KINDERING CENTER

CONSOLIDATED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2025 AND 2024

KINDERING CENTER
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Kindering Center

Opinion

We have audited the consolidated financial statements of Kindering Center (a nonprofit organization) and its subsidiary (the Organization), which comprise the consolidated statements of financial position as of December 31, 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 accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kindering Center and its subsidiary as of December 31, 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT, CONTINUED

In performing an audit in accordance with GAAS, we:

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

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

Finney, Hill & Company, P.S.

June 1, 2026
Seattle, Washington

KINDERING CENTER
Consolidated Statements of Financial Position
December 31, 2025 and 2024

ASSETS	2025	2024
Current Assets		
Cash and cash equivalents	$ 8,704,638	5,503,597
Accounts and insurance receivable, net	327,976	285,687
Grants receivable	2,763,611	2,622,143
Pledged contributions receivable - current portion, net	232,306	269,885
Contribution receivable for rent - current	59,700	59,700
Prepaid expenses and other assets	160,482	91,033
Total current assets	12,248,713	8,832,045
Investments	19,349,544	16,885,663
Unemployment compensation trust	243,809	308,610
Pledged contributions receivable, net of current portion	143,780	271,563
Contribution receivable for rent, net of current	702,666	715,789
Operating lease right-of-use assets, net	3,995,369	4,518,511
Property and equipment, net	1,909,095	1,998,884
Total assets	$ 38,592,976	33,531,065
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 821,590	173,687
Accrued payroll-related costs and other expenses	2,397,078	2,435,893
Operating lease liabilities, current	565,861	525,281
Deferred revenue	740	5,000
Total current liabilities	3,785,269	3,139,861
Operating lease liability, net of current	4,029,361	4,595,222
Total liabilities	7,814,630	7,735,083
Net Assets		
Without donor restrictions:		
Board-designated operating reserves	300,000	300,000
Undesignated	24,196,556	19,195,658
Total net assets without donor restrictions	24,496,556	19,495,658
With donor restrictions	6,281,790	6,300,324
Total net assets	30,778,346	25,795,982
Total liabilities and net assets	$ 38,592,976	33,531,065

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

KINDERING CENTER
Consolidated Statement of Activities
Year Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Government fees and grants	$ 19,590,163	-	19,590,163
Contributions	565,058	1,261,750	1,826,808
Program service fees	4,477,241	-	4,477,241
Employee Retention Credits	2,916,063	-	2,916,063
Special events	917,669	68,675	986,344
Less: direct donor benefits	(170,737)	-	(170,737)
In-kind contributions	46,577	-	46,577
Interest income - cash and cash equivalents	140,257	-	140,257
Other income (expense)	923,111	-	923,111
	29,405,402	1,330,425	30,735,827
Net assets released from restriction	1,754,692	(1,754,692)	-
Total revenue and support	31,160,094	(424,267)	30,735,827
Expenses			
Program services	23,636,785	-	23,636,785
Management and general	3,962,728	-	3,962,728
Fundraising	1,128,846	-	1,128,846
Total expenses	28,728,359	-	28,728,359
Change in net assets, before investment income (loss)	2,431,735	(424,267)	2,007,468
Investment income (loss)	2,569,163	405,733	2,974,896
Change in net assets	5,000,898	(18,534)	4,982,364
Net assets, beginning of year	19,495,658	6,300,324	25,795,982
Net assets, end of year	$ 24,496,556	6,281,790	30,778,346

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

KINDERING CENTER
Consolidated Statement of Activities
Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Government fees and grants	$ 16,755,153	-	16,755,153
Contributions	1,071,889	1,651,631	2,723,520
Program service fees	4,230,563	-	4,230,563
Special events	1,027,233	-	1,027,233
Less: direct donor benefits	(154,718)	-	(154,718)
In-kind contributions	47,320	-	47,320
Interest income on cash and cash equivalents	233,677	-	233,677
	23,211,117	1,651,631	24,862,748
Net assets released from restriction	1,688,959	(1,688,959)	-
Total revenue and support	24,900,076	(37,328)	24,862,748
Expenses			
Program services	22,091,121	-	22,091,121
Management and general	3,466,871	-	3,466,871
Fundraising	1,233,108	-	1,233,108
Total expenses	26,791,100	-	26,791,100
Change in net assets, before investment income (loss)	(1,891,024)	(37,328)	(1,928,352)
Investment income (loss)	1,507,596	256,898	1,764,494
Change in net assets	(383,428)	219,570	(163,858)
Net assets, beginning of year	19,879,086	6,080,754	25,959,840
Net assets, end of year	$ 19,495,658	6,300,324	25,795,982

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

KINDERING CENTER
Consolidated Statement of Functional Expenses
Year Ended December 31, 2025

