

INSPIRE DEVELOPMENT CENTERS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2025 AND 2024



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Inspire Development Centers
Sunnyside, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Inspire Development Centers (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Inspire Development Centers, as of June 30, 2025 and 2024, and the changes in its net assets and its 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) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Inspire Development Centers 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 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 February 2, 2026, on our consideration of Inspire Development Centers' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Inspire Development Centers' 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 Inspire Development Centers' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Kennewick, Washington
February 2, 2026

**INSPIRE DEVELOPMENT CENTERS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024**

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,693,566	\$ 2,696,747
Restricted Cash and Cash Equivalents	1,968,493	1,755,527
Total Cash and Cash Equivalents, Including Restricted	4,662,059	4,452,274
Grants Receivable	3,890,713	4,300,619
Inventory	87,286	78,809
Prepaid Expenses and Other Assets	383,069	324,488
Total Current Assets	9,023,127	9,156,190
LAND, BUILDINGS, AND EQUIPMENT		
Land	1,438,298	1,438,298
Buildings and Improvements	10,784,388	10,613,291
Equipment	22,827,874	19,993,781
Total	35,050,560	32,045,370
Less: Accumulated Depreciation	21,264,489	20,167,689
Construction in Progress	5,444,241	650,459
Land, Buildings, and Equipment, Net	19,230,312	12,528,140
RIGHT-OF-USE ASSETS - OPERATING		
	3,090,168	2,204,104
Total Assets	\$ 31,343,607	\$ 23,888,434
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,916,804	\$ 2,070,514
Accrued Liabilities:		
Payroll	1,276,106	1,580,514
Vacation	1,288,312	1,461,027
Taxes and Self Insurance	2,709,960	2,669,298
Total Accrued Liabilities	5,274,378	5,710,839
Current Portion of Operating Lease Obligations	544,312	473,103
Total Current Liabilities	7,735,494	8,254,456
NONCURRENT LIABILITIES		
Operating Lease Obligations, Net of Current Portion	2,535,195	1,733,805
Total Liabilities	10,270,689	9,988,261
NET ASSETS		
Without Donor Restrictions:		
Undesignated	19,896,159	12,973,179
Board-Designated Operating Reserve	1,176,759	926,994
Total Net Assets	21,072,918	13,900,173
Total Liabilities and Net Assets	\$ 31,343,607	\$ 23,888,434

See accompanying Notes to Financial Statements.

**INSPIRE DEVELOPMENT CENTERS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2025 AND 2024**

	2025	2024
UNRESTRICTED REVENUE		
Government Grants	\$ 64,765,089	\$ 64,250,939
Contributions of Nonfinancial Assets	1,277,822	1,379,578
Miscellaneous Revenue	147,853	334,085
Donations	260,620	260,561
Interest	56,502	36,568
Gain (Loss) on Sale of Assets	(65,372)	15,808
Total Unrestricted Revenue	66,442,514	66,277,539
EXPENSES		
Program Services	53,494,802	59,472,425
General and Administrative	5,774,967	6,067,029
Total Expenses	59,269,769	65,539,454
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTONS	7,172,745	738,085
Net Assets Without Donor Restrictions - Beginning of Year	13,900,173	13,162,088
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u>\$ 21,072,918</u>	<u>\$ 13,900,173</u>

See accompanying Notes to Financial Statements.

**INSPIRE DEVELOPMENT CENTERS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025**

	<u>Program</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 29,366,798	\$ 2,787,044	\$ 32,153,842
Fringe Benefits	12,928,595	1,284,576	14,213,171
Supplies	4,216,222	610,756	4,826,978
Contractual Services	1,185,368	162,920	1,348,288
Rent	752,584	251,972	1,004,556
Vehicle Expenses and Travel	837,367	71,397	908,764
Building Maintenance and Improvements	630,777	225,708	856,485
Utilities	801,737	53,022	854,759
Insurance	422,243	136,658	558,901
Telephone	346,074	51,354	397,428
Staff Development	235,057	68,566	303,623
Other	207,041	34,034	241,075
Equipment Rental	163,684	33,998	197,682
Equipment Repairs and Maintenance	129,591	2,962	132,553
Total	<u>52,223,138</u>	<u>5,774,967</u>	<u>57,998,105</u>
Depreciation	<u>1,271,664</u>	<u>-</u>	<u>1,271,664</u>
Total	<u><u>\$ 53,494,802</u></u>	<u><u>\$ 5,774,967</u></u>	<u><u>\$ 59,269,769</u></u>

See accompanying Notes to Financial Statements.

