BEAR RIVER HEAD START, INC.

FINANCIAL STATEMENTS

January 31, 2026 and 2025

(with Independent Auditors' Report)

BEAR RIVER HEAD START, INC.
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January 31, 2026 and 2025

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Bear River Head Start, Inc.
Logan, Utah

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Bear River Head Start, Inc. (a nonprofit organization), which comprise the statements of financial position as of January 31, 2026 and 2025, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bear River Head Start, Inc. as of January 31, 2026 and 2025, 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 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 Bear River Head Start, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Bear River Head Start, Inc.'s 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Bear River Head Start, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bear River Head Start, Inc.'s ability to continue as a going concern for a reasonable period of time.

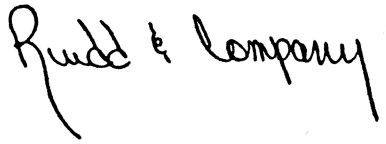
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 auditing standards generally accepted in the United States of America. 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 October 30, 2026, on our consideration of Bear River Head Start, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bear River Head Start, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bear River Head Start, Inc.'s internal control over financial reporting and compliance.



Rexburg, Idaho
October 30, 2026

BASIC FINANCIAL STATEMENTS

BEAR RIVER HEAD START, INC.
STATEMENTS OF FINANCIAL POSITION
January 31, 2026 and 2025

ASSETS	2026	2025
Current assets:		
Cash and cash equivalents	$ 366,077	$ 660,279
Grants receivable	108,315	114,038
Total current assets	474,392	774,317
Deposits, prepaid expenses and other assets	17,536	7,077
Property and equipment, net	387,668	365,137
Right-of-use asset - operating leases, net	3,017,211	3,376,355
Total assets	$ 3,896,807	$ 4,522,886
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 125,588	$ 109,463
Accrued payroll and related liabilities	498,395	481,714
Retirement payable	93,452	275,257
Current portion of operating lease liabilities	399,000	349,000
Total current liabilities	1,116,435	1,215,434
Long-term operating lease liabilities	2,669,420	3,068,095
Total liabilities	3,785,855	4,283,529
Net assets:		
Without donor restrictions	110,952	239,357
Total net assets	110,952	239,357
Total liabilities and net assets	$ 3,896,807	$ 4,522,886

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

BEAR RIVER HEAD START, INC.
STATEMENT OF ACTIVITIES
Year Ended January 31, 2026
(With Comparative Totals For 2025)

	Total Without Donor Restrictions	Total Without Donor Restrictions 2025
Public support and revenue:		
Contracts and grants	$ 9,617,055	$ 9,705,238
In-kind contributions	1,008,677	931,940
Other	714	2,559
Total public support and revenue	10,626,446	10,639,737
Expenses:		
Program expenses:		
Program activities	9,633,005	9,723,568
Management and administration	1,121,846	1,104,723
Total expenses	10,754,851	10,828,291
Change in net assets	(128,405)	(188,554)
Net assets at beginning of year	239,357	427,911
Net assets at end of year	$ 110,952	$ 239,357

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

BEAR RIVER HEAD START, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended January 31, 2026
(With Comparative Totals For 2025)

	Program Services					
	Head Start	Early Head Start	Idaho Temporary Assistance for Needy Families	Administration	2026 Total Expenses	2025 Total Expenses
Salaries	$ 2,819,822	2,357,116	91,087	718,367	5,986,392	$ 5,889,396
Employment benefits	810,386	447,022	18,217	173,949	1,449,574	1,450,328
Total salaries and related expenses	3,630,208	2,804,138	109,304	892,316	7,435,966	7,339,724
Rent and utilities	1,500,545	237,719	3,036	72,554	1,813,854	1,872,309
Supplies and maintenance	132,608	58,975	36,435	31,093	259,111	407,907
Nutrition	300,151	108,868	-	-	409,019	351,474
Professional services	266,485	8,638	1,518	37,413	314,054	270,778
Training	69,636	52,961	-	52,541	175,138	211,543
In-area travel	96,348	58,025	-	933	155,306	167,795
Insurance	29,544	25,416	1,518	30,412	86,890	75,771
Health	7,891	4,298	-	-	12,189	27,579
Policy council	647	-	-	-	647	1,347
Parents	587	420	-	-	1,007	630
Total expenses before depreciation	6,034,650	3,359,458	151,811	1,117,262	10,663,181	10,726,857
Depreciation	65,086	20,167	1,833	4,584	91,670	101,434
Total expenses	$ 6,099,736	3,379,625	153,644	1,121,846	10,754,851	$ 10,828,291

