

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.

Armanino LLP

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 | 3,880,185 | (3,880,185) | - |
| 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 | 785,558 | - | 785,558 |
| 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>\$ 13,813,051</u> | <u>\$ 6,696,510</u> | <u>\$ 20,509,561</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 | 744,079 | - | 744,079 |
| 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>\$ 17,587,745</u> | <u>\$ 2,747,607</u> | <u>\$ 20,335,352</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 | Total |
|--|-----------------------------------|--------------------------------|----------------------|------------|----------------------------|----------------------|-------------------|---------------------------|-------------------------------|-------------|------------|---|-------|
| | Head Start/Early Head Start | Parent Education Program | Provider Services | USDA | Child Care Relief Funds | Healthy Marriages | Other Programs | Total Program Services | General and Administrative | Fundraising | | | |
| 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 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 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 | \$ 119,315 | \$ 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 | - | - | - | - | - | - | - | - | - | - | - | (89,633) | |
| Special events - direct benefit to donors | - | - | - | - | - | - | - | - | - | - | - | (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 | \$ 89,633 | \$ 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 and \$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><u>\$ 11,458,539</u></u> | <u><u>\$ 11,330,326</u></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><u>\$ 13,169,344</u></u> | <u><u>\$ 16,726,014</u></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><u>\$ 5,787,251</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>5,787,251</u></u> |
| Investments measured at net asset value | | | | 874,987 |
| | | | | <u><u>\$ 6,662,238</u></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><u>\$ 6,559,526</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>6,559,526</u></u> |
| Investments measured at net asset value | | | | <u>818,709</u> |
| | | | | <u><u><u>\$ 7,378,235</u></u></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 | 25,123 | 25,123 |
| | <u>16,043,035</u> | <u>16,135,714</u> |
| Accumulated depreciation and amortization | (11,935,756) | (11,186,745) |
| | <u>\$ 4,107,279</u> | <u>\$ 4,948,969</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> |
| | <u>5,002,574</u> |
| 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

| | National | San Antonio | Houston | Dallas | Austin | Eliminating Entries | Total |
|-------------------------------|-----------------------------|----------------------------|----------------------------|--------------------------|----------------------------|----------------------------|-----------------------------|
| 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><u>\$ 11,810,015</u></u> | <u><u>\$ 7,731,027</u></u> | <u><u>\$ 4,931,419</u></u> | <u><u>\$ 500,066</u></u> | <u><u>\$ 3,285,683</u></u> | <u><u>\$ (331,094)</u></u> | <u><u>\$ 27,927,116</u></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 | 291,181 | 1,964,268 | 2,062,559 | 281,422 | - | - | 4,599,430 |
| 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><u>10,705,427</u></u> | <u><u>5,041,497</u></u> | <u><u>1,691,858</u></u> | <u><u>(138,564)</u></u> | <u><u>3,209,343</u></u> | <u><u>-</u></u> | <u><u>20,509,561</u></u> |
| Total liabilities and net assets | <u><u>\$ 11,810,015</u></u> | <u><u>\$ 7,731,027</u></u> | <u><u>\$ 4,931,419</u></u> | <u><u>\$ 500,066</u></u> | <u><u>\$ 3,285,683</u></u> | <u><u>\$ (331,094)</u></u> | <u><u>\$ 27,927,116</u></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 | <u>163,973</u> | <u>141,445</u> | <u>14,027</u> | <u>108,589</u> | <u>319,731</u> | <u>(3,686)</u> | <u>744,079</u> |
| 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>\$ 3,285,683</u> | <u>\$ 3,344,389</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>\$ 3,285,683</u> | <u>\$ 3,344,389</u> |

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

| | Without Donor Restrictions | With Donor Restrictions | 2025 Total | 2024 Total |
|---------------------------------------|----------------------------------|----------------------------|----------------------------|----------------------------|
| 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>\$ 500,066</u> | <u>\$ 611,225</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>638,630</u> | <u>374,983</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>(138,564)</u> | <u>236,242</u> |
| Total liabilities and net assets | <u>\$ 500,066</u> | <u>\$ 611,225</u> |

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

| | Without Donor Restrictions | With Donor Restrictions | 2025 Total | 2024 Total |
|---|----------------------------------|----------------------------|----------------------------|--------------------------|
| 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 | 54,864 | - | 54,864 | 108,589 |
| 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.

Armanino LLP

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.

Armanino LLP

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 | <u>370,124</u> |
| | | | <u>370,124</u> |
| Coronavirus State & Local Fiscal Recovery Funds | 21.027 | | <u>121,443</u> |
| Total Pass-through program from United Way of Austin: | | | <u>121,443</u> |
| | | | <u>11,999,514</u> |
| Total U.S. Department of Health and Human Services | | | |
| U.S. Department of Agriculture | | | |
| Pass-through program from Texas Department of Agriculture | | | |
| Child and Adult Care Food Program | 10.558 | | <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.