**INSPIRE DEVELOPMENT CENTERS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024**

	<u>Program</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 33,218,231	\$ 2,993,603	\$ 36,211,834
Fringe Benefits	13,829,760	1,347,944	15,177,704
Supplies	4,723,943	673,065	5,397,008
Contractual Services	1,394,513	128,144	1,522,657
Vehicle Expenses and Travel	1,170,022	94,910	1,264,932
Building Maintenance and Improvements	696,302	303,417	999,719
Rent	772,711	145,897	918,608
Utilities	753,649	54,435	808,084
Insurance	382,297	137,614	519,911
Telephone	439,501	55,370	494,871
Staff Development	313,882	66,720	380,602
Other	245,800	26,574	272,374
Equipment Rental	159,726	36,387	196,113
Equipment Repairs and Maintenance	134,946	2,949	137,895
Total	<u>58,235,283</u>	<u>6,067,029</u>	<u>64,302,312</u>
Depreciation	<u>1,237,142</u>	<u>-</u>	<u>1,237,142</u>
Total	<u><u>\$ 59,472,425</u></u>	<u><u>\$ 6,067,029</u></u>	<u><u>\$ 65,539,454</u></u>

See accompanying Notes to Financial Statements.

**INSPIRE DEVELOPMENT CENTERS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024**

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Grantors and Others	\$ 65,583,468	\$ 64,308,913
Cash Paid to Suppliers, Employees, and Others	(57,411,040)	(62,146,074)
Interest Received	56,502	36,568
Net Cash Provided by Operating Activities	8,228,930	2,199,407
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Land, Buildings, and Equipment	(8,043,458)	(1,831,429)
Proceeds from Sale of Assets	24,313	21,499
Net Cash Used by Investing Activities	(8,019,145)	(1,809,930)
NET INCREASE IN CASH AND CASH EQUIVALENTS	209,785	389,477
Cash and Cash Equivalents - Beginning of Year	4,452,274	4,062,797
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,662,059	\$ 4,452,274
CASH - END OF YEAR CONSISTED OF THE FOLLOWING:		
Cash and Cash Equivalents	\$ 2,693,566	\$ 2,696,747
Cash and Cash Equivalents - Restricted Cash	1,968,493	1,755,527
Total Cash - End of Year	\$ 4,662,059	\$ 4,452,274
RECONCILIATION OF CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in Net Assets Without Donor Restrictions	\$ 7,172,745	\$ 738,085
Adjustments to Reconcile Changes in Net Assets Without Donor Restrictions to Net Cash Provided by Operating Activities:		
Depreciation	1,271,664	1,237,142
Noncash Lease Implementation Costs	(13,465)	2,951
Loss (Gain) on Sale of Asset	65,372	(15,808)
(Increase) Decrease in Assets:		
Grants Receivable	409,906	(536,672)
Inventory	(8,477)	16,033
Prepaid Expenses and Other Assets	(58,581)	(89,079)
Increase (Decrease) in Liabilities:		
Accounts Payable	(173,773)	1,090,706
Accrued Liabilities	(436,461)	(243,951)
Total Adjustments	1,056,185	1,461,322
Net Cash Provided by Operating Activities	\$ 8,228,930	\$ 2,199,407
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Disposal of Property and Equipment Not in Service	\$ 264,549	\$ 249,896
Less: Related Accumulated Depreciation	174,864	244,205
Total	\$ 89,685	\$ 5,691

See accompanying Notes to Financial Statements.

**INSPIRE DEVELOPMENT CENTERS
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2025 AND 2024**

**SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING
AND FINANCING ACTIVITIES (CONTINUED)**

During the year ended June 30, 2025, Inspire Development Centers purchased fixed asset additions of \$20,063 that were included in accounts payable at fiscal year-end.

During the year ended June 30, 2025, Inspire Development Centers transferred CIP of \$385,435 to placed in service.

During the year ended June 30, 2024, Inspire Development Centers purchased fixed asset additions of \$237,598 that were included in accounts payable at fiscal year-end.

