292,445</u>

AVANCE, Inc. and Subsidiaries
Dallas Statement of Financial Position
June 30, 2025
(With Comparative Totals for 2024)

ASSETS

	<u>2025</u>	<u>2024</u>
Cash	\$ 17,242	\$ 85,913
Grants receivable	194,761	431,940
Other receivables	11,000	84,835
Right-of-use assets, net	<u>277,063</u>	<u>8,537</u>
 Total assets	 <u><u>\$ 500,066</u></u>	 <u><u>\$ 611,225</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 26,114	\$ 36,399
Due to National	331,094	330,047
Operating lease liabilities	<u>281,422</u>	<u>8,537</u>
Total liabilities	<u><u>638,630</u></u>	<u><u>374,983</u></u>
Net Assets		
Without donor restrictions	(267,564)	(13,758)
With donor restrictions	<u>129,000</u>	<u>250,000</u>
Total net assets	<u><u>(138,564)</u></u>	<u><u>236,242</u></u>
 Total liabilities and net assets	 <u><u>\$ 500,066</u></u>	 <u><u>\$ 611,225</u></u>

AVANCE, Inc. and Subsidiaries
Dallas Statement of Activities
For the Year Ended June 30, 2025
(With Comparative Totals for 2024)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2025 <u>Total</u>	2024 <u>Total</u>
Revenues and other support				
Federal grants	\$ 562,622	\$ -	\$ 562,622	\$ 625,018
Contributions and other	1,266,894	5,000	1,271,894	1,266,460
United Way	679,346	-	679,346	629,482
Fundraising events	-	-	-	97,589
Interest income	-	-	-	9
Net assets released from restrictions	<u>126,000</u>	<u>(126,000)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>2,634,862</u>	<u>(121,000)</u>	<u>2,513,862</u>	<u>2,618,558</u>
Functional expenses				
Program	2,432,774	-	2,432,774	2,130,717
General and administrative	401,030	-	401,030	291,653
Fundraising	<u>54,864</u>	<u>-</u>	<u>54,864</u>	<u>108,589</u>
Total functional expenses	<u>2,888,668</u>	<u>-</u>	<u>2,888,668</u>	<u>2,530,959</u>
Changes in net assets	(253,806)	(121,000)	(374,806)	87,599
Net assets (deficit), beginning of year	<u>(13,758)</u>	<u>250,000</u>	<u>236,242</u>	<u>148,643</u>
Net assets (deficit), end of year	<u><u>\$ (267,564)</u></u>	<u><u>\$ 129,000</u></u>	<u><u>\$ (138,564)</u></u>	<u><u>\$ 236,242</u></u>

SINGLE AUDIT REPORTS AND SCHEDULES

INDEPENDENT AUDITOR'S 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 Trustees
AVANCE, Inc. and Subsidiaries

We have audited, in accordance with the 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 consolidated financial statements of AVANCE, Inc. and Subsidiaries (the "Organization"), which comprise the consolidated statements 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, and have issued our report thereon dated January 15, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated 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 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 entity'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 consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Dallas, Texas

January 15, 2026



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

To the Board of Trustees
AVANCE, Inc. and Subsidiaries

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited AVANCE, Inc. and Subsidiaries (the "Organization")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2025. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

A handwritten signature in black ink that reads "Armanino LLP". The script is cursive and fluid, with the letters "A", "L", and "P" being particularly prominent.

Dallas, Texas

January 15, 2026

AVANCE, Inc. and Subsidiaries
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>			
U.S. Department of Health and Human Services			
Head Start Cluster			
Direct Agency Funded Awards			
Early Head Start - Home-Based (National)	93.600	N/A	\$ 1,481,175
Early Head Start-CCP (National)	93.600	N/A	1,073,678
Head Start and Early Head Start-SZ EHS (National)	93.600	N/A	5,044,883
Head Start and Early Head Start-SZ HS (National)	93.600	N/A	3,908,211
			<u>11,507,947</u>
Pass-through program from the Texas Workforce Commission:			
Child Care and Development Fund (SSA)	93.575	N/A	370,124
			<u>370,124</u>
Coronavirus State & Local Fiscal Recovery Funds	21.027		121,443
Total Pass-through program from United Way of Austin:			<u>121,443</u>
 Total U.S. Department of Health and Human Services			 <u>11,999,514</u>
U.S. Department of Agriculture			
Pass-through program from Texas Department of Agriculture			
Child and Adult Care Food Program	10.558		679,039
			<u>679,039</u>
Total U.S. Department of Agriculture			<u>679,039</u>
Total Expenditures of Federal Awards			<u>\$ 12,678,553</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

AVANCE, Inc. and Subsidiaries
Notes to Schedule of Expenditures of Federal Awards
June 30, 2025

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of AVANCE - National ("National"), AVANCE - Austin ("Austin") and AVANCE - Dallas ("Dallas") under programs of the federal government 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of National, Austin, and Dallas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of National, Austin, and Dallas.

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 contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. INDIRECT COST RATE

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

4. COMMITMENTS AND CONTINGENCIES

Federal grants received by National, Austin, and Dallas are subject to review and audit by grantor agencies. National's management believes that the results of such audits will not have a material effect on the Schedule.

AVANCE, Inc. and Subsidiaries
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing</u>
Head Start Cluster	93.600
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

AVANCE, Inc. and Subsidiaries
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

AVANCE, Inc. and Subsidiaries
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2025

There were no prior year findings.