	Program Services										
	Early Intervention	Foster Care (CHERISH)	Families in Transition	Child Care & Preschool Consultation	Parent Education & ParentChild+ Program	Family Support	Kids Clinic	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 13,267,388	945,767	382,546	347,295	88,804	176,499	1,820,017	17,028,316	1,806,681	814,511	19,649,508
Benefits	2,289,067	118,968	42,790	52,025	17,743	30,143	269,844	2,820,580	253,655	93,497	3,167,732
Payroll taxes	1,108,003	77,629	32,088	28,600	7,396	15,056	152,321	1,421,093	196,258	68,086	1,685,437
Occupancy	928,171	66,165	26,762	24,296	6,213	12,348	127,326	1,191,281	192,733	56,495	1,440,509
Supplies	135,429	34,574	18,833	1,705	584	8,473	27,000	226,598	248,808	209,321	684,727
Professional services	118,324	8,271	1,314	1,193	305	64,695	10,136	204,238	1,102,152	23,678	1,330,068
Printing and advertising	8,087	577	233	212	54	108	1,109	10,380	32,629	3,686	46,695
Telephone and internet	181,164	12,914	5,224	4,742	1,213	2,410	24,852	232,519	37,943	11,122	281,584
Employee mileage and travel	97,404	6,848	1,795	272	738	8,177	242	115,476	2,578	507	118,561
Liability insurance	59,744	4,259	1,723	1,564	400	795	8,196	76,681	12,513	3,668	92,862
Continuing education	21,727	728	66	60	15	30	7,288	29,914	989	295	31,198
Postage	2,042	146	59	53	14	27	280	2,621	8,238	1,092	11,951
Equipment rental and maintenance	8,137	580	235	213	54	108	1,116	10,443	32,830	500	43,773
Meetings and conferences	-	-	-	-	-	-	-	-	2,547	370	2,917
Dues and other	13	1	-	-	-	-	2	16	253	1	270
Bad debt expense (recovery)	-	-	-	-	-	-	-	-	(11,586)	-	(11,586)
Depreciation and amortization	207,740	14,809	5,990	5,438	1,390	2,764	28,498	266,629	43,507	12,754	322,890
Total expenses	18,432,440	1,292,236	519,658	467,668	124,923	321,633	2,478,227	23,636,785	3,962,728	1,299,583	28,899,096
Less: Direct donor benefits at events	-	-	-	-	-	-	-	-	-	(170,737)	(170,737)
Total expenses on the statement of activities	$ 18,432,440	1,292,236	519,658	467,668	124,923	321,633	2,478,227	23,636,785	3,962,728	1,128,846	28,728,359

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

KINDERING CENTER
Consolidated Statement of Functional Expenses
Year Ended December 31, 2024

	Program Services										
	Early Intervention	Foster Care (CHERISH)	Families in Transition	Child Care & Preschool Consultation	Parent Education & ParentChild+ Program	Family Support	Kids Clinic	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 12,573,320	897,217	414,838	429,982	183,155	217,392	1,414,900	16,130,804	1,848,685	848,581	18,828,070
Benefits	1,871,737	133,720	30,373	64,394	26,967	29,833	220,622	2,377,646	258,760	124,748	2,761,154
Payroll taxes	1,039,581	73,091	33,326	35,082	15,386	18,426	117,188	1,332,080	175,128	68,890	1,576,098
Occupancy	812,067	57,948	26,793	27,771	11,829	14,041	91,383	1,041,832	119,400	54,807	1,216,039
Supplies	128,731	19,382	8,025	2,671	5,827	4,333	44,588	213,557	307,359	213,715	734,631
Professional services	175,087	11,819	3,848	3,989	2,149	4,882	35,190	236,964	612,492	25,202	874,658
Printing and advertising	7,629	544	252	261	111	132	859	9,788	30,909	14,872	55,569
Telephone and Internet	169,140	12,070	5,581	5,784	2,464	2,924	19,034	216,997	24,869	11,415	253,281
Employee mileage and travel	109,690	6,814	657	454	1,967	13,748	276	133,606	2,562	775	136,943
Liability insurance	63,782	4,551	2,104	2,181	929	1,103	7,178	81,828	9,378	4,305	95,511
Continuing education	19,365	511	8	8	313	303	3,488	23,996	968	175	25,139
Postage	2,024	144	67	69	29	65	228	2,626	8,199	2,476	13,301
Equipment rental and maintenance	7,658	546	253	262	112	132	862	9,825	31,026	517	41,368
Meetings and conferences	-	-	-	-	-	-	-	-	3,710	2,641	6,351
Dues and other	-	-	-	-	-	-	-	-	1,372	-	1,372
Bad debt expense (recovery)	-	-	-	-	-	-	-	-	13	-	13
Depreciation and amortization	217,916	15,550	7,190	7,452	3,174	3,768	24,522	279,572	32,041	14,707	326,320
Total expenses	17,197,727	1,233,907	533,315	580,360	254,412	311,082	1,980,318	22,091,121	3,466,871	1,387,826	26,945,818
Less: Direct donor benefits at events	-	-	-	-	-	-	-	-	-	(154,718)	(154,718)
Total expenses on the statement of activities	$ 17,197,727	1,233,907	533,315	580,360	254,412	311,082	1,980,318	22,091,121	3,466,871	1,233,108	26,791,100

