

CHILDREN OF THE NATIONS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Children of the Nations

Opinion

We have audited the accompanying financial statements of Children of the Nations (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children of the Nations as of December 31, 2025, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Children of the Nations 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 Children of the Nations' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally

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

In performing an audit in accordance with generally accepted auditing standards, 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 Children of the Nations' 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 Children of the Nations' 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.

Report on Summarized Comparative Information

We have previously audited Children of the Nations' 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 19, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Clarke Whitney CPA Group LLC
Bremerton, Washington
May 15, 2026

CHILDREN OF THE NATIONS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 832,868	\$ 587,799
Pledges receivable (net of allowance for doubtful accounts (2025 \$111,497 and 2024 \$134,417))	3,684,113	3,275,742
Inventory	264,275	267,754
Prepaid expenses	<u>-</u>	<u>16,095</u>
Total current assets	4,781,256	4,147,390
Property and equipment, net	<u>358,574</u>	<u>347,572</u>
Total assets	<u><u>\$ 5,139,830</u></u>	<u><u>\$ 4,494,962</u></u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 143,792	\$ 40,721
Accrued payroll and payroll taxes	162,005	69,251
Current portion on lease liability	2,036	5,840
Current portion on notes payable	<u>-</u>	<u>50,528</u>
Total current liabilities	307,833	166,340
Finance lease liability		
Lease liability	<u>-</u>	<u>2,036</u>
Total liabilities	307,833	168,376
Net assets		
Without donor restrictions	4,087,820	3,327,740
With donor restrictions	<u>744,177</u>	<u>998,846</u>
Total net assets	<u>4,831,997</u>	<u>4,326,586</u>
Total liabilities and net assets	<u><u>\$ 5,139,830</u></u>	<u><u>\$ 4,494,962</u></u>

The accompanying notes are an integral part of these financial statements

CHILDREN OF THE NATIONS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
Contributions and other revenues				
Contributions				
General support	\$ 3,610,867	\$ 1,518,135	\$ 5,129,002	\$ 5,749,840
Dominican Republic support	-	853,778	853,778	770,238
In-kind equipment and supplies	-	538,498	538,498	422,937
Malawi support	-	1,077,730	1,077,730	796,848
Sierra Leone support	-	548,182	548,182	543,606
Contributed skilled services	-	582,706	582,706	419,551
Uganda support	-	513,888	513,888	469,347
Interest	6	-	6	10
Reclassifications				
Satisfaction of purpose restrictions	<u>5,887,586</u>	<u>(5,887,586)</u>	<u>-</u>	<u>-</u>
Total contributions and other revenues	9,498,459	(254,669)	9,243,790	9,172,377
Expenses				
Program services				
International	3,125,319	-	3,125,319	3,355,882
Dominican Republic	1,552,776	-	1,552,776	1,367,449
Malawi	1,037,825	-	1,037,825	1,196,595
Sierra Leone	710,760	-	710,760	804,492
Uganda	926,016	-	926,016	778,131
Supporting services				
Management and general	777,278	-	777,278	510,075
Fundraising	<u>608,405</u>	<u>-</u>	<u>608,405</u>	<u>616,038</u>
Total expenses	<u>8,738,379</u>	<u>-</u>	<u>8,738,379</u>	<u>8,628,662</u>
Change in net assets	760,080	(254,669)	505,411	543,715
Net assets at beginning of year	<u>3,327,740</u>	<u>998,846</u>	<u>4,326,586</u>	<u>3,782,871</u>
Net assets at end of year	<u>\$ 4,087,820</u>	<u>\$ 744,177</u>	<u>\$ 4,831,997</u>	<u>\$ 4,326,586</u>

