

Consolidated Financial Statements  
June 30, 2025 and 2024

**Children's Home Society of South  
Dakota**

Children's Home Society of South Dakota

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June 30, 2025 and 2024

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## Independent Auditor's Report

The Board of Directors  
Children's Home Society of South Dakota  
Sioux Falls, South Dakota

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of Children's Home Society of South Dakota and Children's Home Foundation (collectively, the Organization), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2025 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

## **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Supplementary Information is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidating financial statements as a whole.

A handwritten signature in black ink that reads "Eric Baily, LLP". The signature is fluid and cursive, with "Eric" and "Baily" connected by a single stroke, and "LLP" in a smaller, separate group of letters.

Sioux Falls, South Dakota  
October 28, 2025

Children's Home Society of South Dakota  
 Consolidated Statements of Financial Position  
 June 30, 2025 and 2024

|                                                             | 2025                         | 2024                         |
|-------------------------------------------------------------|------------------------------|------------------------------|
| <b>Assets</b>                                               |                              |                              |
| Cash, cash equivalents, and restricted cash                 |                              |                              |
| Undesignated cash and cash equivalents                      | \$ 2,843,012                 | \$ 5,580,873                 |
| Designated cash                                             | 107,521                      | 1,694,992                    |
| Restricted cash                                             | <u>2,110,848</u>             | <u>1,245,607</u>             |
| Total cash, cash equivalents, and restricted cash           | <u>5,061,381</u>             | <u>8,521,472</u>             |
| Accounts receivable                                         | 2,104,247                    | 2,824,896                    |
| Grants and contracts receivable                             | 517,120                      | 580,419                      |
| Contributions receivable                                    | 6,736,128                    | 1,514,114                    |
| Inventory                                                   | 48,350                       | 25,691                       |
| Prepaid expenses                                            | 733,783                      | 679,101                      |
| Investments                                                 | 168,049,826                  | 155,065,729                  |
| Beneficial interest in trusts                               | 3,344,852                    | 3,056,256                    |
| Beneficial interest in assets held by community foundations | 4,243,219                    | 3,948,694                    |
| Cash surrender value of life insurance                      | 1,226,025                    | 1,187,751                    |
| Other assets                                                | 291,651                      | 270,913                      |
| Finance lease right of use asset                            | 40,372                       | 78,433                       |
| Land, buildings and equipment, net                          | 36,450,943                   | 38,402,473                   |
| Assets held-for-sale                                        | <u>3,649,275</u>             | -                            |
| Total assets                                                | <u>\$ 232,497,172</u>        | <u>\$ 216,155,942</u>        |
| <b>Liabilities and Net Assets</b>                           |                              |                              |
| <b>Liabilities</b>                                          |                              |                              |
| Notes payable, net of loan issuance costs                   | \$ 8,835,200                 | \$ -                         |
| Construction loan                                           | -                            | 8,977,000                    |
| Finance lease liability                                     | 40,372                       | 78,433                       |
| Accounts payable                                            | 1,661,756                    | 1,946,401                    |
| Accrued expenses                                            | 2,641,990                    | 2,338,342                    |
| Annuity obligations                                         | <u>6,117</u>                 | <u>12,643</u>                |
| Total liabilities                                           | <u>13,185,435</u>            | <u>13,352,819</u>            |
| <b>Net Assets</b>                                           |                              |                              |
| Without donor restrictions                                  |                              |                              |
| Undesignated                                                | 38,798,250                   | 39,009,681                   |
| Board designated                                            | <u>32,405,253</u>            | <u>32,296,012</u>            |
| With donor restrictions                                     | <u>71,203,503</u>            | <u>71,305,693</u>            |
| Total net assets                                            | <u>219,311,737</u>           | <u>202,803,123</u>           |
|                                                             | <u><u>\$ 232,497,172</u></u> | <u><u>\$ 216,155,942</u></u> |

**Children's Home Society of South Dakota**  
**Consolidated Statements of Activities**  
**Year Ended June 30, 2025**

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|                                                                                                           | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>                 |
|-----------------------------------------------------------------------------------------------------------|---------------------------------------|------------------------------------|------------------------------|
| <b>Revenue, Gains and Other Support</b>                                                                   |                                       |                                    |                              |
| Childcare                                                                                                 | \$ 13,587,583                         | \$ -                               | \$ 13,587,583                |
| Tuition                                                                                                   | 3,914,704                             | -                                  | 3,914,704                    |
| Contributions                                                                                             | 2,140,078                             | 9,032,067                          | 11,172,145                   |
| Support from government agencies                                                                          | 2,827,627                             | -                                  | 2,827,627                    |
| Grants                                                                                                    | 154,490                               | 25,000                             | 179,490                      |
| United Way support                                                                                        | -                                     | 725,335                            | 725,335                      |
| In-kind contributions                                                                                     | 952,234                               | -                                  | 952,234                      |
| Increase in cash surrender value of life insurance                                                        | 38,274                                | -                                  | 38,274                       |
| Distributions from perpetual trusts                                                                       | 51,664                                | -                                  | 51,664                       |
| Investment return, net                                                                                    | 4,831,406                             | 15,313,898                         | 20,145,304                   |
| Distributions from and change in value of beneficial<br>interests in assets held by community foundations | 4,060                                 | 289,950                            | 294,010                      |
| Change in value of beneficial interest in trusts                                                          | -                                     | 288,596                            | 288,596                      |
| Change in value of annuity obligations                                                                    | 4,030                                 | -                                  | 4,030                        |
| Therapy                                                                                                   | 544,520                               | -                                  | 544,520                      |
| Other                                                                                                     | 342,525                               | -                                  | 342,525                      |
| Net asset released from restriction pursuant to<br>endowment spending-rate distribution formula           | 5,024,857                             | (5,024,857)                        | -                            |
| Net assets released from restrictions - other                                                             | <u>4,039,185</u>                      | <u>(4,039,185)</u>                 | <u>-</u>                     |
| <b>Total revenue, gains and other support</b>                                                             | <b><u>38,457,237</u></b>              | <b><u>16,610,804</u></b>           | <b><u>55,068,041</u></b>     |
| <b>Expenses and Losses</b>                                                                                |                                       |                                    |                              |
| <b>Program services expense</b>                                                                           |                                       |                                    |                              |
| Residential and education                                                                                 | 19,802,873                            | -                                  | 19,802,873                   |
| Community based services                                                                                  | <u>10,528,418</u>                     | <u>-</u>                           | <u>10,528,418</u>            |
| <b>Total program services expense</b>                                                                     | <b><u>30,331,291</u></b>              | <b><u>-</u></b>                    | <b><u>30,331,291</u></b>     |
| <b>Supporting services expense</b>                                                                        |                                       |                                    |                              |
| General and administrative                                                                                | 5,254,515                             | -                                  | 5,254,515                    |
| Fundraising and development                                                                               | <u>2,973,621</u>                      | <u>-</u>                           | <u>2,973,621</u>             |
| <b>Total supporting services expense</b>                                                                  | <b><u>8,228,136</u></b>               | <b><u>-</u></b>                    | <b><u>8,228,136</u></b>      |
| <b>Total expenses and losses</b>                                                                          | <b><u>38,559,427</u></b>              | <b><u>-</u></b>                    | <b><u>38,559,427</u></b>     |
| <b>Change in Net Assets</b>                                                                               |                                       |                                    |                              |
|                                                                                                           | (102,190)                             | 16,610,804                         | 16,508,614                   |
| <b>Net Assets, Beginning of Year</b>                                                                      | <b><u>71,305,693</u></b>              | <b><u>131,497,430</u></b>          | <b><u>202,803,123</u></b>    |
| <b>Net Assets, End of Year</b>                                                                            | <b><u>\$ 71,203,503</u></b>           | <b><u>\$ 148,108,234</u></b>       | <b><u>\$ 219,311,737</u></b> |

Children's Home Society of South Dakota  
 Consolidated Statements of Activities  
 Year Ended June 30, 2024