During the year ended June 30, 2024, Inspire Development Centers transferred CIP of \$17,025 to placed in service.

**INSPIRE DEVELOPMENT CENTERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 1 NATURE OF OPERATIONS

Inspire Development Centers (Inspire) was incorporated as a tax-exempt, nonprofit organization on July 18, 1983. Its primary activity is to provide effective childcare, educational health, and nutritional services to children of rural, poor families in the state of Washington. The Inspire mission is to inspire learning, growth, and success in life, one child, one family, and one community at a time. Inspire achieves this commitment to quality through its promotion, coordination, and implementation of comprehensive, bilingual, bicultural, educational, social, economic, health, and human service opportunities.

Inspire receives virtually all of its funds from federal and state grants. It operates approximately 27 centers throughout the state of Washington and employs between 433 and 979 people, depending on the agricultural cycle.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Inspire have been prepared on the accrual basis of accounting. Revenues and expenses are reported in gross amounts except gains and losses, which are reported net.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets are classified as follows:

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

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or by actions of Inspire. Other donor-imposed restrictions are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At June 30, 2025 and 2024, Inspire did not have net assets with donor restrictions.

The board of directors has designated net assets without donor restrictions for specific purposes. Such designations are not considered legal restrictions. At June 30, 2025 and 2024, the board designated \$1,176,759 and \$926,994, respectively, of net assets without donor restrictions for operating costs.

**INSPIRE DEVELOPMENT CENTERS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Expense Reimbursement Contracts – As Inspire incurs expenditures in compliance with the restrictions of the grantor, the funds are considered to be earned and reported as revenues. Any excess of allowable expenditures incurred over cash received is recorded as a receivable. Conversely, any cash received in excess of expenditures incurred is recorded as deferred revenue. Inspire had grants receivable of \$3,890,713 and \$4,300,619 at June 30, 2025 and 2024, respectively. Inspire had no deferred revenue at June 30, 2025 and 2024. Inspire has received cost reimbursable grants of \$32,348,863 and \$36,927,762 that have not been recognized at June 30, 2025 and 2024, respectively, because qualifying expenditures have not yet been incurred.

Based on a periodic review of the receivables in the normal course of business, management has determined an allowance is not necessary.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost at the date of acquisition or fair market value on the date contributed. Expenditures for maintenance, repairs, and renewals are charged to expense as incurred. Major betterments greater than \$5,000 are capitalized as additions to land, buildings, or equipment. All plant assets except land are depreciated over their estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	15 to 30 Years
Equipment	3 to 10 Years

Ownership interest is retained by the Department of Health and Human Services for equipment purchases funded with federal grants. Permission to dispose of the assets must be obtained from the granting agency.

Inventory

Inventory, consisting primarily of food, is stated at the lower of cost (first-in, first-out method) or market.

Federal Income Tax

Under provisions of Section 501(c)(3) of the Internal Revenue Code, Inspire is exempt from federal income taxes, except for net income from unrelated business activities. As of June 30, 2025 and 2024, Inspire had no unrelated business activities subject to federal income taxes.

Management evaluated Inspire's tax positions and concluded that Inspire had taken no significant uncertain tax positions that require adjustments to the financial statements to comply with provisions of Topic 740 of the Accounting Standards Codification.

Inspire's tax returns are subject to review and examination by federal authorities.

**INSPIRE DEVELOPMENT CENTERS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions of Nonfinancial Assets

Contributed services which require specialized skills or enhanced nonfinancial assets, and donated use of facilities received by Inspire are recorded as contributions of nonfinancial assets and a corresponding expense. These contributions are recorded at market values using vendor invoices or current price located on a publicly available website. Total contributions of nonfinancial assets and expense for the years ended June 30, 2025 and 2024 were \$1,277,822 and \$1,379,578, respectively. See Note 5, Contributions of Nonfinancial Assets.

A substantial number of volunteers donate significant amounts of their time to Inspire and its educational programs, which enhance Inspire's programs and are required under certain federal contracts. However, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Cash, Cash Equivalents, and Restricted Cash

Inspire considers all demand deposits to be cash and all highly liquid instruments and investments with an original maturity of three months or less to be cash equivalents. Restricted cash and cash equivalents are limited in use to payment of incurred but not reported medical claims over the next 12 months.