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

KINDERING CENTER
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	$ 4,982,364	(163,858)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	322,890	326,320
Realized and unrealized losses (gains) on investments	(2,558,758)	(1,387,959)
Contributed facilities	13,123	12,380
Changes in allowance and discounts on receivables	(12,997)	3,408
Non-cash operating lease expense	(2,139)	18,755
Decrease (increase) in:		
Receivables	(5,398)	(1,188,790)
Prepaid expenses and other assets	(69,449)	51,996
Unemployment compensation trust	64,801	30,013
(Decrease) increase in:		
Accounts payable	647,903	19,068
Accrued payroll-related costs and other expenses	(38,815)	1,037,683
Unearned revenue	(4,260)	(43,703)
	(1,643,099)	(1,120,829)
Net cash provided (used) in operating activities	3,339,265	(1,284,687)
Cash flows from investing activities:		
Purchases of available-for-sale investments	(752,890)	(492,513)
Proceeds from sale of available-for-sale investments	847,767	536,146
Sales (purchases) of short-term investments, net	-	4,427,019
Purchases of property and equipment	(233,101)	(69,095)
Net cash provided (used) in investing activities	(138,224)	4,401,557
Net increase (decrease) in cash and cash equivalents	3,201,041	3,116,870
Cash and cash equivalents at beginning of year	5,503,597	2,386,727
Cash and cash equivalents at end of year	$ 8,704,638	5,503,597

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Kindering Center and its wholly owned subsidiary, Lions Roar Property Holdings, LLC (collectively, Kindering Center or the Organization), founded in 1962, is a not-for-profit neurodevelopmental center helping infants and children with diverse abilities from campuses in Bellevue, Bothell, Redmond, and Renton, Washington. Kindering Center provides direct Early Support services in East King and South Snohomish Counties, with other programs serving broader geographies. CHERISH™, the Washington State Fathers Network, and the Sibling Support Project collectively provide training and support to other organizations across Washington State, parts of the US, and several countries throughout the world.

Kindering Center's mission is to embrace children of diverse abilities and their families by providing the finest education and therapies to nurture hope, courage, and the skills to soar. Kindering Center's equity vision is to eradicate barriers and create a sense of belonging for all families they serve and their staff. To that end, Kindering Center supports all families regardless of their financial means and strives for children to experience optimal outcomes regardless of their abilities, race, ethnicity, language, or other demographic factors.

Kindering Center supports the physical, mental health, social and educational needs of children (birth to age 11) through a broad range of programs and services including comprehensive developmental evaluations; specialized early learning; physical, occupational, speech, feeding and infant/early childhood mental health therapy; connection to resources; and training/coaching/support groups for parents/caregivers, siblings, teachers, childcare staff, and others working with children.

Kindering Center was founded on equity of ability and neurodivergence. Especially for children with disabilities or neurodivergence and their families, racism and other forms of systemic oppression compound inequities that undermine social drivers of health. To address systemic barriers to accessing services for low-income families and children of color, we provide uncompensated care; deliver programs in Spanish; conduct outreach work with underserved communities; and develop programs specifically for children who need help mitigating lived experiences like abuse, neglect, homelessness, and poverty that may interfere with health, opportunities, and general stability throughout their lifetimes.

The Organization incorporates trauma-informed, healing-centered practices into all its work, and it is a designated CARE site for applying practices of Compassion, Appreciation, Resilience and Empowerment throughout the agency.

Principles of consolidation

The consolidated financial statements include the accounts of Kindering Center and its wholly owned subsidiary, Lions Roar Property Holdings, LLC. There were no transactions during 2025 or 2024 in Lions Roar Property Holdings, LLC. All inter-entity transactions and accounts have been eliminated. The life of Lions Roar Property Holdings, LLC is perpetual unless earlier terminated by written consent of Kindering Center. The liability associated with a limited liability company (LLC) is generally limited to the amounts invested in it.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of presentation
The accompanying consolidated financial statements have been prepared in conformity with the disclosure and display requirements of the Presentation of Financial Statements for Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. This Topic establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset classes according to donor-imposed restrictions: net assets without donor restrictions and net assets with donor restrictions.

The net assets of Kindering Center are classified as follows:

- Net assets without donor restrictions are available without restriction for support of Kindering Center's operations.
- Net assets with donor restrictions are restricted by donors to be used for certain purposes or in future periods. Other donor restrictions may be perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Basis of accounting
The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents
Cash and cash equivalents consist of general checking, savings, and money market accounts. For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash and cash equivalents. Kindering Center maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. Kindering Center has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Investments
Kindering Center records its investments in equity mutual funds, fixed-income mutual funds, and U.S. Treasury notes at their fair values in the consolidated statements of financial position. Short-term investments consist of U.S. Treasury notes with a maturity date of less than one year, which are intended to be used in operations by management. Kindering Center classifies all other investments as long-term assets because it does not intend to use those investments in the next fiscal year and because a portion is associated with the endowment corpus, to be held in perpetuity. The fair value of the investments was determined using Level 1 observable market inputs within the fair value hierarchy consisting of quoted prices in active markets (such as national exchanges) for identical assets. Net unrealized investment gains (losses) related to investments are recorded in the total change in net assets. Interest and dividends earned are reported in investment income.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Accounts and insurance receivable

Receivables consist of program service fees earned but not received and insurance receivables that are due from insurance providers for therapeutic services. Receivables are stated at the amount management expects to collect from outstanding balances. Management reviews receivables regularly for collectability. Accounts that are deemed uncollectible are written off against an allowance. The allowance is based on historical collection rates, current conditions at insurance companies, and reasonable and supportable forecasts including management's knowledge of industry collection trends. As of December 31, 2025 and 2024, accounts and insurance receivables were recorded net of a collection allowance of $326,758 and $184,927, respectively.