|                                                                                                           | Without Donor<br>Restrictions | With Donor<br>Restrictions   | Total                        |
|-----------------------------------------------------------------------------------------------------------|-------------------------------|------------------------------|------------------------------|
| <b>Revenue, Gains and Other Support</b>                                                                   |                               |                              |                              |
| Childcare                                                                                                 | \$ 12,902,093                 | \$ -                         | \$ 12,902,093                |
| Tuition                                                                                                   | 3,549,291                     | -                            | 3,549,291                    |
| Contributions                                                                                             | 1,816,642                     | 3,220,121                    | 5,036,763                    |
| Support from government agencies                                                                          | 3,065,839                     | -                            | 3,065,839                    |
| Grants                                                                                                    | 112,470                       | 127,430                      | 239,900                      |
| United Way support                                                                                        | -                             | 722,835                      | 722,835                      |
| In-kind contributions                                                                                     | 1,761,148                     | -                            | 1,761,148                    |
| Increase in cash surrender value of life insurance                                                        | 37,169                        | -                            | 37,169                       |
| Distributions from perpetual trusts                                                                       | 33,434                        | -                            | 33,434                       |
| Investment return, net                                                                                    | 4,412,495                     | 12,996,673                   | 17,409,168                   |
| Distributions from and change in value of beneficial<br>interests in assets held by community foundations | 3,219                         | 287,268                      | 290,487                      |
| Change in value of beneficial interest in trusts                                                          | -                             | 177,016                      | 177,016                      |
| Change in value of annuity obligations                                                                    | (1,837)                       | -                            | (1,837)                      |
| Other                                                                                                     | 314,220                       | -                            | 314,220                      |
| Net asset released from restriction pursuant to<br>endowment spending-rate distribution formula           | 4,625,033                     | (4,625,033)                  | -                            |
| Net assets released from restrictions - other                                                             | <u>7,717,559</u>              | <u>(7,717,559)</u>           | <u>-</u>                     |
| <b>Total revenue, gains and other support</b>                                                             | <b><u>40,348,775</u></b>      | <b><u>5,188,751</u></b>      | <b><u>45,537,526</u></b>     |
| <b>Expenses and Losses</b>                                                                                |                               |                              |                              |
| Program services expense                                                                                  |                               |                              |                              |
| Residential and education                                                                                 | 18,206,996                    | -                            | 18,206,996                   |
| Community based services                                                                                  | <u>9,235,763</u>              | <u>-</u>                     | <u>9,235,763</u>             |
| <b>Total program services expense</b>                                                                     | <b><u>27,442,759</u></b>      | <b><u>-</u></b>              | <b><u>27,442,759</u></b>     |
| Supporting services expense                                                                               |                               |                              |                              |
| General and administrative                                                                                | 4,269,736                     | -                            | 4,269,736                    |
| Fundraising and development                                                                               | <u>3,472,609</u>              | <u>-</u>                     | <u>3,472,609</u>             |
| <b>Total supporting services expense</b>                                                                  | <b><u>7,742,345</u></b>       | <b><u>-</u></b>              | <b><u>7,742,345</u></b>      |
| <b>Total expenses and losses</b>                                                                          | <b><u>35,185,104</u></b>      | <b><u>-</u></b>              | <b><u>35,185,104</u></b>     |
| Change in Net Assets                                                                                      | 5,163,671                     | 5,188,751                    | 10,352,422                   |
| Net Assets, Beginning of Year                                                                             | <u>66,142,022</u>             | <u>126,308,679</u>           | <u>192,450,701</u>           |
| <b>Net Assets, End of Year</b>                                                                            | <b><u>\$ 71,305,693</u></b>   | <b><u>\$ 131,497,430</u></b> | <b><u>\$ 202,803,123</u></b> |

Children's Home Society of South Dakota  
 Consolidated Statements of Functional Expenses  
 Year Ended June 30, 2025

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|                                       | Program Expenses             |                             |                      | General and<br>Administrative | Fundraising and<br>Development | Total                |
|---------------------------------------|------------------------------|-----------------------------|----------------------|-------------------------------|--------------------------------|----------------------|
|                                       | Residential and<br>Education | Community<br>Based Services | Total                |                               |                                |                      |
| Salaries                              | \$ 12,819,154                | \$ 5,905,816                | \$ 18,724,970        | \$ 2,185,364                  | \$ 1,409,766                   | \$ 22,320,100        |
| Payroll taxes and benefits            | 3,433,915                    | 1,673,032                   | 5,106,947            | 576,049                       | 380,018                        | 6,063,014            |
| Employment costs                      | 32,766                       | 13,736                      | 46,502               | 6,902                         | 1,688                          | 55,092               |
| Training and conferences              | 102,584                      | 85,183                      | 187,767              | 25,168                        | 14,865                         | 227,800              |
| Professional services and fees        | 487,472                      | 396,962                     | 884,434              | 485,134                       | 306,983                        | 1,676,551            |
| Food                                  | 534,313                      | 122,283                     | 656,596              | -                             | -                              | 656,596              |
| Insurance                             | 535,124                      | 289,496                     | 824,620              | 160,744                       | 55,437                         | 1,040,801            |
| Travel                                | 28,563                       | 75,863                      | 104,426              | 70,182                        | 27,669                         | 202,277              |
| Occupancy                             | 520,569                      | 361,022                     | 881,591              | 434,691                       | 12,767                         | 1,329,049            |
| Goods and supplies                    | 219,405                      | 561,438                     | 780,843              | 184,393                       | 642,245                        | 1,607,481            |
| Printing and publications             | 7,493                        | 42,509                      | 50,002               | 15,514                        | 86,471                         | 151,987              |
| Equipment maintenance<br>and licenses | 259,822                      | 156,479                     | 416,301              | 213,314                       | 14,115                         | 643,730              |
| Loss on uncollectable receivables     | 189                          | 15,617                      | 15,806               | -                             | 3,217                          | 19,023               |
| Interest                              | -                            | -                           | -                    | 653,976                       | -                              | 653,976              |
| Depreciation                          | 821,504                      | 813,315                     | 1,634,819            | 216,891                       | 12,000                         | 1,863,710            |
| Other                                 | -                            | 15,667                      | 15,667               | 26,193                        | 6,380                          | 48,240               |
|                                       | <b>\$ 19,802,873</b>         | <b>\$ 10,528,418</b>        | <b>\$ 30,331,291</b> | <b>\$ 5,254,515</b>           | <b>\$ 2,973,621</b>            | <b>\$ 38,559,427</b> |

Children's Home Society of South Dakota  
 Consolidated Statements of Functional Expenses  
 Year Ended June 30, 2024

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|                                       | Program Expenses             |                             |                      | General and<br>Administrative | Fundraising and<br>Development | Total                |
|---------------------------------------|------------------------------|-----------------------------|----------------------|-------------------------------|--------------------------------|----------------------|
|                                       | Residential and<br>Education | Community<br>Based Services | Total                |                               |                                |                      |
| Salaries                              | \$ 11,782,329                | \$ 5,060,775                | \$ 16,843,104        | \$ 1,686,159                  | \$ 1,269,918                   | \$ 19,799,181        |
| Payroll taxes and benefits            | 3,177,840                    | 1,465,528                   | 4,643,368            | 486,934                       | 319,216                        | 5,449,518            |
| Employment costs                      | 45,610                       | 21,660                      | 67,270               | 15,774                        | 2,211                          | 85,255               |
| Training and conferences              | 92,197                       | 122,116                     | 214,313              | 24,180                        | 1,855                          | 240,348              |
| Professional services and fees        | 601,459                      | 379,562                     | 981,021              | 570,503                       | 195,327                        | 1,746,851            |
| Food                                  | 562,334                      | 110,247                     | 672,581              | -                             | -                              | 672,581              |
| Insurance                             | 437,160                      | 225,468                     | 662,628              | 126,057                       | 45,409                         | 834,094              |
| Travel                                | 26,775                       | 89,794                      | 116,569              | 58,108                        | 40,796                         | 215,473              |
| Occupancy                             | 457,241                      | 293,946                     | 751,187              | 220,168                       | 8,253                          | 979,608              |
| Goods and supplies                    | 219,881                      | 550,297                     | 770,178              | 182,126                       | 1,446,663                      | 2,398,967            |
| Printing and publications             | 4,998                        | 11,881                      | 16,879               | 13,179                        | 72,414                         | 102,472              |
| Equipment maintenance<br>and licenses | 207,437                      | 94,231                      | 301,668              | 198,764                       | 23,404                         | 523,836              |
| Loss on uncollectable receivables     | -                            | 3,851                       | 3,851                | -                             | 33,111                         | 36,962               |
| Interest                              | -                            | -                           | -                    | 430,483                       | -                              | 430,483              |
| Depreciation                          | 591,735                      | 777,783                     | 1,369,518            | 209,617                       | 7,651                          | 1,586,786            |
| Other                                 | -                            | 28,624                      | 28,624               | 47,684                        | 6,381                          | 82,689               |
|                                       | <b>\$ 18,206,996</b>         | <b>\$ 9,235,763</b>         | <b>\$ 27,442,759</b> | <b>\$ 4,269,736</b>           | <b>\$ 3,472,609</b>            | <b>\$ 35,185,104</b> |

Children's Home Society of South Dakota  
 Consolidated Statements of Cash Flows  
 Years Ended June 30, 2025 and 2024

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|                                                                                            | 2025               | 2024               |
|--------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>Operating Activities</b>                                                                |                    |                    |
| Change in net assets                                                                       | \$ 16,508,614      | \$ 10,352,422      |
| Adjustments to reconcile change in net assets to<br>net cash used for operating activities |                    |                    |
| Depreciation                                                                               | 1,863,710          | 1,586,786          |
| Amortization of right of use asset                                                         | 38,061             | 38,060             |
| Gain on disposal of equipment                                                              | (300,566)          | (6,254)            |
| Noncash donation of securities                                                             | (73,988)           | (50,514)           |
| Realized and unrealized gain on investments                                                | (15,729,801)       | (13,370,529)       |
| Change in value of beneficial interest                                                     |                    |                    |
| in assets held by community foundations                                                    | (294,010)          | (290,487)          |
| Change in beneficial interest in trusts                                                    | (288,596)          | (177,016)          |
| Fair value adjustment of contributions receivable                                          | 773,822            | (17,310)           |
| Contributions restricted for endowment including noncash gifts                             | (95,161)           | (493,578)          |
| Contributions restricted to building project                                               | (7,034,942)        | (249,020)          |
| Change in cash surrender value of life insurance                                           | (38,274)           | (37,168)           |
| Change in operating assets and liabilities                                                 |                    |                    |
| Receivables                                                                                | 1,191,262          | (1,262,940)        |
| Inventory                                                                                  | (22,659)           | 462                |
| Prepaid expenses                                                                           | (54,682)           | (192,245)          |
| Other assets                                                                               | (20,738)           | (19,281)           |
| Accounts payable                                                                           | 256,956            | 210,928            |
| Accrued expenses                                                                           | 303,648            | 661,186            |
| Annuity obligations                                                                        | <u>(6,526)</u>     | <u>207</u>         |
| Net Cash used for Operating Activities                                                     | <u>(3,023,870)</u> | <u>(3,316,291)</u> |
| <b>Investing Activities</b>                                                                |                    |                    |
| Purchase of land, buildings and equipment                                                  | (5,061,709)        | (5,448,752)        |
| Proceeds from sale of land, buildings and equipment                                        | 1,259,219          | 6,467              |
| Maturity of certificate of deposit                                                         | -                  | 3,000,000          |
| Purchase of investments                                                                    | (75,805,649)       | (48,691,024)       |
| Proceeds from sale and maturity of investments                                             | <u>78,624,826</u>  | <u>54,499,883</u>  |
| Net Cash (used for) provided by Investing Activities                                       | <u>(983,313)</u>   | <u>3,366,574</u>   |