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

BEAR RIVER HEAD START, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended January 31, 2025

	Program Services				
	Head Start	Early Head Start	Idaho Temporary Assistance for Needy Families	Administration	Total Expenses
Salaries	$ 2,944,050	2,149,402	118,664	677,281	5,889,396
Employment benefits	805,255	454,552	23,733	166,788	1,450,328
Total salaries and related expenses	3,749,305	2,603,954	142,397	844,068	7,339,724
Rent and utilities	1,556,416	237,045	3,955	74,892	1,872,309
Supplies and maintenance	159,431	154,101	47,466	46,909	407,907
Nutrition	277,370	74,104	-	-	351,474
Professional services	219,748	18,317	1,978	30,735	270,778
Training	99,906	48,174	-	63,463	211,543
In-area travel	94,571	60,160	-	13,064	167,795
Insurance	26,840	20,433	1,978	26,520	75,771
Health	17,718	9,861	-	-	27,579
Policy council	884	463	-	-	1,347
Parents	158	472	-	-	630
Total expenses before depreciation	6,202,348	3,227,084	197,773	1,099,652	10,726,857
Depreciation	72,018	22,315	2,029	5,072	101,434
Total expenses	$ 6,274,366	3,249,399	199,802	1,104,723	10,828,291

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

BEAR RIVER HEAD START, INC.
STATEMENTS OF CASH FLOWS
Years Ended January 31, 2026 and 2025

	2026	2025
Cash flows from operating activities:		
Change in net assets	$ (128,405)	(188,554)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	91,670	101,434
Right-of-use asset - operating leases	359,144	464,671
(Increase) decrease in:		
Grants receivable	5,723	659,745
Deposits, prepaid expenses and other assets	(10,459)	73,992
Increase (decrease) in:		
Accounts payable	16,125	(59,801)
Accrued payroll and related liabilities	16,681	98,577
Retirement payable	(181,805)	26,446
Operating lease liabilities	(348,675)	(424,625)
Net cash provided by (used in) operating activities	(180,001)	751,885
Cash flows from investing activities:		
Purchases of property and equipment	(114,201)	(64,118)
Net cash used in investing activities	(114,201)	(64,118)
Cash flows from financing activities:		
Change in checks in excess of cash	-	(48,202)
Net cash used in financing activities	-	(48,202)
Net increase (decrease) in cash and cash equivalents	(294,202)	639,565
Cash and cash equivalents, beginning of year	660,279	20,714
Cash and cash equivalents, end of year	$ 366,077	660,279

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

Note 1 – Summary of Significant Accounting Policies

Nature of Organization

The Bear River Head Start, Inc. (BRHS) is a non-profit corporation, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Further, it has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. The primary business activity of BRHS is to operate a Head Start program in Northern Utah and in Southeastern Idaho. BRHS is substantially funded by federal grants, receives a limited amount of State and local grants, and operates with only a minimal amount of corporate funds.

The program objectives of BRHS are to provide comprehensive health, education, nutrition, social and other services primarily to economically disadvantaged infants and preschool children and their families, and to involve parents in activities with their children so that the children will attain overall social competence. Parental participation in various decision-making processes, related to the operations, is a key factor in the success of the program. Collaborative arrangements with other community agencies are actively established and are a second key factor in the success of the program, through which these objectives are met.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, Not-for-Profit Entities, Presentation of Financial Statements and requires BRHS's financial position and activities to be reported according to the following net asset classifications.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of BRHS. These net assets may be used at the discretion of BRHS's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of BRHS or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Basis of Accounting

BRHS maintains its records on the accrual basis of accounting.