Grants receivable

Grants receivable consist of grants and contracts administered by various local governments, which have been awarded or earned but not yet received. At December 31, 2025 and 2024, 83% and 84% of total grants receivable were due from King County, respectively.

Promises to give

Unconditional promises to give are stated at net realizable value when received. Unconditional promises to give are recognized as support in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Kindering Center uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Pledges receivable are recorded net of allowance for doubtful pledges of $43,429 and $55,565 as of December 31, 2025 and 2024, respectively. Long-term pledges receivable include promises to give in time periods more than one year after December 31, 2025 and 2024, and are stated at present value. Long-term pledges receivable are presented net of a present value discount of $17,775 and $18,636 as of December 31, 2025 and 2024, respectively, calculated using the Organization's estimated incremental borrowing rate of 4.5%.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation techniques. There were no impairment losses recognized for the years ended December 31, 2025 and 2024.

Property and equipment

Property and equipment are stated at cost, if purchased, or at market value at the date of receipt, if donated. Kindering Center's policy is to capitalize assets with a cost of donated value greater than $3,000 and a useful life in excess of one year. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 30 years. Depreciation expense was $322,890 and $326,320 for the years ended December 31, 2025 and 2024.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Property and equipment consisted of the following at December 31:

	2025	2024
Building and improvements	$ 6,568,489	6,495,872
Office equipment	177,245	177,245
Furniture and fixtures	214,910	214,910
Program equipment	105,437	96,105
Assets in progress	185,487	38,545
	7,251,568	7,022,677
Less accumulated depreciation	(5,342,473)	(5,023,793)
	$ 1,909,095	1,998,884

Revenue and revenue recognition

Kindering Center recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606 (Topic 606). The core principle of Topic 606 is that an entity should recognized revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle.

Step 1 – Identify the contract with the customer.

Step 2 – Identify the performance obligations in the contract.

Step 3 – Determine the transaction price.

Step 4 – Allocate the transaction price to the performance obligations.

Step 5 – Recognize revenue when, or as, the entity satisfies a performance obligation.

Kindering Center only applies the five-step model to contracts with customers when it is probable that Kindering Center will collect the consideration it is entitled to in exchange for the goods and services transferred to the customer.

Program service fees

Program service fee revenue represents revenue earned under contracts in which Kindering Center bills and collects for physical, occupational, speech, and feeding therapies; preschool; sibling support; childcare resources; and other support services rendered to clients. These services are distinct, as the patient can benefit from the individual services on their own, and they do not need to be bundled with any other goods or services. As the client accepts and receives the benefit of the services when they are performed, the performance obligation is satisfied at a point in time when the services are provided, and no contract assets or liabilities are recognized.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Program service fee revenue is recorded net of an allowance for contractual adjustments using the output method, which represents the net revenue expected to be collected from third-party payors (including commercial and governmental payors such as Medicare and Medicaid) and clients. These expected collections are based on fees and negotiated payment rates in the case of third-party payors, the specific benefits provided for under an individual client's health care plan, mandated payment rates in the case of Medicare and Medicaid programs, and historical cash collections (net of recoveries).

The transaction price from program service fee arrangements is variable in nature because fees are based on client encounters and reimbursement of provider costs, all of which can vary from period to period. Kindering Center generally estimates the transaction price using the most likely methodology and amounts are only included in the net transaction price to the extent that it is probable that a significant reversal of cumulative revenue will not occur once any uncertainty is resolved. As a practical expedient, Kindering Center adopted a portfolio approach based on types of services provided and payor type to determine the transaction price for the services provided under program service fee arrangements.

Kindering Center periodically assesses the net transaction price by analyzing actual results, including cash collections, against estimates. Significant changes in payor mix, contractual arrangements with payors, general economic conditions, and health care coverage provided by federal or state governments or private insurers may have a significant impact on estimates and significantly affect the results of activities and cash flows.

Accounts and program service fee receivables were comprised of the following as of the beginning and end of 2024 and 2025:

	January 1, 2024	December 31, 2024	December 31, 2025
Program fees receivable	$ 350,417	445,753	616,525
Other current receivables	26,842	24,861	38,209
Gross accounts and insurance receivable	377,259	470,614	654,734
Less: Allowance for uncollected program fees	(151,688)	(184,927)	(326,758)
Accounts and insurance receivable, net	$ 225,571	285,687	327,976

Contributions and grants

The Organization recognizes grants and contributions when cash, securities, or other assets, an unconditional promise to give, or a notification of beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Conditional contributions whose conditions are met in the same reporting period as the period in which the contribution was received are recorded as unconditional contributions.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Consequently, at December 31, 2025, certain contributions have not been recognized in the accompanying consolidated statement of activities because the conditions on which they depend have not yet been met. The outstanding balance of conditional grant revenue not recognized as of December 31, 2025 was $2,108,777, which requires that conditions be met related to providing certain reimbursable Medicaid administrative services, and providing certain reimbursable costs for parent education, prenatal substance abuse exposure therapy, and FIT program services.