**Children's Home Society of South Dakota**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2025 and 2024**

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|                                                                                        | <b>2025</b>                | <b>2024</b>                |
|----------------------------------------------------------------------------------------|----------------------------|----------------------------|
| <b>Financing Activities</b>                                                            |                            |                            |
| Proceeds from contributions restricted for endowment                                   | \$ 100,161                 | \$ 531,715                 |
| Proceeds from contributions restricted for investment in land, buildings and equipment | 626,792                    | 448,431                    |
| Payments for notes payable                                                             | (25,500)                   | -                          |
| Payments for debt issuance costs                                                       | (116,300)                  | -                          |
| Principal payments on construction loan                                                | -                          | (2,182,576)                |
| Principal payments on finance leases                                                   | <u>(38,061)</u>            | <u>(38,060)</u>            |
| Net Cash provided by (used for) Financing Activities                                   | <u>547,092</u>             | <u>(1,240,490)</u>         |
| Net Change in Cash, Cash Equivalents and Restricted Cash                               | (3,460,091)                | (1,190,207)                |
| Beginning Cash, Cash Equivalents and Restricted Cash                                   | <u>8,521,472</u>           | <u>9,711,679</u>           |
| Cash and Cash Equivalents, End of Year                                                 | <u><u>\$ 5,061,381</u></u> | <u><u>\$ 8,521,472</u></u> |
| <b>Supplemental Disclosure of Cash Flow Information</b>                                |                            |                            |
| Cash paid during the year for interest                                                 | \$ 628,432                 | \$ 411,807                 |
| <b>Supplemental Information</b>                                                        |                            |                            |
| Noncash investing and financing activities                                             |                            |                            |
| Accounts payable for land, buildings and equipment                                     | \$ 906,278                 | \$ 1,447,879               |
| Transfer of land, buildings and equipment to assets held-for-sale                      | 3,612,546                  | -                          |
| Principal payments on long-term debt                                                   | 8,951,500                  | -                          |
| Loan proceeds for land and building                                                    | -                          | 8,977,000                  |

## **Note 1 - Nature of Organization and Significant Accounting Policies**

### **Nature of Organization**

The Children's Home Society of South Dakota was incorporated as a nonprofit corporation under the laws of South Dakota on August 20, 1895. The Children's Home Foundation (Foundation) was established by the Children's Home Society. The Foundation's by-laws provide that funds raised, except for funds required for the operation of the Foundation, be distributed to or held for the benefit of the Children's Home Society or other organizations whose primary functions relate to the care of children. If the Foundation were ever to be dissolved, the net assets are to be transferred to Children's Home Society. The Foundation's articles of incorporation provide that the Foundation's board of directors be appointed by the Society.

*Residential and Education* – The Society provides residential treatment and education in both eastern and western South Dakota. Services are provided to children with a variety of diagnoses and emotional behavioral needs, including attention deficit hyperactivity disorder, reactive attachment disorder, childhood trauma, abuse and neglect, anxiety disorder, and parent-child challenges.

*Community Based Services* – The Society provides foster care, adoption services, forensic interview and exam centers as well as providing immediate shelter for children, women and/or men who are in actual or potential situations of domestic violence and provides crisis intervention services to women, children, and families.

### **Principles of Consolidation**

The consolidated financial statements include the accounts of the Children's Home Society of South Dakota and the Children's Home Foundation as Children's Home Society has both control and economic interest in the Foundation. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "the Organization".

### **Cash, Cash Equivalents and Restricted Cash**

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, or other long-term purposes of the Organization are excluded from this definition.

### **Grants and Contracts Receivable**

Grants from United Way and other certain grants and contracts receivable paid on a cost-reimbursement basis are recognized as a receivable once the services are provided or the costs are incurred or the grant conditions have been met.

### **Contributions Receivable**

The Organization initially records unconditional contributions and bequests and subsequently carries them at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.

# Children's Home Society of South Dakota

## Notes to Consolidated Financial Statements

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### **Accounts Receivable and Allowance for Credit Losses**

Accounts receivable are carried at the amount management expects to collect from outstanding balances. Due to the nature of the receivables, they are non-interest bearing. The Organization has tracked historical loss information for its receivable balances and compiled historical credit loss percentages for different aging categories. Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for receivable balances held at June 30, 2025 and 2024 because the composition of the receivable balances at those dates are consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers and its lending practices have not changed significantly over time). Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Management has determined that the allowance for credit losses at June 30, 2025 and 2024 was \$9,969 and \$0, respectively. Accounts receivable as of July 1, 2023 were \$1,758,697.

### **Inventory**

Inventory consists primarily of food and is stated at the lower of cost or net realizable value determined by the first-in first-out method.

### **Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Net investment return is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

### **Beneficial Interests in Trusts**

#### *Charitable Trust Held by Others*

The Organization has been named as an irrevocable beneficiary of certain charitable remainder trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors. Therefore, the Organization has neither possession nor control over the assets of the trusts. At the date the Organization receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the consolidated statements of activities, and a beneficial interest in charitable trusts held by others is recorded in the consolidated statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the consolidated statements of financial position, with trust distributions and changes in fair value recognized in the consolidated statements of activities. Upon receipt of trust distributions, contributions with donor restrictions are released to net assets without donor restrictions.

### *Perpetual Trusts*

The Organization has been named as an irrevocable beneficiary of several perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the Organization; however, the Organization will never receive the assets of the trusts. At the date the Organization receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the consolidated statements of activities, and a beneficial interest in perpetual trust is recorded in the consolidated statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the consolidated statements of financial position, with trust distributions and changes in fair value recognized in the consolidated statements of activities. In one instance, the donor has specifically granted the trustee the right to encroach upon principal on an as-needed basis. As a result, this perpetual trust is treated as net assets with donor restrictions in the consolidated statements of financial position.

### **Beneficial Interest in Assets Held by Community Foundations**

Interest in community foundations represents funds transferred to community foundations by the Foundation where the Foundation has specified the Foundation or the Organization as beneficiary. The Foundation granted variance power to the community foundations which allows the community foundations to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the community foundations' Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The funds are held and invested by the community foundations for the benefit of the Organization and are reported at fair value in the consolidated statements of financial position, with trust distributions and changes in fair value recognized in the consolidated statements of activities.

### **Charitable Gift Annuities**

Under charitable gift annuity contracts, the Organization receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discounts rate designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution without donor restrictions. In subsequent years, the liability for future payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

### **Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received (Note 13).

### **Land, Buildings and Equipment**

Land, buildings and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any remaining gain or loss is included in the consolidated statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying value of land, buildings and equipment is reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2025 and 2024.

### **Assets Held-For-Sale**

The assets held-for-sale were measured to the at the lower of the carrying amount or the fair value less costs to sell. There were no losses recorded during the years ended June 30, 2025.

### **Right of Use Leased Assets and Liabilities**

Right to use leased assets and the related liabilities are recognized at the lease commencement date and represent the Organization's right to use an underlying asset and lease obligations for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. The amortization period varies among the leases.

### **Other Assets**

Other assets consist of capital credits that represent member dividend allocations based on expenditures from electric cooperatives in which the Organization is a member of, that have been declared, but not yet distributed and a subscriber savings account (SSA) for the Organization's workman compensation insurance. The amount of capital credits was \$122,031 and \$119,733 as of June 30, 2025 and 2024, respectively. The amount of the subscriber savings account was \$169,620 and \$151,180 as of June 30, 2025 and 2024, respectively.

### **Revenue and Revenue Recognition**

The Organization recognizes revenue from childcare and tuition as the related services are provided. The performance obligation of delivering childcare and tuition services is simultaneously received and consumed; therefore, the revenue is recognized ratably over the course of the year. Payment for childcare and tuition is required monthly. Program service fees and certain governmental and private grants paid in advance are deferred to the applicable period in which the related services are performed.

# Children's Home Society of South Dakota

## Notes to Consolidated Financial Statements

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Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Amounts received with conditions and restrictions are recognized as revenue that increases net assets without donor restrictions if those conditions are met and restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. There were no refundable advances as of June 30, 2025 and 2024. The Organization received cost-reimbursable grants of approximately \$813,000 and \$481,000 that have not been recognized at June 30, 2025 and 2024, respectively, because qualifying expenditures have not yet been incurred.

### **Net Assets**

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

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations. Without donor restrictions board-designated net assets consist of net assets designated by the Board of Directors for operating reserve (Note 3) and quasi-endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 consolidated statements of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

### **Estimates**

The preparation of consolidated 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 at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

### **Debt Issuance Costs**

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method. Debt issuance costs are included within long-term debt in the consolidated statements of financial position. Amortization of debt issuance costs is included in interest expense in the accompanying consolidated financial statements. The straight-line method is a reasonable estimate of the effective interest method.

### **Functional Allocation of Expenses**

The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. These expenses are allocated on a basis determined reasonable for allocation by management. The expenses that are allocated include property insurance and utilities that are allocated on a square-footage basis. General and professional liability insurance is allocated based on the percentage of full time equivalent employees by program. Salaries, payroll taxes and benefits, and printing and publications expenses are allocated on the basis of estimates of time and effort. Equipment maintenance and food expenses have been allocated to the residential and education programs as they primarily support these programs.