The accompanying notes are an integral part of these financial statements

CHILDREN OF THE NATIONS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2024

	Program Services						Supporting Services				
	International	Dominican Republic	Malawi	Sierra Leone	Uganda	Total	Management and General	Fundraising	Total	2025 Total	2024 Total
Salaries, taxes and benefits	\$ 1,618,500	\$ -	\$ -	\$ -	\$ -	\$ 1,618,500	\$ 433,159	\$ 215,982	\$ 649,141	\$ 2,267,641	\$ 2,143,216
Clinic	-	86,041	-	-	-	86,041	-	-	-	86,041	72,502
Communications	11,036	-	-	-	-	11,036	5,518	12,578	18,096	29,132	28,543
Contributed skilled services	99,657	303,114	10,800	-	4,480	418,051	141,337	23,318	164,655	582,706	346,867
Depreciation	-	-	-	-	-	-	24,229	-	24,229	24,229	24,858
Grants	399,718	796,895	887,637	541,492	729,792	3,355,534	-	-	-	3,355,534	3,606,105
In-kind equipment and supplies	53,178	135,960	91,430	126,350	70,743	477,661	1,116	47,200	48,316	525,977	314,599
Interest	-	-	-	-	-	-	410	-	410	410	5,350
Other expenses	545,584	-	-	-	-	545,584	95,033	240,938	335,971	881,555	1,135,802
Other projects	-	42,515	18,434	22,702	15,009	98,660	-	-	-	98,660	245,882
Printing and publications	-	-	-	-	-	-	4,871	23,627	28,498	28,498	25,121
Professional fees	-	-	-	-	-	-	31,042	-	31,042	31,042	23,389
Program facilities	27,474	-	-	-	-	27,474	14,741	420	15,161	42,635	57,330
Supplies	-	-	-	-	-	-	21,774	21,042	42,816	42,816	39,851
Travel and conferences	41,918	-	-	-	-	41,918	4,048	23,300	27,348	69,266	68,528
Venture teams	<u>328,254</u>	<u>188,251</u>	<u>29,524</u>	<u>20,216</u>	<u>105,992</u>	<u>672,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>672,237</u>	<u>490,719</u>
Total expenses	<u>\$ 3,125,319</u>	<u>\$ 1,552,776</u>	<u>\$ 1,037,825</u>	<u>\$ 710,760</u>	<u>\$ 926,016</u>	<u>\$ 7,352,696</u>	<u>\$ 777,278</u>	<u>\$ 608,405</u>	<u>\$ 1,385,683</u>	<u>\$ 8,738,379</u>	<u>\$ 8,628,662</u>

The accompanying notes are an integral part of these financial statements

CHILDREN OF THE NATIONS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets	\$ 505,411	\$ 543,715
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	24,229	24,858
(Increase) decrease in assets:		
Pledges receivable	(408,370)	(443,367)
Inventory	3,479	(108,338)
Prepaid expenses	16,095	15,847
Increase (decrease) in:		
Accounts payable	103,071	(49,129)
Accrued payroll and payroll taxes	<u>92,754</u>	<u>3,645</u>
Net cash provided (used) by operating activities	336,669	(12,769)
Cash flows from investing activities		
Purchase of property and equipment	<u>(35,232)</u>	<u>-</u>
Net cash used by investing activities	(35,232)	-
Cash flows from financing activities		
Payment on lease liability	(5,840)	(5,447)
Payment of notes payable	<u>(50,528)</u>	<u>(100,472)</u>
Net cash used by financing activities	<u>(56,368)</u>	<u>(105,919)</u>
Net change in cash	245,069	(118,688)
Cash, beginning of year	<u>587,799</u>	<u>706,487</u>
Cash, end of year	<u><u>\$ 832,868</u></u>	<u><u>\$ 587,799</u></u>
Supplemental information:		
Cash paid for interest	\$ 410	\$ 5,350

The accompanying notes are an integral part of these financial statements

**CHILDREN OF THE NATIONS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Operations

Children of the Nations (the Organization) is incorporated as a non-profit corporation. Its mission statement is to provide holistic Christ-centered care for orphaned and destitute children, enabling them to create positive and lasting change in their nations. The organization's headquarters office is in Silverdale, Washington. The Organization is also registered in Alabama, Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, Nebraska, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and Wisconsin.