Inspire maintains its cash and cash equivalent accounts at financial institutions which, at times, may exceed federally insured limits. As of June 30, 2025 and 2024, Inspire had uninsured cash deposits of \$4,476,568 and \$4,306,392, respectively. Inspire has not experienced any losses in such accounts.

Concentration of Funding Risk

Inspire receives the majority of its funding from state and federal contracts that are renewable annually. Legislative budgets could significantly impact Inspire's ability to start new programs or to continue existing programs in the future. Inspire must also meet ongoing compliance requirements for these grants. Failure to do so could jeopardize future funding.

Leases

Inspire determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position.

ROU assets represent Inspire's right to use an underlying asset for the lease term and lease liabilities represent Inspire's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, Inspire uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that Inspire will exercise that option.

**INSPIRE DEVELOPMENT CENTERS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Lease expense for operating lease payments are recognized on a straight-line basis over the lease term. Inspire has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position.

Inspire has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

In determining the discount rate used to measure the right-of-use asset and lease liability, Inspire uses rates implicit in the lease, or if not readily available, Inspire's incremental borrowing rate. The incremental borrowing rate used is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by Inspire's assets. Determining a credit spread as secured by Inspire's assets may require significant judgment.

Use of Estimates

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

Revisions

Certain revisions of amounts previously reported have been made to the accompanying financial statements. The disclosure of the financial assets available for general expenditures for the prior year has been revised to \$7,825,899. The revision had no impact on previously reported net assets.

Subsequent Events

Subsequent events have been evaluated through February 2, 2026, which is the date the financial statements were available to be issued.

NOTE 3 LINE OF CREDIT

Inspire has a \$400,000 bank line of credit which matures October 9, 2026. Amounts borrowed under this agreement bear interest at a variable rate of 9.15% at June 30, 2025. At June 30, 2025 and 2024, there was no outstanding balance on this line. The line is unsecured as defined in the loan agreement.

**INSPIRE DEVELOPMENT CENTERS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025 AND 2024**

NOTE 4 INDIRECT EXPENSES

Indirect expenses incurred by Inspire are reimbursed by the various grantors in proportion to the salaries, wages, and fringe benefits applicable to the grants. The allocation for the years ended June 30, 2025 and 2024, is based on the predetermined rate of 12.5% of salaries, wages, and fringe benefits. This rate is effective through June 30, 2025.

NOTE 5 CONTRIBUTIONS OF NONFINANCIAL ASSETS

During the years ended June 30, 2025 and 2024, Inspire received the following contributions of nonfinancial assets that have been reflected in the entity's financial statements:

	<u>2025</u>	<u>2024</u>
Donated Rent	\$ 221,051	\$ 219,076
Donated Utilities and Office Expenses	77,859	65,659
Donated Supplies	195,644	199,138
Donated Professional and Contracted Services	783,268	895,705
Total Contributions of Nonfinancial Assets	<u>\$ 1,277,822</u>	<u>\$ 1,379,578</u>

Inspire recognized contributed nonfinancial assets within revenue, including donated rent, utilities and office expenses, supplies, and professional and contracted services. Contributed nonfinancial assets did not have donor-imposed restrictions.

The donated rent was utilized for providing childcare, educational health, and nutritional services to children. In valuing the donated rent, Inspire estimated the fair value on the basis of real estate appraisals of the buildings.

The contributed utilities and office expenses, supplies, and professional and contracted services were utilized for providing services to children and for general and administrative activities. In valuing these contributions of nonfinancial assets, Inspire estimated the fair value based on current rates for similar goods and services.

Inspire received donated services which do not meet the recording requirements of generally accepted accounting principles. However, these additional contributions meet the requirements established by the granting agency. The additional in-kind, which is not reflected in the financial statements, was \$2,105,472 and \$2,140,459 for the years ended June 30, 2025 and 2024, respectively.

NOTE 6 RETIREMENT PLAN

Inspire has a profit sharing plan, which is a Section 401(k) plan covering all eligible employees. The audited statements of the plan are available for review at Inspire's human resources office. Inspire's policy is to match 100% of each employee's contribution up to a maximum of 6% of the employee's gross wages. Employer matching contributions for the years ended June 30, 2025 and 2024, were \$1,266,767 and \$1,323,668, respectively, and are included in Fringe Benefits in the accompanying statements of functional expenses.