### **Income Taxes**

The Society and the Foundation are organized as South Dakota nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Each entity has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Each entity believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The entities would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### **Advertising Costs**

Advertising costs are expensed as incurred. See Note 13.

Children's Home Society of South Dakota  
Notes to Consolidated Financial Statements  
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**Financial Instruments and Credit Risk**

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts.

|                                                    | 2025                    | 2024                    |
|----------------------------------------------------|-------------------------|-------------------------|
| Cash held in bank - bank balance                   | \$ 1,062,567            | \$ 1,048,014            |
| Money market sweep - bank balance                  | <u>4,039,048</u>        | <u>7,670,456</u>        |
| <br>Total cash and cash equivalents - bank balance | <br><u>\$ 5,101,615</u> | <br><u>\$ 8,718,470</u> |

The Society maintains cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each ownership category. At June 30, 2025 and 2024, the Society had approximately \$4,102,000 and \$7,718,000, respectively, in excess of FDIC-insured limits.

Credit risk associated with accounts receivable and contributions, grants and contracts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and organizations supportive of the Organization's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Children's Home Society of South Dakota

Notes to Consolidated Financial Statements

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**Note 2 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

|                                                                                    | 2025                        | 2024                        |
|------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Cash and cash equivalents                                                          | \$ 2,843,012                | \$ 5,580,872                |
| Accounts receivable                                                                | 1,973,939                   | 2,646,077                   |
| Grants and contracts receivable                                                    | 153,411                     | 219,001                     |
| Contributions receivable                                                           | 166,165                     | 175,100                     |
| Distributions from beneficial interests in trusts                                  | 160,591                     | 156,633                     |
| Distributions from beneficial interests in assets<br>held by community foundations | 174,677                     | 170,277                     |
| Investments - operating                                                            | 4,338,308                   | -                           |
| Spending-rate distributions - without donor restrictions                           | <u>5,730,770</u>            | <u>4,356,563</u>            |
|                                                                                    | <u><u>\$ 15,540,873</u></u> | <u><u>\$ 13,304,523</u></u> |

Cash and cash equivalents are available for general operating expenditures.

The endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds are not considered available for general expenditure, with the exception of the approved annual spending rate of 5 percent.

Board-designated endowments are considered available to the extent of the approved annual spending rate of 5 percent. Although the Organization does not intend to spend from these board designated endowment amounts (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary. Balances of the board designated endowments were \$30,713,732 and \$28,335,717 as of June 30, 2025 and 2024, respectively. In addition to board designated endowments, the board has designated certain investments which were \$1,584,000 and \$2,265,303 as of June 30, 2025 and 2024, respectively.

As part of a liquidity management plan, cash in excess of daily requirements may be invested in short-term investments, certificates of deposit, or money market funds. The Board annually designates a portion of its budget to certain cash reserves. Cash reserves were \$107,521 and \$1,694,992 as of June 30, 2025 and 2024, respectively, and are further described in Note 3.

Children's Home Society of South Dakota  
Notes to Consolidated Financial Statements  
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As of June 30, 2025, the Foundation reported a deficit in net assets without donor restrictions – undesignated of \$2,845,977. This deficit resulted primarily from the Foundation's historical practice of designating a substantial portion of unrestricted assets for quasi-endowment, coupled with prior management's emphasis on donor restricted contributions rather than unrestricted gifts.

Despite the deficit, the Foundation maintains adequate liquidity through its board designated net assets of \$30,725,179 which are intended to support specific strategic initiatives and long-term sustainability. Board-designated funds are classified as net assets without donor restrictions but are not legally restricted. The Board retains the authority to modify or remove these designations as needed.

To address the deficit, the Foundation plans to review the current allocation of board-designated funds to ensure sufficient liquidity for operations and evaluate strategies to increase unrestricted giving over time. The Foundation continues to operate its core program and mission to support the Society. Management believes that with the steps taken, the Foundation will restore positive net asset balances over time.

**Note 3 - Board Designated Cash and Investments**

The Board of Directors has designated amounts as depreciation reserve to fund property and equipment and has also designated a portion of investments for endowment.

The following summarizes board designated cash and investments at June 30, 2025 and 2024:

|                               | <u>2025</u>                 | <u>2024</u>                 |
|-------------------------------|-----------------------------|-----------------------------|
| Cash and cash equivalents     |                             |                             |
| Self-funded insurance reserve | \$ 107,521                  | \$ 118,804                  |
| Depreciation reserve          | -                           | 1,576,188                   |
| Investments                   |                             |                             |
| Operating reserve             | 1,584,000                   | 2,265,303                   |
| Endowment                     | <u>30,713,732</u>           | <u>28,335,717</u>           |
|                               | <u><u>\$ 32,405,253</u></u> | <u><u>\$ 32,296,012</u></u> |

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 Notes to Consolidated Financial Statements  
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**Note 4 - Contributions Receivable**

Contributions receivable at June 30, 2025 and 2024 are summarized as follows:

|                                               | 2025                                   | 2024                                 |
|-----------------------------------------------|----------------------------------------|--------------------------------------|
| Endowment                                     | \$ 127,000                             | \$ 132,000                           |
| Shelter for Family Safety                     | 883,000                                | 1,434,942                            |
| Black Hills Campaign                          | 6,561,713                              | -                                    |
| Black Hills Events                            | 59,500                                 | -                                    |
| Child's Voice and Child Advocacy Center Event | -                                      | 74,100                               |
| Caring for the Kids Event                     | <u>106,665</u>                         | <u>101,000</u>                       |
|                                               |                                        |                                      |
| Adjustment to fair value                      | <u>7,737,878</u><br><u>(1,001,750)</u> | <u>1,742,042</u><br><u>(227,928)</u> |
|                                               |                                        |                                      |
|                                               | <u><u>\$ 6,736,128</u></u>             | <u><u>\$ 1,514,114</u></u>           |

At June 30, 2025 and 2024, two donors accounted for approximately 78% and 46%, respectively, of total contributions receivable.

The following summarizes scheduled receipts of contributions receivable at June 30, 2025.

| <u>Due by June 30</u> |                            |
|-----------------------|----------------------------|
| 2026                  | \$ 1,979,203               |
| 2027                  | 1,689,925                  |
| 2028                  | 1,602,675                  |
| 2029                  | 1,196,675                  |
| 2030                  | 1,134,900                  |
| Thereafter            | <u>134,500</u>             |
|                       |                            |
|                       | <u><u>\$ 7,737,878</u></u> |

**Note 5 - Cash Surrender Value of Life Insurance**

The Organization is the beneficiary of life insurance policies on the lives of certain employees, former employees and donors. Premiums paid by the donors are recorded as contributions received. Premiums paid by the Organization are recorded as life insurance expense. The face values of the policies were approximately \$2,212,000 and \$2,161,000 at June 30, 2025 and 2024. The policies had cash values of \$1,226,025 and \$1,187,751 at June 30, 2025 and 2024, respectively. Investments in cash surrender value of life insurance are carried at their contract amount.

Children's Home Society of South Dakota  
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**Note 6 - Investments**

The following summarizes investments by major investment type at June 30, 2025 and 2024:

|                                            | 2025                         | 2024                         |
|--------------------------------------------|------------------------------|------------------------------|
| Without donor restrictions                 |                              |                              |
| Cash equivalents and money market funds    | \$ 592,486                   | \$ 1,100,113                 |
| Corporate debt securities                  | 259,880                      | 255,502                      |
| Mutual funds - equity securities           | 25,742,699                   | 22,976,602                   |
| Mutual funds - debt securities             | <u>10,040,975</u>            | <u>9,301,565</u>             |
|                                            | <u>36,636,040</u>            | <u>33,633,782</u>            |
| With donor restrictions                    |                              |                              |
| Cash equivalents and money market funds    | 3,164,160                    | 4,266,695                    |
| State and municipal government obligations | 61,188                       | 64,205                       |
| Corporate debt securities                  | 184,022                      | 1,051,989                    |
| Mutual funds - equity securities           | 91,887,611                   | 82,739,003                   |
| Mutual funds - debt securities             | <u>36,116,805</u>            | <u>33,310,055</u>            |
|                                            | <u>131,413,786</u>           | <u>121,431,947</u>           |
|                                            | <u><u>\$ 168,049,826</u></u> | <u><u>\$ 155,065,729</u></u> |

Investment income from investments is recorded net of related investment fees of \$393,594 and \$355,795 for the years ended June 30, 2025 and 2024, respectively.

**Note 7 - Notes Payable**

Notes payable consist of the following at June 30, 2025 and 2024:

|                                      | 2025                    | 2024                    |
|--------------------------------------|-------------------------|-------------------------|
| (a) Construction loan at 7.50%       | \$ -                    | \$ 8,977,000            |
| (b) Construction loan at 7.50%       | 6,871,000               | -                       |
| (c) Land loan at 6.82%               | 2,080,500               | -                       |
| (d) Line of credit at 6.25%          | -                       | -                       |
| <br>Total long-term debt             | <br>8,951,500           | <br>8,977,000           |
| Less unamortized debt issuance costs | <u>(116,300)</u>        | <u>-</u>                |
| <br>Net long-term debt               | <br><u>\$ 8,835,200</u> | <br><u>\$ 8,977,000</u> |

- a) During the year ended June 30, 2024, the Organization entered into two notes payable related to the purchase of the Rapid City campus and land. One note was for \$6,871,000 and one note was for \$2,106,000. The notes had a maturity date of Jun 30, 2025 and bore interest at a rate of 7.75%. Monthly payments of interest were required with principal due at maturity. The notes were secured by the mortgage on the property.