Note 1 – Summary of Significant Accounting Policies (continued)

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to BRHS's ongoing services. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents

For purposes of the statements of cash flows, BRHS considers all highly liquid investments available for current use with an original maturity of less than three months to be cash equivalents.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Grants Receivable

Grants receivable consist primarily of receivables that have been awarded and earned but not received at year-end. Credit is generally extended on a short-term basis; thus, grants receivable do not bear interest. BRHS recognizes an allowance for credit losses based on an estimate of expected credit losses for financial instruments; primarily grants receivables. Management estimates the allowance for credit losses using relevant available information from internal and external sources related to past events, current conditions and reasonable and supportable forecasts. Expected credit losses are estimated by evaluating trends in historical write-off experience and applying historical loss ratios to pools of financial assets with similar risk characteristics. BRHS has determined that it has one pool for the purpose of calculating its historical credit loss experience. Additional allowance for credit losses is established for financial asset balances with specific customers where collectability has been determined to be improbable based on customer specific facts and circumstances.

The opening balance for grants receivable for the year ending January 31, 2024 was $773,783.

Note 1 – Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment with an acquisition cost of $10,000 or more, with an estimated useful life of more than one year are capitalized and are stated at cost or, if acquired by gift, at the estimated fair market value at the date of gift. Depreciation is charged using the straight-line method over the estimated useful lives of the assets, generally 5 to 40 years. Upon retirement or disposal of property and equipment, the costs and related accumulated depreciation amounts are eliminated, and any gain or loss is included in the statement of activity in the year of disposition. Maintenance and repairs are charged to expense as incurred. The cost of major renewals or betterments are capitalized by charges to the appropriate property and equipment account and depreciated over the remaining useful life of the related assets. At the end of each reporting period, BRHS will assess whether there are indications of asset impairment. Impairment losses will be recognized whenever the asset's carrying amount is not recoverable.

Leases

Right-of-use (ROU) asset represents BRHS's right to use an underlying asset for the lease term and lease liability represents BRHS's obligation to make lease payments arising from the lease. Lease ROU asset and lease liability are recognized at commencement date based on the present value of lease payments over the lease term. If a leasing arrangement does not provide an implicit rate, BRHS's incremental borrowing rate is used based on the information available at commencement date in determining the present value of lease payments. The 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 BRHS will exercise that option. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. Finance lease expense is equal to the amortization of the underlying ROU asset on a straight-line basis over the lease term. For leases with a term of one year or less, BRHS does not recognize a lease liability or ROU asset on the financial statements.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Note 1 – Summary of Significant Accounting Policies (continued)

Contributions (continued)

Contributed property and equipment are recorded at fair value at the date of the donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Public Support and Revenue

Head Start programs are funded primarily through federal grants.

Revenue from Exchange Transactions

Certain contracts are considered to be exchange transactions. BRHS recognizes revenue on exchange transactions in accordance with ASC 606, *Revenue from Contracts with Customers*, as amended. ASC 606 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. BRHS records revenue from these contracts as without donor restrictions. Revenue from services rendered is generally recognized at the time the service is provided to the client and is reported as without donor restrictions.

Grants Awards

Grant awards are either recorded as contributions or exchange transactions based on criteria contained in the grant award. Grants that qualify as contributions are recorded as invoiced to the funding sources in accordance with the terms of the award. Revenue is recognized in the accounting period when the related allowable expenses or asset acquisition costs are incurred. Amounts received in excess of expenses or asset acquisitions are reflected as grant funds received in advance. Grant awards that are exchange transactions typically reimburse based on a predetermined rate for services performed in accordance with the terms of the award. The revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. There were no grant awards that were considered exchange transactions during the years ended January 31, 2026 and 2025.