**INSPIRE DEVELOPMENT CENTERS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025 AND 2024**

NOTE 7 LEASES

Inspire leases facilities for various terms under long-term, noncancelable operating leases. The leases expire at various dates beginning in August 2025 and provide for renewal options. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

The following table provides quantitative information concerning Inspire's leases:

	<u>2025</u>	<u>2024</u>
Lease Cost:		
Operating Lease Cost	\$ 692,106	\$ 537,149
Short-Term Lease Costs	<u>302,546</u>	<u>182,415</u>
Total Lease Costs	<u>\$ 994,652</u>	<u>\$ 719,564</u>
Other Information:		
Operating Cash Flows from Operating Leases	\$ 703,568	\$ 534,258
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 2,045,474	\$ 837,673
Weighted-Average Remaining Lease Term - Operating Leases	8.48 Years	8.34 Years
Weighted-Average Discount Rate - Operating Leases	3.77%	3.09%

A maturity analysis of annual undiscounted cash flows for lease liabilities is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 626,159
2027	404,260
2028	376,707
2029	373,786
2030	376,285
Thereafter	<u>1,419,000</u>
Total Undiscounted Cash Flows	3,576,197
Imputed Interest	<u>(496,690)</u>
Lease Liability at June 30, 2025	<u>\$ 3,079,507</u>

NOTE 8 COMMITMENTS AND CONTINGENCIES

According to the terms of the various grants, the grantors have first claim to a portion of the equipment purchased. At June 30, 2025 and 2024, management determined that the federal government could claim \$37,607,564 and \$29,006,428, respectively, and the state of Washington could claim \$1,282,878 and \$1,428,240, respectively, at June 30, 2025 and 2024, of the total buildings and equipment, before accumulated depreciation, included in the statements of financial position.

**INSPIRE DEVELOPMENT CENTERS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025 AND 2024**

NOTE 9 CONCENTRATIONS

Inspire is funded primarily by grants and contracts with various federal and state agencies. Inspire received approximately 80% of total grant revenues from the U.S. Department of Health and Human Services during the years ended June 30, 2025 and 2024, for the operations of the Head Start Program.

NOTE 10 SELF-INSURANCE

Effective December 1, 2001, Inspire adopted a self-insured health program, which provides for the payment or reimbursement of all or a portion of eligible medical, prescription drug, vision, and dental expenses. Inspire is self-insured up to the first \$175,000 for each occurrence and stop-loss insurance has been purchased to cover amounts above the \$175,000 threshold. In addition, Inspire has an excess-loss contract to cover catastrophic situations. The accompanying financial statements include a reserve liability of \$1,967,226 and \$1,753,684 (included in accrued liabilities) at June 30, 2025 and 2024, respectively, which is based upon a review by Inspire and an independent third-party claims administrator for claims incurred but not paid at year-end. Inspire maintained an adequate amount of cash on hand to meet estimated claims.

NOTE 11 LIQUIDITY AND AVAILABILITY

Financial assets available within one year of the statement of financial position date are as follows:

	2025	2024
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 4,662,059	\$ 4,452,274
Accounts Receivable	3,890,713	4,300,619
Total Financial Assets	8,552,772	8,752,893
Less: Board Designated Operating Reserve	1,176,759	926,994
Total Financial Assets Available to Meet General Expenditures Within One Year	\$ 7,376,013	\$ 7,825,899

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for expenditure within one year of the statement of financial position date. The restricted cash is available to cover all incurred but not reported (IBNR) medical claims over the next 12 months. Inspire is largely funded by federal Head Start grants. On a weekly basis, Inspire draws funds from the federal awards to cover actual expenses incurred. As part of their liquidity management, Inspire also has a committed line of credit in the amount of \$400,000, which it could draw upon in the event of an unanticipated liquidity need. See Note 3.