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- b) On May 30, 2025, the Organization entered into a \$25,000,000 construction loan in order to refinance the campus note under (a) above and finance renovations of the property. The note matures on June 30, 2027 and bears interest at prime rate, with a floor of 5.5% and a ceiling of 9.5%. The rate as of June 30, 2025, was 7.5%. Unamortized debt issuance costs were \$116,300 and \$0 as of June 30, 2025 and 2024, respectively. Monthly interest payments are due beginning June 30, 2025 and note principal is due at maturity. The note is secured by a mortgage on the property and is guaranteed by the Foundation.
- c) On May 30, 2025, the Organization also entered into a \$2,080,500 note payable in order to refinance the land acquisition also included in (a) above. The note matures on June 10, 2035, and bears a variable interest at 2.5% over the 1M SOFR, which was 6.82% as of June 30, 2025. Monthly payments of principal and interest \$23,695 are due beginning July 10, 2025 with a balloon payment at maturity. The loan is secured by a mortgage on the property and is guaranteed by the Foundation.
- d) On May 30, 2025, the Organization entered into a \$15,000,000 line of credit. Interest is fixed at 6.25% and no amounts have been drawn upon for the year ended June 30, 2025. Accrued interest is payable quarterly and the principal is due at maturity of June 30, 2030. The line of credit is secured by a pledge on the board designated endowment as well as guaranteed by the Foundation.

The agreements require the Organization to comply with certain non-financial covenants.

Principal payments on long-term debt are due as follows:

| <u>Due by June 30</u> |                            |
|-----------------------|----------------------------|
| 2026                  | \$ 142,000                 |
| 2027                  | 6,912,000                  |
| 2028                  | 168,000                    |
| 2029                  | 180,000                    |
| 2030                  | 192,000                    |
| Thereafter            | <u>1,241,200</u>           |
|                       | <u><u>\$ 8,835,200</u></u> |

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 Notes to Consolidated Financial Statements  
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**Note 8 - Beneficial Interest in Trusts**

The following summarizes the carrying values of beneficial interest in trusts at June 30, 2025 and 2024:

|                                                 | 2025                          |                            |                     | 2024  |                     |
|-------------------------------------------------|-------------------------------|----------------------------|---------------------|-------|---------------------|
|                                                 | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               | Total |                     |
| <b>Beneficial interest in perpetual trusts</b>  |                               |                            |                     |       |                     |
| Williamson Trust                                | \$ -                          | \$ -                       | \$ -                | \$ -  | \$ 1,915            |
| A. Coe Frankhauser Charitable Trust             | -                             | 135,741                    | 135,741             |       | 129,270             |
| Thelma Serr Charitable Trust                    | -                             | 338,061                    | 338,061             |       | 322,806             |
| Hayward Memorial Trust                          | -                             | 160,134                    | 160,134             |       | 149,197             |
| Beach Memorial Trust                            | -                             | 385,935                    | 385,935             |       | 366,224             |
| <b>Beneficial interest in charitable trusts</b> |                               |                            |                     |       |                     |
| Edith Siegrist Trust                            | -                             | 189,673                    | 189,673             |       | 182,034             |
| Didier Charitable Annuity Trust                 | -                             | 305,666                    | 305,666             |       | 169,335             |
| Verne and Bonnie Anderson Trust                 | -                             | 1,829,642                  | 1,829,642           |       | 1,735,475           |
|                                                 | <b>\$ -</b>                   | <b>\$ 3,344,852</b>        | <b>\$ 3,344,852</b> |       | <b>\$ 3,056,256</b> |

The Organization is also the beneficiary under various wills and revocable split interest agreements, the total realizable amount of which is not presently determinable. Such amounts will be recorded when an irrevocable right to receive benefits under the will or agreement has been received.

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**Note 9 - Land, Buildings, and Equipment**

The following summarizes land, buildings and equipment at June 30, 2025 and 2024:

|                               | 2025                                     | 2024                                     |
|-------------------------------|------------------------------------------|------------------------------------------|
| Land and improvements         | \$ 3,006,938                             | \$ 6,032,447                             |
| Buildings and improvements    | 29,255,238                               | 26,990,817                               |
| Equipment and fixtures        | 8,636,969                                | 7,576,520                                |
| Vehicles                      | 1,146,909                                | 1,009,771                                |
| Construction in progress      | <u>11,119,604</u>                        | <u>12,587,677</u>                        |
| Less accumulated depreciation | <u>53,165,658</u><br><u>(16,714,715)</u> | <u>54,197,232</u><br><u>(15,794,759)</u> |
|                               | <u><u>\$ 36,450,943</u></u>              | <u><u>\$ 38,402,473</u></u>              |

Construction in progress relates to costs incurred in relation to the purchase and renovation of a new campus in Rapid City, South Dakota. Remaining commitments on these project costs are included in Note 19. The Rapid City project is financed with bank debt (Note 7) as well as capital campaign contributions and is expected to be completed in 2026.

**Note 10 - Assets Held-For-Sale**

During the year ended June 30, 2025, the Organization committed to a plan to sell its Rockerville campus located outside Rapid City, South Dakota. The Organization entered into a sale agreement with an unaffiliated third party on August 12, 2025, for a purchase price of \$6,200,000. The assets were reclassified to assets held-for-sale on the consolidated statement of financial position at June 30, 2025. The estimated gain on sale of the property is approximately \$2,550,000.

The major classes of assets included in assets held-for-sale at June 30, 2025 are as follows:

|                            |                            |
|----------------------------|----------------------------|
| Land and improvements      | \$ 2,861,610               |
| Buildings and improvements | 704,429                    |
| Equipment and fixtures     | <u>83,236</u>              |
|                            | <u><u>\$ 3,649,275</u></u> |

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**Note 11 - Non-Recognized Funds Held by Community Foundations**

A number of designated funds which benefit the Organization are maintained at the Sioux Falls Area Community Foundation (SFACF). These funds were established as a result of gifts by donors on the Organization's behalf. The Organization is the sole beneficiary of these funds; however, SFACF has been given variance power by the donors. Therefore, the Organization does not recognize its interest in these funds until any distributions are received.

The following summarizes current values of these designated funds at June 30, 2025 and 2024, and the annual distributions for the years ended June 30, 2025 and 2024:

|                                           | 2025                |                     | 2024                |                     |
|-------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                           | Current Value       | Annual Distribution | Current Value       | Annual Distribution |
| Winona Axtel Lyon Fund                    | \$ 114,149          | \$ 4,010            | \$ 105,947          | \$ 4,089            |
| Dorothy Christopherson Fund               | 57,222              | 2,010               | 53,110              | 2,050               |
| Children's Home Society Endowment         | 1,125,762           | 39,527              | 1,044,660           | 40,294              |
| Lou & Helen Madsen Fund                   | 609,658             | 21,450              | 565,655             | 21,865              |
| Larsen Memorial Fund                      | 169,256             | 5,946               | 157,095             | 6,062               |
| Raymond Daugaard Memorial Fund            | 85,648              | 3,009               | 79,494              | 3,068               |
| Madden Family Fund                        | 126,079             | -                   | 112,683             | -                   |
| Children's Inn Endowment                  | 96,842              | 3,236               | 89,721              | 3,224               |
| Madsen House Endowment                    | 155,951             | -                   | 139,382             | -                   |
| Madsen Adoption and Foster Care Endowment | 44,677              | 1,570               | 41,468              | 1,600               |
| Excellence in Caring Endowment            | 38,019              | 1,361               | 35,269              | 1,597               |
| Child Advocacy Center Endowment           | 25,727              | 904                 | 23,879              | 922                 |
| Music Fund                                | 20,790              | 730                 | 19,295              | 745                 |
| Creative Arts                             | 52,983              | 1,651               | 47,077              | 1,582               |
| Carmody Family Endowment                  | 17,142              | 602                 | 15,910              | 614                 |
| Amundson Family Endowment                 | 49,869              | 1,752               | 46,286              | 1,784               |
| The Sunshyne Fund                         | 6,865               | 241                 | 6,371               | 246                 |
| Solveig Steen Endowment                   | 190,509             | 6,548               | 176,792             | 6,492               |
| Elvira Larson Endowment                   | 13,491              | 474                 | 12,522              | 483                 |
| Links to Literacy Endowment               | 27,010              | 953                 | 25,114              | 973                 |
| Profilet Endowment                        | 83,852              | 743                 | 77,967              | 755                 |
|                                           | <u>\$ 3,111,501</u> | <u>\$ 96,717</u>    | <u>\$ 2,875,697</u> | <u>\$ 98,445</u>    |

In addition, the South Dakota Community Foundation has funds totaling \$1,030,914 and \$979,925 at June 30, 2025 and 2024, respectively, for which the Organization is the beneficiary. The Organization does not recognize its interest in these funds until any distributions are received. Distributions received totaled \$30,710 and \$31,800 for the years ended June 30, 2025 and 2024, respectively.

**Note 12 - Fair Value of Assets and Liabilities**

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, considering factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset or liability.

The fair value of mutual funds are determined by reference to quoted market prices. The fair value of government obligations and corporate debt securities are determined by reference to similar assets that are directly or indirectly observable in the marketplace. The fair value of the beneficial interest in trusts and annuity obligations are estimated at the present value of the expected future cash flows. The fair value of the beneficial interests in assets held by the community foundation is based on the fair value of fund investments as reported by the community foundation. Contributions and bequests receivable are initially recorded and subsequently carried at fair value using present value techniques incorporating risk adjusted discount rates and are classified within Level 3.