Note 1 – Summary of Significant Accounting Policies (continued)

Donated Materials, Services and Facilities

Donated materials and equipment are not reflected as contributions unless they provide a significant value to BRHS and are used in BRHS's programs. Donated materials, if any, are recorded as support at their estimated values. Donated services are recognized when the service either creates or enhances a non-financial asset or requires specialized skill that would be purchased if the service was not donated. During the years ended January 31, 2026 and 2025, BRHS recognized $1,008,677 and $931,940, respectively, for professional services and donated goods.

Allocation of Functional Expenses

The costs of providing BRHS's programs and activities are reported on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited. Any program expenses or support costs not directly chargeable to a specific program are allocated to the programs based on management policies and estimates and the guidelines outlined in the contracts and grants. Specifically, payroll expenses are allocated based on review of employees and their time allocation between program services and support services. Other expenses are allocated based on budget information and the total actual expenditures for the year.

Income Taxes

As a non-profit organization which is not a private foundation, BRHS claims exemption from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and related state provisions. Accordingly, no provision for income taxes has been made in the financial statements.

BRHS considers many factors when evaluating and estimating its tax positions and tax benefits. Tax positions are recognized only when it is more likely than not (likelihood of greater than 50%), based on technical merits, that the positions will be sustained upon examination by the applicable taxing authority. Reserves are established if it is believed certain positions may be challenged and potentially disallowed. If facts and circumstances change, reserves would be adjusted through a provision for income taxes. BRHS would also recognize interest expense and penalties related to unrecognized tax benefits through a provision for income taxes. As of January 31, 2026, management did not identify any uncertain tax positions.

Note 1 – Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk

BRHS maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. For the years ended January 31, 2026 and 2025, approximately $222,000 and $532,000, respectively, of cash and cash equivalents was uninsured at a financial institution. BRHS has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 2 – Availability and Liquidity

	2026	2025
Financial assets at year end:		
Cash and cash equivalents	$ 366,077	660,279
Grants receivable	108,315	114,038
Deposits, prepaid expenses and other assets	17,536	7,077
Total financial assets	491,928	781,394
Financial assets available to meet general expenditures over the next twelve months	$ 491,928	781,394

BRHS manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid reserves to fund near-term operating needs, and maintaining sufficient reserves to provide future continuity and financial stability to draw upon in the event of an unanticipated liquidity need. BRHS has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days of operating expenses. To achieve these targets, BRHS forecasts its future cash flows and monitors its reserves and liquidity regularly.

Note 3 – Grants Receivable

Grants receivable consist of the following:

	2026	2025
Idaho Head Start Association	$ 66,174	71,320
U.S. Department of Agriculture	38,734	35,330
Other Grant Receivables	3,407	7,388
	$ 108,315	114,038

Note 4 – Property and Equipment

Property and equipment consist of the following:

	2026	2025
Equipment	$ 570,146	523,215
Buildings	374,229	374,229
Vehicles	372,928	372,928
Portable classrooms	417,507	350,238
Land	23,784	23,784
	1,758,594	1,644,394
Less accumulated depreciation	(1,370,926)	(1,279,257)
	$ 387,668	365,137

Included in net assets at January 31, 2026 and 2025 in the statements of financial position are $374,418 and $260,217, respectively, of property and equipment, which had been purchased with federal funds and had fiduciary responsibility for those assets. These assets with fiduciary responsibility have restrictions that require BRHS to repay the federal agency if the assets are sold or the use is changed from its original intended purpose. There are no approved plans to dispose or change the use of these assets as of January 31, 2026.

Note 5 – Defined Contribution Plan

BRHS participates in a 403(b) retirement plan. All BRHS full-time employees are eligible to participate in the plan and become eligible upon hire. BRHS is not obligated to make matching contributions into the plan. BRHS did not make any matching contributions during the years ending January 31, 2026 and 2025.

In addition to a 403(b) plan, BRHS participates in a Simplified Employee Pension Plan (SEP). BRHS may opt to contribute up to 15% of the employee's salary each year. For the years ended January 31, 2026 and 2025, BRHS made contributions of $77,320 and $260,440, respectively.