The organization directly supports, through financial and organizational resources, foreign aid non-governmental organizations (NGOs) in the Dominican Republic, Malawi, Sierra Leone and Uganda. These organizations are separate legal entities from Children of the Nations (USA) with separate audited financial statements and are registered in their respective countries. The organization has applied for NGO status in Haiti but is still waiting for approval from the country.

Basis of Accounting

The Organization has adopted a policy of preparing its financial statements in accordance with generally accepted accounting principles. The financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

The Organization follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958 *Not-for-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions, and without donor restrictions.

With Donor Restrictions: Net assets that result from contributions whose use by the Organization is restricted by donor imposed stipulations that may expire with the passage of time or can be fulfilled or otherwise removed by actions of the Organization.

Without Donor Restrictions: Net assets that are not restricted by donor stipulation.

CHILDREN OF THE NATIONS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Financial Statements

The amounts shown for the year ended December 31, 2024 in the accompanying financial statements are included to provide a basis for comparison with 2025 and present summarized totals only. Accordingly, the 2024 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2024, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturity of one year or less to be cash equivalents. These financial instruments are valued at fair market value due to their short-term maturity and low risk nature. As of December 31, 2025, the Organization held \$773,436 in a checking account and \$59,432 in a savings account.

Inventory

The Organization receives donations of food, equipment and supplies, which are recognized in the financial statements as in-kind contributions in accordance with ASC 958, "Accounting for Contributions Received and Contributions Made". Additionally, as required, donated inventory consisting of food, equipment and supplies are valued in the financial statements at their estimated value, which was \$264,275 at December 31, 2025.

Food inventory is valued based on an estimate of the number of pounds and an estimated price per pound. Inventory consisting of equipment and supplies is based on an estimated value as determined by management. Purchased inventory is valued at cost.

**CHILDREN OF THE NATIONS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost if purchased and fair market value if donated. Vehicles are stated at fair market value if retained by the Organization or subsequent sale price if immediately sold. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	39 years
Land improvements	15 years
Equipment	3 to 7 years
Vehicles	5 years

Assets constructed or purchased for foreign aid NGOs are not reported as assets of Children of the Nations (USA). Rather, they are listed as expenses of the Organization to support the foreign aid NGOs.

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in its ASC 958.605, "Accounting for Contributions Received and Contributions Made". In accordance with ASC 958.605.15, contributions received are recorded as net assets with donor restriction or without donor restriction depending on the existence, nature and fulfillment of any donor stipulations that limit the use of the donated assets. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions are fulfilled or expire in the fiscal year in which such contributions are recognized. Other restricted contributions are reported as increases in net assets with donor restriction and are reclassified to net assets without donor restriction upon fulfillment or expiration of the donor restriction in a later fiscal year.

Donated services are recognized as contributions in accordance with ASC 958.605, if the services create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteers provided general office and administrative support throughout the year that were not recognized as contributions in the financial statements since the recognition criteria under ASC 958 were not met. The Organization tracks the professional services provided by medical teams, counselors, teachers, construction contractors, lawyers and accountants. The total of these donated services for 2025 was \$582,706.

**CHILDREN OF THE NATIONS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the services and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to the program and supporting services benefited.

Federal Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as a not-for-profit organization and is not classified as a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

Management evaluated the Organization’s tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements. The Organization’s income tax returns are generally subject to review and examination by federal tax authorities for the previous three years.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Organization maintains significant cash balances at financial institutions. The Federal Deposit Insurance Corporation (FDIC) has provided coverage up to \$250,000 per depositor in 2025. As a result, the Organization has a concentration of credit risk in the amount of \$410,889 as of December 31, 2025.

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable consist of all pledges payable made by individuals or groups to contribute a certain amount of money to the Organization for child sponsorship or other regular gifts. The Organization’s policy is to record as pledges all recurring commitments that will occur during the following year. An allowance for doubtful account in relation to pledges receivable is calculated based on the average collection of pledges over a three year period and resulted in an allowance for doubtful account balance of \$111,497 as of December 31, 2025. The total amount of bad debts associated to pledges receivable was also \$111,497 for the year ended December 31, 2025.