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The following table presents asset and liabilities measured at fair value on a recurring basis, except those measured at cost at June 30, 2025 and 2024:

|                                                             | Quoted<br>Prices in<br>Active Markets<br>(Level 1) | Other<br>Observable<br>Inputs<br>(Level 2) | Unobservable<br>Inputs<br>(Level 3) | Total                 |
|-------------------------------------------------------------|----------------------------------------------------|--------------------------------------------|-------------------------------------|-----------------------|
| <u>June 30, 2025</u>                                        |                                                    |                                            |                                     |                       |
| Assets                                                      |                                                    |                                            |                                     |                       |
| Investments                                                 |                                                    |                                            |                                     |                       |
| Cash and money market funds (at cost)                       | \$ -                                               | \$ -                                       | \$ -                                | \$ 3,756,646          |
| State and municipal government obligations                  | -                                                  | 61,188                                     | -                                   | 61,188                |
| Corporate debt securities                                   | -                                                  | 443,902                                    | -                                   | 443,902               |
| Mutual funds - equity securities                            | 117,630,310                                        | -                                          | -                                   | 117,630,310           |
| Mutual funds - debt securities                              | 46,157,780                                         | -                                          | -                                   | 46,157,780            |
| Total investments valued at fair value                      | 163,788,090                                        | 505,090                                    | -                                   | 168,049,826           |
| Beneficial interest in trusts                               | -                                                  | -                                          | 3,344,852                           | 3,344,852             |
| Beneficial interest in assets held by community foundations | -                                                  | -                                          | 4,243,219                           | 4,243,219             |
| Total beneficial interests                                  | -                                                  | -                                          | 7,588,071                           | 7,588,071             |
| Contributions receivable                                    | -                                                  | -                                          | 6,736,128                           | 6,736,128             |
|                                                             | <u>\$ 163,788,090</u>                              | <u>\$ 505,090</u>                          | <u>\$ 14,324,199</u>                | <u>\$ 182,374,025</u> |
| Liabilities                                                 |                                                    |                                            |                                     |                       |
| Annuity obligations                                         | \$ -                                               | \$ -                                       | \$ 6,117                            | \$ 6,117              |
| <u>June 30, 2024</u>                                        |                                                    |                                            |                                     |                       |
| Assets                                                      |                                                    |                                            |                                     |                       |
| Investments                                                 |                                                    |                                            |                                     |                       |
| Cash and money market funds (at cost)                       | \$ -                                               | \$ -                                       | \$ -                                | \$ 5,366,808          |
| State and municipal government obligations                  | -                                                  | 64,205                                     | -                                   | 64,205                |
| Corporate debt securities                                   | -                                                  | 1,307,491                                  | -                                   | 1,307,491             |
| Mutual funds - equity securities                            | 105,715,605                                        | -                                          | -                                   | 105,715,605           |
| Mutual funds - debt securities                              | 42,611,620                                         | -                                          | -                                   | 42,611,620            |
| Total investments valued at fair value                      | 148,327,225                                        | 1,371,696                                  | -                                   | 155,065,729           |
| Beneficial interest in trusts                               | -                                                  | -                                          | 3,056,256                           | 3,056,256             |
| Beneficial interest in assets held by community foundations | -                                                  | -                                          | 3,948,694                           | 3,948,694             |
| Total beneficial interests                                  | -                                                  | -                                          | 7,004,950                           | 7,004,950             |
| Contributions receivable                                    | -                                                  | -                                          | 1,514,114                           | 1,514,114             |
|                                                             | <u>\$ 148,327,225</u>                              | <u>\$ 1,371,696</u>                        | <u>\$ 8,519,064</u>                 | <u>\$ 163,584,793</u> |
| Liabilities                                                 |                                                    |                                            |                                     |                       |
| Annuity obligations                                         | \$ -                                               | \$ -                                       | \$ 12,643                           | \$ 12,643             |

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Following is a reconciliation of activity for assets measured at fair value based upon significant unobservable (non-market) information for 2025 and 2024:

|                                             | Contributions<br>Receivable | Beneficial Interest in<br>Community<br>Foundations | Beneficial Interest in<br>Trusts |
|---------------------------------------------|-----------------------------|----------------------------------------------------|----------------------------------|
| Balance, July 1, 2023                       | \$ 1,721,661                | \$ 3,658,207                                       | \$ 2,879,240                     |
| Change in fair value                        | 17,309                      | 459,805                                            | 177,016                          |
| Collections and losses                      | (1,209,356)                 | -                                                  | -                                |
| Contributions                               | 984,500                     | -                                                  | -                                |
| Distributions from the community foundation | -                           | (169,318)                                          | -                                |
| Balance, June 30, 2024                      | 1,514,114                   | 3,948,694                                          | 3,056,256                        |
| Change in fair value                        | (773,822)                   | 467,726                                            | 288,596                          |
| Collections and losses                      | (655,664)                   | -                                                  | -                                |
| Contributions                               | 6,651,500                   | 515                                                | -                                |
| Distributions from the community foundation | -                           | (173,716)                                          | -                                |
| Balance, June 30, 2025                      | <u>\$ 6,736,128</u>         | <u>\$ 4,243,219</u>                                | <u>\$ 3,344,852</u>              |

Following is a reconciliation of activity for liabilities measured at fair value based upon significant unobservable (non-market) information:

|                                             | Annuity<br>Obligations |
|---------------------------------------------|------------------------|
| Balance, July 1, 2023                       | \$ 12,436              |
| Changes in the value of annuity obligations | <u>207</u>             |
| Balance, June 30, 2024                      | 12,643                 |
| Changes in the value of annuity obligations | <u>(6,526)</u>         |
| Balance, June 30, 2025                      | <u>\$ 6,117</u>        |

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**Note 13 - Donated Professional Services and Materials**

The Organization received donated professional services and materials as follows during the years ended June 30, 2025 and 2024:

|                             | Program Services         | Management and General  | Fundraising and Development | Total                      |
|-----------------------------|--------------------------|-------------------------|-----------------------------|----------------------------|
| <b><u>June 30, 2025</u></b> |                          |                         |                             |                            |
| Advertising and printing    | \$ -                     | \$ -                    | \$ 330,327                  | \$ 330,327                 |
| Events                      | -                        | -                       | 165,707                     | 165,707                    |
| Professional services       | 11,144                   | -                       | -                           | 11,144                     |
| Goods and supplies          | 382,524                  | -                       | 58,532                      | 441,056                    |
| Construction in progress    | -                        | -                       | -                           | 4,000                      |
|                             | <b><u>\$ 393,668</u></b> | <b><u>\$ -</u></b>      | <b><u>\$ 554,566</u></b>    | <b><u>\$ 952,234</u></b>   |
| <b><u>June 30, 2024</u></b> |                          |                         |                             |                            |
| Advertising and printing    | \$ -                     | \$ -                    | \$ 1,213,362                | \$ 1,213,362               |
| Events                      | -                        | -                       | 189,638                     | 189,638                    |
| Professional services       | 3,488                    | 22,000                  | 337                         | 25,825                     |
| Goods and supplies          | 319,598                  | -                       | 725                         | 320,323                    |
| Construction in progress    | -                        | -                       | -                           | 12,000                     |
|                             | <b><u>\$ 323,086</u></b> | <b><u>\$ 22,000</u></b> | <b><u>\$ 1,404,062</u></b>  | <b><u>\$ 1,761,148</u></b> |

The Organization receives free advertising through radio, digital, and television advertisements that serve to support its programs. These donated advertisements are recognized as in-kind contributions at fair value, with a corresponding expense allocated to the programs benefitted, as they are delivered to the public. The valuation of these advertisements is provided by the service provider, who estimates the fair value based on the date, time, and market in which each is displayed.

The contributed events donations include gift cards and other donated items to be raffled or used as prizes at events held by the Organization. The contributed goods and supplies include food and non-food items such as household goods, toys, clothing, and other items that would have otherwise been purchased to run its programs. The Organization estimated the fair value of these items based on values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the items are contributed by the donor.

The Organization receives donated professional services that would typically be purchased if not provided as an in-kind contribution. There were \$4,000 and \$12,000 of donated architectural services for the Rapid City campus and \$0 and \$151,207 of donated artwork and construction services capitalized related to the new shelter for family safety for the years ended June 30, 2025 and 2024, respectively. These services, which require specialized skills, are recognized as in-kind contributions at fair value when the service is provided. The estimated fair value of these professional services is provided by the service provider, who estimates the fair value based on the date, time, and market in which the service is rendered.