Both the 403(b) plan and SEP are subject to the Internal Revenue Code. Eligibility requirements under the plans state that all employees are eligible to participate in the plans as of the first date of employment. Employees may make elective deferrals to the plan.

Note 6 – Operating Lease Liabilities

BRHS leases certain buildings and classrooms under non-cancelable operating leases expiring through 2035. These leases contain periodic rent escalation adjustments. Operating lease expense is recorded on a straight-line basis. Lease rental cash paid under operating leases for the years ended January 31, 2026 and 2025 was approximately $827,000 and $757,000, respectively.

Future minimum rental payments for these noncancelable operating leases are as follows:

Year		Amount
2027	$	843,000
2028		817,000
2029		813,000
2030		669,000
2031		382,000
Thereafter		1,388,000
Total lease payments		4,912,000
Less imputed interest		(1,843,580)
	$	3,068,420

As of January 31, 2026 and 2025, the weighted average discount rate for BRHS's operating leases was 15.25% and 15.34%, respectively. The weighted average remaining lease term was 6.88 and 7.69 years, respectively.

Note 7 – Net Assets with Donor Restrictions

There were no net assets with donor restrictions during years ended January 31, 2026 and 2025.

Note 8 – Significant Concentrations

BRHS receives a substantial amount of its revenue from a federal agency. The aforementioned federal agency provided 94% and 94% of BRHS's total support and revenues for the years ended January 31, 2026 and 2025, respectively. Loss of this support could adversely affect BRHS's activities.

Note 9 – Donated Professional Services and Materials

BRHS recognized contributed nonfinancial assets within revenue, including mileage, supplies and professional services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Professional services included as in-kind donations in the financial statements, and the corresponding expenses, for the years ended January 31, 2026 and 2025, are as follows:

	2026		
	Head Start	Early Head Start	Total
Space	$ 550,895	$ 205,309	$ 756,204
Professional services	244,600	2,542	247,142
Mileage	2,308	690	2,998
Supplies	1,024	1,309	2,333
	$ 798,827	$ 209,850	$ 1,008,677

	2025		
	Head Start	Early Head Start	Total
Space	$ 527,027	$ 209,559	$ 736,586
Professional services	186,231	1,935	188,166
Mileage	2,350	955	3,305
Supplies	1,704	2,179	3,883
	$ 717,312	$ 214,628	$ 931,940

Note 9 – Donated Professional Services and Materials (continued)

Contributed services recognized comprise professional tutoring services, accounting services from a third-party accountant, and professional services from attorneys advising BRHS on various administrative legal matters. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar professional services.

Donated services are recognized when the service either creates or enhances a non-financial asset or requires specialized skill that would be purchased if the service was not donated. BRHS receives substantial assistance from volunteers who donate significant amounts of their time in program services which do not require a specialized skill. Time donated for work that does not require a professional or craftsman is not recorded in the financial statements, however, the donated amounts are tracked internally by BRHS for compliance purposes.

Note 10 – Supplemental Cash Flow Information

During the year ended January 31, 2025, BRHS recorded an increase to right-of-use asset – operating leases and corresponding operating lease liabilities of $2,053,034.

Note 11 – Commitments and Contingencies

BRHS may become or is subject to investigations, claims, or lawsuits arising in the ordinary course of its business. BRHS is currently not aware of any such items that it believes could have a material adverse effect on its financial statements.

Note 12 – Subsequent Events

BRHS evaluated its January 31, 2026 financial statements for subsequent events through October 30, 2026, the date the financial statements were available to be issued. BRHS is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

SINGLE AUDIT REPORTS

BEAR RIVER HEAD START, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended January 31, 2026