CHILDREN OF THE NATIONS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Management has determined that the only assets owned and controlled by the Organization are those used by the Organization's United States operations to support the foreign aid NGOs. Any assets purchased or developed on behalf of any foreign aid NGO, residing overseas, are treated as expenses of the Organization to fulfill its mission and purpose. Assets residing overseas are listed as fixed assets on the foreign aid NGO's audited financial statements. At December 31, 2025 property and equipment consisted of the following:

	<u>2025</u>
Non-depreciable assets	
Land	\$ 75,000
Depreciable assets	
Buildings	459,170
Land improvements	89,891
Equipment	58,958
Vehicles	<u>13,623</u>
Total property and equipment	696,642
Less accumulated depreciation	<u>(338,068)</u>
Total property and equipment, net	<u><u>\$ 358,574</u></u>

NOTE 5 - FINANCE LEASES

The Organization entered into a finance lease for copy machines with Marlin Leasing Corporation on February 28, 2021 for a term of 63 months. This finance lease was capitalized with a combined cost of \$27,200. The amount of expenses incurred under this lease for the year ended December 31, 2025 was \$2,341 for maintenance and \$366 for interest. The interest rate on this finance lease was assessed at 7.00%, based on the company's expected interest rate. The copier is depreciated over the lease term. Depreciation of the copier for the year ended December 31, 2025 is as follows:

	<u>2025</u>
Equipment	\$ 27,200
Less: accumulated depreciation	<u>(27,200)</u>
	<u><u>\$ -</u></u>

CHILDREN OF THE NATIONS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 - FINANCE LEASES (CONTINUED)

Minimum future lease payments under this finance lease as of December 31, 2025 are as follows:

Year Ended December 31,

2026	\$ 2,968
Total minimum lease payments	2,968
Less: amounts representing interest	(30)
Less: amounts representing operating fees	(902)
Present value of net minimum lease	<u>\$ 2,036</u>

NOTE 6 - RESTRICTIONS ON NET ASSETS

Donor restrictions are recorded as released from restriction when expenditures are incurred that advance the restricted purpose. Restrictions on net assets at December 31, 2025 consist of the following:

	<u>2025</u>
Without donor restrictions	\$ 4,087,820
With donor restrictions:	
International	436,079
Dominican Republic	150,879
Malawi	56,296
Sierra Leone	70,115
Uganda	<u>30,808</u>
Total with donor restrictions	<u>744,177</u>
Total net assets	<u>\$ 4,831,997</u>

NOTE 7 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

	<u>2025</u>
Financial assets, at year end	\$ 4,516,981
Less those available for general expenditures within one year due to:	
Contractual of donor-imposed restrictions	
Subject to appropriation and satisfaction of donor restrictions	<u>(744,177)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,772,804</u>

CHILDREN OF THE NATIONS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 8 - FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 820-201 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure fair value of its investment.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 and 3 inputs are used only when Level 1 inputs are not available. The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2025.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents:				
Highly liquid investments	\$ -	\$ -	\$ -	\$ -

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

Level 1 Fair Value Measurement

The fair value of Level 1 investment is based on quoted market prices.

Composition of and changes in endowment net assets for the year ended December 31, 2025 were as follows:

	<u>2025</u>
Investments, beginning of year	\$ 70,859
Withdrawals	(60,721)
Investment income	2,118
Realized gains (losses)	(11,912)
Investment fees	(344)
Investments, end of year	<u><u>\$ -</u></u>

CHILDREN OF THE NATIONS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 9 – RETIREMENT BENEFITS

During 2025, the Organization approved retirement benefits for one officer and one employee payable one year following retirement. As of December 31, 2025, the Organization recorded an accrued retirement benefit liability of \$102,140 related to these arrangements, which is included in accrued payroll and payroll taxes in the accompanying statement of financial position. Management expects the retirement benefits to be fully paid by July 1, 2026.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 15, 2026 the date which the financial statements were available to be issued, and there were none to disclose.