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**Note 14 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods.

|                                                                                                 | 2025                         | 2024                         |
|-------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| Subject to expenditure for specified purpose                                                    |                              |                              |
| Various Children's Home Society programs                                                        | \$ 2,738,423                 | \$ 2,269,428                 |
| Child's Voice and Child Advocacy Center                                                         | 14,156                       | 7,661                        |
| Shelter for Family Safety Program                                                               | 4,204,824                    | 3,692,422                    |
| Building maintenance                                                                            | 1,067                        | 922                          |
| Black Hills capital campaign                                                                    | 551,329                      | 74,420                       |
| Black Hills programs                                                                            | 86,121                       | 773                          |
| Creative arts                                                                                   | 1,665                        | 2,122                        |
| Advocacy and prevention                                                                         | 414,774                      | 489,582                      |
| Shelter for Family Safety Facility                                                              | 136,906                      | 242,063                      |
| United Way and other program expenses                                                           | 693,330                      | 1,310,368                    |
| Contributions receivable, the proceeds from which have been restricted by donors for            |                              |                              |
| Shelter for Family Safety Program                                                               | 774,942                      | 1,244,523                    |
| Black Hills Campaign                                                                            | 5,694,505                    | -                            |
| Child's Voice and Child Advocacy Center                                                         | -                            | 74,100                       |
| Black Hills Events                                                                              | 59,500                       | -                            |
|                                                                                                 | <u>15,371,542</u>            | <u>9,408,384</u>             |
| Endowments                                                                                      |                              |                              |
| Subject to appropriation and expenditure when a specified event occurs (Note 18)                | <u>39,696,372</u>            | <u>29,696,145</u>            |
| Perpetual in nature, earnings from which are subject to endowment spending policy appropriation |                              |                              |
| Various Children's Home Society programs                                                        | 68,993,218                   | 69,065,817                   |
| Child's Voice and Child Advocacy Center                                                         | 4,122,863                    | 3,925,912                    |
| Shelter for Family Safety                                                                       | 10,817,999                   | 10,392,729                   |
| Building maintenance                                                                            | 293,647                      | 293,647                      |
| Black Hills programs                                                                            | 559,517                      | 558,017                      |
| Creative Arts                                                                                   | 1,504,959                    | 1,496,725                    |
| Mark Amundson Memorial                                                                          | 277,058                      | 235,058                      |
| Advocacy and prevention                                                                         | 1,831,488                    | 1,831,488                    |
| Adoption                                                                                        | 457,728                      | 457,728                      |
| Contributions receivable, net - permanently restricted to general endowment                     | <u>100,516</u>               | <u>94,491</u>                |
|                                                                                                 | <u>88,958,993</u>            | <u>88,351,612</u>            |
| Not subject to spending policy or appropriation                                                 |                              |                              |
| Beneficial interest in trusts                                                                   | 859,737                      | 820,215                      |
| Beneficial interest in community foundations                                                    | 3,221,590                    | 3,221,074                    |
|                                                                                                 | <u>4,081,327</u>             | <u>4,041,289</u>             |
|                                                                                                 | <u><u>\$ 148,108,234</u></u> | <u><u>\$ 131,497,430</u></u> |

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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2025 and 2024:

|                                                                             | 2025                       | 2024                        |
|-----------------------------------------------------------------------------|----------------------------|-----------------------------|
| Satisfaction of purpose and/or time restrictions                            |                            |                             |
| Various Children's Home Society programs                                    | \$ 219,837                 | \$ 685,202                  |
| Child's Voice and CAC                                                       | 45,387                     | 7,542                       |
| Shelter for Family Safety Program                                           | 2,908,633                  | 4,299,682                   |
| Building Maintenance                                                        | 8,516                      | -                           |
| Black Hills capital campaign                                                | 625,883                    | 73,020                      |
| Black Hills programs                                                        | 22,617                     | 2,192,522                   |
| Creative Arts                                                               | 20,660                     | -                           |
| Advocacy and prevention                                                     | 76,397                     | 66,746                      |
| Shelter for Family Safety Facility                                          | <u>111,255</u>             | <u>392,845</u>              |
|                                                                             | 4,039,185                  | 7,717,559                   |
| Restricted-purpose spending-rate distributions and appropriations (Note 18) | <u>5,024,857</u>           | <u>4,625,033</u>            |
|                                                                             | <u><u>\$ 9,064,042</u></u> | <u><u>\$ 12,342,592</u></u> |

#### **Note 15 - Scholarship Contributions**

The Organization has received both contributions with donor restrictions and contributions without donor restrictions which have been and will be used as scholarships for tuition for children who would not otherwise be able to attend the education programs. These amounts are classified as contributions in the consolidated statements of activities and are recognized as income in the year the contribution was received. Tuition income, which does not include these contributions received, would have been approximately \$284,000 and \$232,000 higher for 2025 and 2024, respectively.

#### **Note 16 - Revenue from Governmental Units**

The Organization receives a substantial amount of its revenue from federal, state and local governments. A significant reduction in the level of this revenue, if this were to occur, may have a corresponding significant effect on the Organization's programs and activities.

# Children's Home Society of South Dakota

## Notes to Consolidated Financial Statements

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### **Note 17 - Employee Benefit Plans**

The Organization offers an employee benefit plan to eligible employees. Employees who are at least 21 years of age and have completed one year of service are eligible to receive discretionary profit-sharing contributions. These contributions are determined annually and are based on each employee's eligible compensation. Additionally, employees who are at least 21 years of age and have completed 30 days of service are automatically enrolled to receive a contribution from the Organization equal to 3% of their eligible wages. This contribution is made irrespective of employee participation in the plan and is deposited bi-weekly into the plan. Retirement plan contributions for the years ended June 30, 2025 and 2024 were \$1,379,022 and \$1,262,422, respectively.

### **Note 18 - Endowment Funds**

The Organization's endowment funds consist of various donor restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

#### **Interpretation of Relevant Law**

The Organization's management has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift at the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund (historic dollar value). In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the endowment fund; (2) the purposes of the Organization and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investment; (6) other resources of the Organization; and (7) the investment policies of the Organization.

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The following summarizes endowment net assets at June 30, 2025:

|                                                                                                    | Without Donor<br>Restrictions | With Donor<br>Restrictions   | Total                        |
|----------------------------------------------------------------------------------------------------|-------------------------------|------------------------------|------------------------------|
| Board designated endowment funds                                                                   | \$ 30,713,732                 | \$ -                         | \$ 30,713,732                |
| <b>Donor-restricted endowment funds</b>                                                            |                               |                              |                              |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor |                               |                              |                              |
| Various Children's Home Society programs                                                           | -      68,993,218             | 68,993,218                   | 68,993,218                   |
| Child's Voice and Child Advocacy Center                                                            | -      4,122,863              | 4,122,863                    | 4,122,863                    |
| Shelter for Family Safety                                                                          | -      10,918,515             | 10,918,515                   | 10,918,515                   |
| Building maintenance                                                                               | -      293,647                | 293,647                      | 293,647                      |
| Black Hills programs                                                                               | -      559,517                | 559,517                      | 559,517                      |
| Creative Arts                                                                                      | -      1,504,959              | 1,504,959                    | 1,504,959                    |
| Mark Amundson Memorial                                                                             | -      277,058                | 277,058                      | 277,058                      |
| Advocacy and prevention                                                                            | -      1,831,488              | 1,831,488                    | 1,831,488                    |
| Adoption                                                                                           | -      457,728                | 457,728                      | 457,728                      |
| Accumulated investment gains                                                                       |                               |                              |                              |
| Various Children's Home Society programs                                                           | -      31,428,948             | 31,428,948                   | 31,428,948                   |
| Child's Voice and Child Advocacy Center                                                            | -      1,394,652              | 1,394,652                    | 1,394,652                    |
| Shelter for Family Safety                                                                          | -      4,098,193              | 4,098,193                    | 4,098,193                    |
| Building maintenance                                                                               | -      671,304                | 671,304                      | 671,304                      |
| Black Hills programs                                                                               | -      313,505                | 313,505                      | 313,505                      |
| Creative Arts                                                                                      | -      801,071                | 801,071                      | 801,071                      |
| Mark Amundson Memorial                                                                             | -      92,499                 | 92,499                       | 92,499                       |
| Advocacy and prevention                                                                            | -      740,657                | 740,657                      | 740,657                      |
| Adoption                                                                                           | -      155,543                | 155,543                      | 155,543                      |
|                                                                                                    | <b><u>\$ 30,713,732</u></b>   | <b><u>\$ 128,655,365</u></b> | <b><u>\$ 159,369,097</u></b> |

Children's Home Society of South Dakota  
 Notes to Consolidated Financial Statements  
 June 30, 2025 and 2024

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The following summarizes endowment net assets at June 30, 2024:

|                                                                                                    | Without Donor<br>Restrictions | With Donor<br>Restrictions   | Total                        |
|----------------------------------------------------------------------------------------------------|-------------------------------|------------------------------|------------------------------|
| Board designated endowment funds                                                                   | \$ 28,335,717                 | \$ -                         | \$ 28,335,717                |
| <b>Donor restricted endowment funds</b>                                                            |                               |                              |                              |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor |                               |                              |                              |
| Various Children's Home Society programs                                                           | - 69,160,308                  | 69,160,308                   | 69,160,308                   |
| Child's Voice and Child Advocacy Center                                                            | - 3,925,912                   | 3,925,912                    | 3,925,912                    |
| Shelter for Family Safety                                                                          | - 10,392,729                  | 10,392,729                   | 10,392,729                   |
| Building maintenance                                                                               | - 293,647                     | 293,647                      | 293,647                      |
| Black Hills programs                                                                               | - 558,017                     | 558,017                      | 558,017                      |
| Creative Arts                                                                                      | - 1,496,725                   | 1,496,725                    | 1,496,725                    |
| Mark Amundson Memorial                                                                             | - 235,058                     | 235,058                      | 235,058                      |
| Advocacy and prevention                                                                            | - 1,831,488                   | 1,831,488                    | 1,831,488                    |
| Adoption                                                                                           | - 457,728                     | 457,728                      | 457,728                      |
| Accumulated investment gains                                                                       |                               |                              |                              |
| Various Children's Home Society programs                                                           | - 23,850,448                  | 23,850,448                   | 23,850,448                   |
| Child's Voice and Child Advocacy Center                                                            | - 951,533                     | 951,533                      | 951,533                      |
| Shelter for Family Safety                                                                          | - 2,706,603                   | 2,706,603                    | 2,706,603                    |
| Building maintenance                                                                               | - 599,749                     | 599,749                      | 599,749                      |
| Black Hills programs                                                                               | - 243,054                     | 243,054                      | 243,054                      |
| Creative Arts                                                                                      | - 624,813                     | 624,813                      | 624,813                      |
| Mark Amundson Memorial                                                                             | - 65,076                      | 65,076                       | 65,076                       |
| Advocacy and prevention                                                                            | - 547,173                     | 547,173                      | 547,173                      |
| Adoption                                                                                           | - 107,696                     | 107,696                      | 107,696                      |
|                                                                                                    | <b><u>\$ 28,335,717</u></b>   | <b><u>\$ 118,047,757</u></b> | <b><u>\$ 146,383,474</u></b> |

From time to time, the fair value of endowment funds associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration, (i.e., underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2025 and 2024, there were no deficiencies of this nature reported in net assets with donor restrictions.