Fundraising event revenues
Revenue and sponsorships related to fundraising events are recorded as special events revenue. Special events revenue is recognized when the event occurs. Any affiliated performance obligations granted to attendees are fulfilled at a point in time, and thus direct expenses are presented to reduce the transaction price associated with special events.

Donated use of facilities
Contributions of facility use have been recorded in the accompanying consolidated financial statements based on the fair value at the time of contribution. During the years ended December 31, 2025 and 2024, in-kind support consisted of donated facilities of $46,577 and $47,320, respectively. The facility contribution is discussed further in Note 5.

Compensated absences
The Organization accrues for the costs of compensated absences to the extent that the employee's right to receive payment relates to services already rendered, the obligation vests or accumulates, payment is probable, and the amount can be reasonably estimated. For the years ended December 31, 2025 and 2024, a liability for compensated absences of $1,006,053 and $975,208, respectively was included in accrued payroll-related costs and other expenses in the consolidated statement of financial position.

Self-Insured Employee Health Plan
The Organization maintains a self-insured employee health benefit program under which it retains the risk of loss for medical claims incurred by covered employees and dependents, subject to stop-loss insurance coverage for claims exceeding specified limits. Employee premium contributions are collected through payroll and are not reported as contribution revenue; rather, such amounts are recorded as participant funding and applied to the cost of coverage in the related period. The Organization uses a third-party administrator to process claims and provide administrative support, including plan-pricing and deductible information.

Functional allocation of expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and of functional expenses. The direct allocation method has been used whenever possible. Direct costs are allocated directly to the activities on which they are expended. Certain costs, including office supplies, occupancy, insurance, and depreciation expenses, are allocated among the programs and supporting services benefited based upon the allocation of salaries expense. Wages, benefits, and payroll taxes are allocated to the function where work is being performed based on a study of time and effort expended.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Leases

Kindering Center determines if an arrangement is a lease at inception. Assets and obligations related to operating leases are included in operating lease right-of-use (ROU) assets; operating lease liabilities, current portion; and operating lease liabilities, net of current portion in the consolidated statements of financial positions.

ROU assets represent Kindering Center's right to use an underlying asset for the lease term and lease liabilities represent Kindering Center's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term.

As Kindering Center's leases do not provide an implicit rate, the discount rate utilized is management's estimated incremental borrowing rate based on the information available at commencement date is used in determining the present value of the lease payments. Certain lease terms may include options to extend or terminate the lease, and these are included when it is reasonably certain that Kindering Center will exercise those options.

Kindering Center's agreements with lease and non-lease components are all accounted for as a single lease component. For leases with an initial term of 12 months or less, Kindering Center elected the exemption from recording ROU assets and lease liabilities for all leases that qualify, and records rent expense on a straight-line basis over the lease term.

Certain leases may include variable payments, which may vary based upon changes in facts or circumstances after the start of the lease. Kindering Center excludes variable payments from lease ROU assets and lease liabilities, to the extent not considered fixed, and instead expenses as incurred.

Employee Retention Credit

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and the American Rescue Plan Act enacted by Congress, an Employee Retention Credit (ERC) was established, which is a refundable tax credit against the employer's share of social security taxes. The ERC is equal to 50% of qualified wages paid to employees, for a maximum credit per employee of $10,000 between March 12, 2020 and December 31, 2020, and is equal to 70% of qualified wages paid to employees during calendar year 2021 for a maximum credit per employee of $7,000 for each calendar quarter through September 30, 2021.

In 2023, the Organization claimed ERCs of $2,916,063 and identified the entire amount as a conditional contribution in accordance with FASB Accounting Standards Codification Topic No. 958-605. The funds were deemed to be conditional upon the IRS processing the credit and approving it for payment, due to uncertainty in the IRS completing this process. During the year ended December 31, 2025, the Organization was notified that the IRS had processed their credit and approved it for payment; therefore, the Organization recorded revenues related to ERC funds of $2,916,063, as well as interest on those ERC funds from the IRS totaling $908,381, which is included in other income in the statement of activities in 2025. In connection with the ERC claims, the Organization incurred $437,409 in third-party fees for the preparation and filing of the claims, which were contingent upon the receipt of payment from the IRS. These fees were recognized as a professional services expenses in 2025, and $417,409 in ERC preparation fees were included in accounts payable as of December 31, 2025. These funds are subject to examination by the Internal Revenue Service for between 3 and 6 years from the payroll credit filing dates.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Advertising expenses
Advertising is expensed as incurred. For the years ended December 31, 2025 and 2024, advertising expense was $71,365 and $55,569, respectively.