**INSPIRE DEVELOPMENT CENTERS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Contract Period	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Health and Human Services				
Head Start Cluster:				
Migrant Seasonal Head Start & Migrant Early Head Start	93.600	12/1/2024 - 11/30/2025		\$ 15,808,116
Migrant Seasonal Head Start & Migrant Early Head Start	93.600	12/1/2023 - 11/30/2024		23,293,336
Migrant Head Start and Early Head Start	93.600	9/1/2023 - 8/31/2025		3,644,746
Migrant Head Start and Early Head Start	93.600	9/1/2023 - 8/31/2025		176,680
Migrant Head Start and Early Head Start	93.600	9/1/2023 - 8/31/2025		1,487,047
Head Start & Early Head Start	93.600	12/1/2024 - 11/30/2025		5,203,470
Head Start & Early Head Start	93.600	12/1/2023 - 11/30/2024		2,611,457
Total Assistance Listing No. 93.600				<u>52,224,852</u>
Total Head Start Cluster				<u>52,224,852</u>
Total U.S. Department of Health and Human Services				52,224,852
U.S. Department of Agriculture				
<i>Passed Through Office of Superintendent of Public Instruction:</i>				
Child & Adult Care Food Program	10.558	10/1/2023 - 09/30/2024	06-39-03-0155	597,398
Child & Adult Care Food Program	10.558	10/1/2024 - 09/30/2025	06-39-03-0155	1,262,872
Total Assistance Listing No. 10.558				<u>1,860,270</u>
Total U.S. Department of Agriculture				<u>1,860,270</u>
Total Federal Expenditures				<u>\$ 54,085,122</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**INSPIRE DEVELOPMENT CENTERS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Inspire Development Centers 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 2 CFR 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 Inspire Development Centers, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Inspire Development Centers.

NOTE 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 are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST RATE

Inspire Development Centers has not elected to use the 10% de minimis indirect cost rate. Inspire Development Centers has used the cost rate negotiated with grant funders.

NOTE 4 SUBRECIPIENTS

Inspire Development Centers had no payments to subrecipients for the year ended June 30, 2025.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Inspire Development Centers
Sunnyside, Washington

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 financial statements of Inspire Development Centers (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 2, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Inspire Development Centers' 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 Inspire Development Centers' internal control. Accordingly, we do not express an opinion on the effectiveness of Inspire Development Centers' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Inspire Development Centers's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Inspire Development Centers's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Inspire Development Centers's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



CliftonLarsonAllen LLP

Kennewick, Washington
February 2, 2026



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

Board of Directors
Inspire Development Centers
Sunnyside, Washington

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Inspire Development Centers' 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 Inspire Development Centers' major federal programs for the year ended June 30, 2025. Inspire Development Centers' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Inspire Development Centers complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs 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 (GAAS); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Inspire Development Centers' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, 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 Inspire Development Centers' compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Inspire Development Centers' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Inspire Development Centers' 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 Inspire Development Centers' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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



CliftonLarsonAllen LLP

Kennewick, Washington
February 2, 2026

**INSPIRE DEVELOPMENT CENTERS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
93.600 10.558	Head Start Cluster Child & Adult Care Food Program

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,622,554
- Auditee qualified as low-risk auditee? _____ x yes _____ no

**INSPIRE DEVELOPMENT CENTERS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

Section II – Financial Statement Findings

2025–001

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: During the audit it was noted that expenditures related to contractor retainages that were incurred during the fiscal year were improperly excluded from the trial balance and the Schedule of Expenditures of Federal Awards (SEFA). A journal entry was required to be recorded to properly reflect assets, liabilities, and revenue as well as the federal expenditures of the SEFA at year-end.

Criteria or specific requirement: Management is responsible for establishing and maintaining a system of internal controls for the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America.

Effect: An adjustment was made to accurately report the balances in capital assets, grant receivables, accrued liabilities and revenue at year-end resulting in an increase to assets of \$225,202, an increase to liabilities of \$112,601 and an increase to revenue of \$112,601. As a result of the journal entries, the expenditures reported on the SEFA were also increased by \$112,601.

Cause: Inspire did not record the retainage liability related to construction projects at fiscal year-end resulting in an understatement of assets, liabilities, revenue and federal expenditures on the SEFA.

Repeat Finding: Not a repeat finding.

Recommendation: We recommend Inspire establish procedures to review contractor invoices at fiscal year-end in order to identify any retainage and ensure proper recording.

Views of responsible officials and planned corrective actions: Inspire will establish a review of contractor invoices at fiscal year-end to identify any retainage payable and ensure that it is properly recorded.

Section III – Federal Awards Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).



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