Federal Grantor/Pass-Through Grantor/ Program Title	Federal ALN No.	Contract Number	Award	Expenditures
U.S. Department of Health and Human Services (HHS)				
Direct Programs:				
2025-2026 Head Start	93.600	08CH01248702	$ 9,082,209	$ 9,082,209
Total Head Start Cluster				9,082,209
Passed through the Idaho Head Start Association:				
Temporary Assistance for Needy Families	93.558	26-202301	171,663	31,447
Temporary Assistance for Needy Families	93.558	27-202301	205,205	120,364
Total TANF Cluster				151,811
Total HHS				9,234,020
U.S. Department of Agriculture (USDA)				
Passed through the Utah State Office of Education				
Child and Adult Care Food Program	10.558	F-1	334,801	334,801
Passed through the Idaho State Department of Education Child Nutrition Section				
Child Care Food Program	10.558	45-01	48,235	48,235
Total Department of Agriculture				383,036
Total Federal Awards				$ 9,617,056

BEAR RIVER HEAD START, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended January 31, 2026

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Bear River Head Start (BRHS) under programs of the federal government for the year ended January 31, 2026. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of BRHS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of BRHS.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

Expenditures reported on the Schedule are reported using the same accounting policies and basis of accounting as the financial statements. 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.

Assistance Listing Numbers

Uniform Guidance requires that the Schedule show the total expenditures for each of BRHS's federal financial assistance programs as identified in the Assistance Listing Number (ALN). The ALN is a government-wide compendium of individual federal programs. Each program included in the ALN is assigned a five-digit program identification number (ALN number).

Major Programs

Uniform Guidance establishes the levels of expenditures or expenses and other criteria to be used in defining major programs. Major programs have been noted on the Schedule of Findings and Questioned Costs in accordance with those definitions.

Indirect Costs

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

The Schedule includes programs operated by BRHS which include a portion of costs associated with general activities that are allocated to federal financial assistance programs using direct labor as a basis of allocation.

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

To the Board of Directors
Bear River Head Start, Inc.
Logan, Utah

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 Bear River Head Start, Inc. (a nonprofit organization), which comprise the statement of financial position as of January 31, 2026, and the related statements of activities, 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 October 30, 2026.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bear River Head Start, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bear River Head Start, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Bear River Head Start, Inc.'s internal control.

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

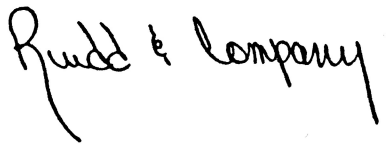
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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



Rexburg, Idaho
October 30, 2026

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

To the Board of Directors
Bear River Head Start, Inc.
Logan, Utah

Report on Compliance for Each Major Federal Program

Opinion on the Major Federal Program

We have audited Bear River Head Start, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bear River Head Start, Inc.'s major federal program for the year ended January 31, 2026. Bear River Head Start, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Bear River Head Start, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended January 31, 2026.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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

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

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

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

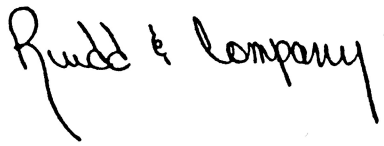
Report on Internal Control Over Compliance

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

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

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

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



Rexburg, Idaho
October 30, 2026

BEAR RIVER HEAD START, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended January 31, 2026

A. Summary of Auditor's Results:

Financial Statements

1. Type of report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
2. Internal control over financial reporting:	
• Material weaknesses identified:	No
• Significant deficiencies identified:	None reported
3. Non-compliance material to financial statements noted:	No

Federal Awards

4. Internal control over major programs:	
• Material weaknesses identified:	No
• Significant deficiencies identified:	None reported
5. Type of auditor's report issued on compliance for major programs:	Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a):	No
7. Federal programs tested as major programs:	Head Start Cluster ALN # 93.600
8. Dollar threshold used to distinguish between type A and type B programs:	$1,000,000
9. Auditee qualified as low-risk auditee?	No

BEAR RIVER HEAD START, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended January 31, 2026

B. Findings related to the financial statements required to be reported in accordance with *Government Auditing Standards*:

None

C. Findings and questioned costs related to federal awards required to be reported in accordance with the Uniform Guidance.

None

BEAR RIVER HEAD START, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
(Client Submitted Document)
Year Ended January 31, 2026

There were no audit findings in the prior year related to federal awards.