Federal income taxes
Pursuant to a letter of determination from the Internal Revenue Service, the Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation under Section 509(a)(1). Accordingly, no provision has been made for federal income tax in the accompanying financial statements. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A). Lions Roar Property Holdings, LLC is wholly owned by Kindering Center, so it is not considered a separate entity for tax purposes.

The Organization accounts for tax positions in accordance with the FASB Accounting Standards Codification Topic No. 740, *Income Taxes*. With few exceptions, the Organization is subject to federal and state income tax examinations by tax authorities for the prior three years. Management has reviewed the Organization's tax positions and determined there were no uncertain tax positions as of December 31, 2025.

The Organization recognizes income tax related interest in interest expense and penalties in operating expenses. During the years ended December 31, 2025 and 2024, the Organization recognized no income tax related interest or penalties.

Date of Management's Review of Subsequent Events
Subsequent events have been evaluated through June 1, 2026, which is the date the consolidated financial statements were available to be issued.

NOTE 2 – CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of deposits in excess of federally insured limits, exchange-traded and money market funds, and receivables. The Organization periodically has cash deposits which are in excess of federally insured limits. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on these accounts.

In the years 2025 and 2024, 55% and 58% of the Organization's total revenue and support was provided by one government agency, respectively.

NOTE 3 – LIQUIDITY

Kindering Center strives to maintain liquid financial assets sufficient to cover 60 days of general expenditures. Liquid financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds, and other short-term investments, and are classified as long-term investments on the consolidated statements of financial position, as Kindering Center intends to hold the investments for more than a year. Other financial assets are held in equity and fixed-income investments and are classified as long-term investments on the consolidated statements of financial position.

The following table reflects Kindering Center's financial assets as of December 31, 2025, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statement of financial position date because of contractual restrictions or internal board designations. Long-term investments are available for general expenditure if such a need arose.

Amounts not available include a board-designated 'special projects' fund that is intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also include liquid net assets with donor restrictions that are restricted in perpetuity, or with purpose restrictions that are not associated with day-to-day operations and/or programs operated by Kindering Center.

	2025	2024
Operating cash	$ 8,704,638	5,503,597
Accounts receivable, net	327,976	285,687
Grants receivable	2,763,611	2,622,143
Pledged contributions receivable	376,086	541,448
Investments	19,349,544	16,885,663
Total financial assets	$ 31,521,855	25,838,538
Less amounts not available to be used within one year:		
Liquid net assets with donor restrictions	(5,519,424)	(5,524,835)
Add back: net assets with time restrictions of less than one year	232,306	269,885
Board-designated funds	(300,000)	(300,000)
	(5,587,118)	(5,554,950)
Financial assets available to meet general expeditures over the next twelve months	$ 25,934,737	20,283,588

These notes are an integral part of the consolidated financial statements.

NOTE 4 – PLEDGED CONTRIBUTIONS RECEIVABLE

Pledged contributions receivable at December 31, 2025 and 2024 are due as follows:

	2025	2024
Amounts due in:		
Less than one year	$ 275,735	325,450
One to five years	161,555	290,199
Gross pledged contributions receivable	437,290	615,649
Less: allowance for doubtful pledges	(43,429)	(55,565)
Less: unamortized discount on long-term pledges	(17,775)	(18,636)
Net pledged contributions receivable	$ 376,086	541,448

NOTE 5 – FACILITY CONTRIBUTION RECEIVABLE

Kindering Center occupies a building that is owned by the City of Bellevue, Washington. Kindering Center receives the use of its facilities under a lease as a contribution from the City of Bellevue. Under the terms of the lease, Kindering Center will lease the land and building from the city for a period of up to 50 years (through 2050 at Kindering Center's option) at a rate of $1 per year. The value of the contribution through the term of the agreement has been recorded at the estimated fair value, which is measured as the present value of Kindering Center's estimated incremental borrowing rate of 6% in the year in which the lease was executed.

The total facility contribution receivable, discounted to present value, is due to be received as follows for the years ending December 31:

	Recognized Contribution	Discount Receivable (Interest Portion)	Total
2026	$ 59,700	(45,790)	13,910
2027	59,700	(44,955)	14,745
2028	59,700	(44,071)	15,629
2029	59,700	(43,133)	16,567
2030	59,700	(42,139)	17,561
Thereafter	1,194,000	(510,046)	683,954
	$ 1,492,500	(730,134)	762,366

These notes are an integral part of the consolidated financial statements.

NOTE 6 – UNEMPLOYMENT COMPENSATION TRUST

Kindering Center participates in an unemployment compensation trust covering all employees as provided in the Northwest Employment Security Act of the State of Washington. Payments made to the trust are used to reimburse the State of Washington for unemployment benefits paid to employees who have terminated their employment with Kindering Center. The goal of the program is that payments to the trust are less than what would be paid to the State of Washington for unemployment insurance.

NOTE 7 – INVESTMENTS

The following schedule summarizes the composition of the Organization's investments as stated at fair value as of December 31, 2025 and 2024 :

	2025	2024
Equity mutual funds:		
U.S. large-cap blend	$ 8,295,467	7,594,886
Foreign large-cap blend	5,676,824	4,543,610
Fixed-income mutual funds:		
Intermediate-term bond funds	5,377,253	4,747,167
	$ 19,349,544	16,885,663

Investment income consisted of the following for the year ended December 31, 2025 and 2024:

	2025	2024
Interest and dividends	$ 472,413	417,513
Interest on cash and cash equivalents	140,257	233,677
Unrealized gains (losses)	2,558,758	1,387,959
Investment fees	(56,275)	(40,978)
	$ 3,115,153	1,998,171

NOTE 8 – FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this topic are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Kindering Center has the ability to access at the measurement date.

NOTE 8 – FAIR VALUE MEASUREMENTS, continued

Level 2: Inputs to the valuation methodology include:

a. Quoted prices for similar assets or liabilities in active markets,

b. Quoted prices for identical or similar assets or liabilities in inactive markets,

c. Inputs other than quoted prices that are observable for the asset or liability,

d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

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

The following is a description of the valuation methodologies used for assets measured at fair value:

Kindering Center records its investments in equity mutual funds and fixed-income mutual funds at their fair values in the consolidated statements of financial position. The fair value of all investments was determined using Level 1 observable market inputs within the fair value hierarchy consisting of quoted prices in active markets (such as national exchanges) for identical assets. Money market funds included in cash and cash equivalents are stated at cost plus accrued interest.

Kindering Center classifies its investments as long-term assets because it does not intend to use its investments in the next fiscal year and because a portion is associated with the endowment corpus, to be held in perpetuity.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Kindering Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 9 – ENDOWMENT

Kindering Center's endowment includes both donor-restricted endowment funds and unrestricted funds used to maintain operating reserves (quasi-endowments). Donor-restricted endowment funds consist of funds established for the maintenance and operations of Kindering Center. As required by U.S. GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Income is allocated to the donor-restricted endowment fund based on the pro rata balance of total investments held.

NOTE 9 – ENDOWMENT, continued

Interpretation of Relevant Law

The Board has interpreted the State of Washington Uniform Prudent Management of Institutional Acts (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Kindering Center classifies as endowment net assets (a) the original value of gifts donated to the permanent endowment, plus (b) the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, Kindering Center considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the endowment fund.
- The purposes of Kindering Center and the donor-restricted endowment fund.
- General economic conditions.
- The possible effects of inflation or deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of Kindering Center.
- The investment policies of Kindering Center.

Endowment net assets with donor restrictions included in total investments consist of the following at December 31:

As of December 31, 2025	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds to be held in perpetuity	$ -	2,550,371	2,550,371
Accumulated earnings on donor-restricted funds		1,807,088	1,807,088
Board-designated endowment funds	300,000	-	300,000
Unrestricted investment reserve funds	14,692,085	-	14,692,085
Total investments	$ 14,992,085	4,357,459	19,349,544

As of December 31, 2024	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds to be held in perpetuity	$ -	2,520,371	2,520,371
Accumulated earnings on donor-restricted funds		1,401,354	1,401,354
Board-designated endowment funds	300,000	-	300,000
Unrestricted investment reserve funds	12,663,938	-	12,663,938
Total investments	$ 12,963,938	3,921,725	16,885,663

These notes are an integral part of the consolidated financial statements.

NOTE 9 – ENDOWMENT, continued

The activities related to the donor-restricted endowment funds of Kindering Center during the years ended December 31, 2025 and 2024 are as follows:

	2025	2024
Donor restricted endowment - beginning balance	$ 3,921,725	3,589,827
Donor-restricted contributions	30,000	75,000
Investment return, net of fees	57,609	56,143
Net appreciation (depreciation)	348,125	200,755
Donor restricted endowment - ending balance	$ 4,357,459	3,921,725

Return Objectives and Risk Parameters

Kindering Center's return objectives of the donor-restricted endowment assets held in perpetuity reflect the tradeoff between the risk and expected return considered the most appropriate for the total endowment assets as differentiated from the individual objectives of any one fund. The overall portfolio objectives are sufficient growth of capital, income, and protection of principal to maintain or improve the purchasing power of the endowment assets over time while allowing distributions to fund desired gifting programs in accordance with the desires of contributors to the endowment. In addition to preserving and enhancing the value of the endowment, the endowment assets are administered and managed in such a manner as to be responsible to the needs of the donors and to maintain the highest standards of professionalism and responsibility.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Kindering Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Kindering Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

Kindering Center has a policy of appropriating endowment funds for distribution each year of up to 4% of its endowment fund value based on the trailing three-year average of the portfolio as of September 30th. Unrestricted funds are appropriated as needed to help fund current operations. In establishing this policy, Kindering Center, considered the long-term expected return on its endowment. This is consistent with Kindering Center's objective to maintain the purchasing power of the endowment assets held in perpetuity for a specified term as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies

From time to time, the fair value of assets associated with the donor-restricted portion of the endowment funds may fall below the level that the donors or UPMIFA requires the endowment to retain as a fund of perpetual duration. In accordance with GAAP, the deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of December 31, 2025 and 2024.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods at December 31, 2025:

		2025	2024
Purpose restricted gifts:			
CHERISH program	$	535,113	725,098
Redmond - campus expansion project		-	8,983
Mimi Siegel Fellowship		197,981	176,551
General expansion		-	10,026
Families-in-Transition program		31,500	28,565
Other		21,285	112,439
Total purpose restricted gifts		785,879	1,061,662
Time restricted gifts:			
Contributed facilities		762,366	775,489
Gifts for future periods		376,086	541,448
Total time restricted gifts		1,138,452	1,316,937
Endowment funds:			
Accumulated earnings (restricted until appropriated)		1,807,088	1,401,354
Corpus to be held in perpetuity		2,550,371	2,520,371
Total endowment funds		4,357,459	3,921,725
Total net assets with donor restrictions	$	6,281,790	6,300,324

NOTE 11 – RELATED PARTY TRANSACTIONS

Board of Director Contributions
During the years ended December 31, 2025 and 2024, Kindering Center received $233,333 and $534,218, respectively, in contributions from the members of the Board of Directors.

NOTE 12 – LEASES

Kindering Center has operating leases for classrooms and office space. Operating leases expire at various dates through February 2028, with options to renew for varying terms at Kindering Center and the respective landlord's discretion. Kindering Center has included specific options to extend or terminate the lease in the calculation of ROU assets or lease liabilities for leases for which Kindering Center is reasonably certain they will exercise these options. Operating leases are summarized as follows:

North Creek Bothell Lease – The lease was amended for the period beginning February 2021 and expires in February 2028 with an option to extend likely to be exercised by management extending the lease through February 2033. The monthly lease payments range from $35,259 to $47,394 based on current agreed-upon rates. The Bothell lease agreement included tenant improvement allowances that were utilized by management of approximately $319,000.

These notes are an integral part of the consolidated financial statements.

NOTE 12 – LEASES, continued

Together Center Redmond – An office lease for this space commenced on January 1, 2019, and expired in July 2023, when management signed a new lease agreement for an expanded and newly renovated space in the same location. The new lease agreement commenced August 1, 2023, and terminates on July 31, 2033. The lease includes two five-year options to extend, which management is not reasonably certain to exercise, and thus these extension option periods are not included in the lease liability or ROU asset. The lease payments under the lease dated August 1, 2023, are $20,204 per month, and increase at a rate of 3% on each anniversary of the lease commencement date.

St. Matthews Renton – The lease commenced on December 2020, was amended on July 1, 2020, and expires July 2027, after one 3-year option to extend was exercised by management in 2024. The monthly lease payments through the extension period range from $5,740 to $6,751 based on current agreed-upon rates.

The components of lease expense were as follows for the years ended December 31, 2025 and 2024:

Lease expense:		2025	2024
Operating lease cost	$	724,530	695,890
Short-term lease cost		61,190	50,027
Variable lease cost		425,597	366,682
In-kind lease cost		59,700	59,700
Total lease costs	$	1,271,017	1,172,299

Other information related to leases was as follows for the year ended December 31, 2025 and 2024:

Other Information:		2025	2024
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	$	698,029	677,136
Weighted-average remaining lease term in years for operating leases		7.20	8.08
Weighted-average discount rate for operating leases		3.58%	3.57%

These notes are an integral part of the consolidated financial statements.

NOTE 12 – LEASES, continued

Future maturities of lease liabilities for the years ending December 31 are as follows:

2026	$ 719,579
2027	698,853
2028	678,708
2029	699,069
2030	720,041
Thereafter	1,716,956
Total undiscounted cash flows	5,233,206
Less: present value discount	(637,984)
Total lease liabilities	$ 4,595,222

NOTE 13 – RETIREMENT PLAN

Kindering Center has a 403(b) retirement plan for the exclusive benefit of its employees. Under the plan, Kindering Center will match up to 4% of the compensation of eligible employees who have made salary reduction contributions to the plan. Participants may elect to make additional contributions in excess of 4% within the limitations set forth in the plan. Kindering Center's contribution expense for the years ended December 31, 2025 and 2024 was $486,900 and $462,204, respectively.

NOTE 14 – SELF-INSURED MEDICAL PLAN

At December 31, 2025 and 2024, the Organization recorded an accrued benefit liability of $85,939 and $0 in accounts payable for reported and unreported claims, including claims incurred but not reported (IBNR), net of estimated pharmaceutical rebates. The accrued benefit liability is based on claims experience, TPA data, and actuarial estimation techniques. TPA fees are recognized as administrative expense as services are received.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Expenses incurred under certain grant programs are subject to audit by the granting agencies. If, as a result of such an audit, certain expenses incurred are determined to be non-reimbursable, the Organization may be liable for repayment of disallowed expenses previously claimed or received. Amounts disallowed, if any, would be recorded as a liability and expense at the time such amounts can first be reasonably determined, normally upon notification of the examination results of the granting agency. Management is not aware of any disallowed expenses in 2025 and 2024.