### **Investment Spending Policies**

The Organization has adopted investment and spending policies for its endowment fund that attempt to provide the Organization a predictable funding stream for its programs while protecting the purchasing power of the endowment funds. The Organization, through its investment policy, has established a target (inflation-adjusted) annualized rate of return over the long-term of at least 5%; the total return during any single measurement period may deviate from the long-term return objective. To satisfy its long-term rate-of-return objective, the Organization expects to maintain appropriate diversification among equity and fixed income allocations. The purpose is to moderate the overall investment risk of the endowment fund.

Children's Home Society of South Dakota

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

The Board of Directors of the Organization may appropriate for expenditure or accumulate so much of the endowment fund as the Organization determines is prudent for the uses, benefits, purpose, and duration for which the endowment fund is established. The amount appropriated, the spending policy, is a Board approved percentage applied to the average fair value of the endowment fund assets during the prior sixteen quarters. In cases where the fair value of the endowment fund assets fall below the original value of the gifts donated to the permanent endowment, appropriation of gifts will not be made if such appropriation would reduce any gift below its historic-dollar value threshold. However, appropriations may be made from board designated quasi-endowment funds in an amount equivalent to an appropriation that would otherwise be allowable, but for the below historic-dollar-value condition. The Board approved spending percentage was 5% for the years ended June 30, 2025 and 2024.

The following summarizes the change in endowment net assets for the years ended June 30, 2025 and 2024:

| June 30, 2025                                                                | Without Donor Restrictions | With Donor Restrictions | Total                 |
|------------------------------------------------------------------------------|----------------------------|-------------------------|-----------------------|
| Endowment net assets, beginning of year                                      | \$ 28,335,717              | \$ 118,047,757          | \$ 146,383,474        |
| Investment return, net                                                       | 3,590,449                  | 14,977,770              | 18,568,219            |
| Contributions and bequests                                                   | 1,369                      | 654,695                 | 656,064               |
| Appropriation of endowment assets pursuant to spending-rate policy           | -                          | (5,024,857)             | (5,024,857)           |
| Other changes                                                                |                            |                         |                       |
| Distribution from board-designated endowment pursuant to distribution policy | (1,213,803)                | -                       | (1,213,803)           |
| Endowment net assets, end of year                                            | <u>\$ 30,713,732</u>       | <u>\$ 128,655,365</u>   | <u>\$ 159,369,097</u> |
| June 30, 2024                                                                | Without Donor Restrictions | With Donor Restrictions | Total                 |
| Endowment net assets, beginning of year                                      | \$ 25,907,119              | \$ 108,313,965          | \$ 134,221,084        |
| Investment return, net                                                       | 3,101,978                  | 12,910,927              | 16,012,905            |
| Contributions and bequests                                                   | 56,542                     | 1,447,898               | 1,504,440             |
| Appropriation of endowment assets pursuant to spending-rate policy           | -                          | (4,625,033)             | (4,625,033)           |
| Other changes                                                                |                            |                         |                       |
| Distribution from board-designated endowment pursuant to distribution policy | (729,922)                  | -                       | (729,922)             |
| Endowment net assets, end of year                                            | <u>\$ 28,335,717</u>       | <u>\$ 118,047,757</u>   | <u>\$ 146,383,474</u> |

### **Note 19 - Commitments and Contingencies**

Property acquired with federal grants is considered owned by the Organization while used in the program for which it was purchased or in other future authorized programs; however, the United States has reversionary interests in certain property. The property's disposition, as well as the ownership of any proceeds there from, is subject to federal regulations. The total book value of property and equipment in which the United States has reversionary interest is \$1,138,576 and \$1,343,641 at June 30, 2025 and 2024, respectively.

Community Development Block Grants totaling \$915,500, which have been received and used for construction of buildings, are in the form of zero percent notes payable, with mortgages on the property. The notes are due upon noncompliance with the intended purpose of the funds, as defined in the agreement, or upon sale of the property. Since the possibility of having to repay the notes is considered remote, no liability has been recorded for the notes. The net book value of the property pledged on these mortgages is \$760,493 and \$898,950 at June 30, 2025 and 2024, respectively, and is included in the reversionary interest amount above.

The Organization applied for and received loan forgiveness from the SBA on its PPP loan in 2021. In accordance with the PPP loan requirements, the Organization is required to maintain PPP loan files and certain underlying supporting documents for periods ranging from three to six years. The Organization is also required to permit access to such files upon request by the SBA. Accordingly, there is potential the PPP loan could be subject to further review by the SBA and that previously recognized forgiveness could be reversed based on the outcome of this review.

The Organization has a design contract for the remodel of the new acquired Rapid City campus. The remaining commitment on the contract as of June 30, 2025 and 2024, respectively, is approximately \$611,000 and \$1,243,000.

The Organization has a contract for consulting related to the Rapid City campus. The remaining commitment on the contract and amendment is approximately \$402,000 at June 30, 2025.

The Organization has a construction contract for the remodel of the new acquired Rapid City campus. The remaining commitment on the contract is approximately \$5,789,000 as of June 30, 2025.

The Organization has a contract for an upgrade for their software system. The remaining commitment on the contract is approximately \$79,000 and \$113,000 at June 30, 2025 and 2024, respectively.

The Organization has an agreement for campaign consulting services for the capital campaign. The remaining commitment on the agreement as of June 30, 2025 and 2024, respectively, is \$385,000 and \$625,000.

Children's Home Society of South Dakota  
 Notes to Consolidated Financial Statements  
 June 30, 2025 and 2024

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**Note 20 - Leases**

The Organization leases equipment under a long-term, non-cancelable finance lease agreement. The lease expires in July 2026.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization applied the risk-free rate option to the office equipment class of assets.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis. The Organization has elected the practical expedient to not separate lease and non-lease components for equipment leases.

Total lease costs for the year ended June 30, 2025 and 2024, respectively, were as follows:

|                                    | 2025   | 2024   |
|------------------------------------|--------|--------|
| Finance lease cost                 |        |        |
| Interest expense                   | \$ 498 | \$ 805 |
| Amortization of right of use asset | 38,061 | 38,060 |

The following table summarizes the supplemental cash flow information for the year ended June 30, 2025 and 2024:

|                                                                        | 2025   | 2024   |
|------------------------------------------------------------------------|--------|--------|
| Cash paid for amounts included in the measurement of lease liabilities |        |        |
| Operating cash flows from finance lease                                | \$ 498 | \$ 805 |
| Financing cash flows from finance lease                                | 37,769 | 37,462 |

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

|                                                  | 2025  | 2024  |
|--------------------------------------------------|-------|-------|
| Weighted-average remaining lease term (in years) | 1.07  | 2.07  |
| Weighted-average discount rate                   | 0.81% | 0.81% |

Children's Home Society of South Dakota  
Notes to Consolidated Financial Statements  
June 30, 2025 and 2024

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The future minimum lease payments under noncancelable finance leases with terms greater than one year are listed below as of June 30, 2025.

|                                    |                         |
|------------------------------------|-------------------------|
| 2026                               | \$ 37,653               |
| 2027                               | <u>2,912</u>            |
| Total lease payments               | 40,565                  |
| Less interest                      | <u>(193)</u>            |
| Present value of lease liabilities | <u><u>\$ 40,372</u></u> |

**Note 21 - Subsequent Events**

Management has considered subsequent events through October 28, 2025, the date that the consolidated financial statements were available to be issued.

Subsequent to year end, the Organization entered into an agreement to sell their Rockerville campus (Note 10). In conjunction with the purchase agreement, the Organization has entered into a leaseback agreement with the buyer to lease the campus for an additional one-year period.

In addition, the Organization entered into an agreement and completed the purchase of a parcel of land adjacent to the shelter for family safety for future use. The land was purchased at a price of \$460,000 and was funded with restricted donations held by the Foundation.

Supplementary Information  
June 30, 2025 and 2024

**Children's Home Society of South  
Dakota**

Children's Home Society of South Dakota  
 Consolidating Statement of Financial Position  
 June 30, 2025

|                                                                | Children's<br>Home<br>Society | Children's<br>Home<br>Foundation | Eliminations          | Consolidated          |
|----------------------------------------------------------------|-------------------------------|----------------------------------|-----------------------|-----------------------|
| <b>Assets</b>                                                  |                               |                                  |                       |                       |
| Cash, cash equivalents, and restricted cash                    |                               |                                  |                       |                       |
| Undesignated cash and cash equivalents                         | \$ 2,206,201                  | \$ 636,811                       | \$ -                  | \$ 2,843,012          |
| Designated cash                                                | 103,886                       | 3,635                            | -                     | 107,521               |
| Restricted cash                                                | 469,496                       | 1,641,352                        | -                     | 2,110,848             |
| Total cash, cash equivalents,<br>and restricted cash           | <u>2,779,583</u>              | <u>2,281,798</u>                 | -                     | <u>5,061,381</u>      |
| Accounts receivable                                            | 1,973,939                     | 130,308                          | -                     | 2,104,247             |
| Grants and contracts receivable                                | 517,120                       | -                                | -                     | 517,120               |
| Contributions receivable                                       | -                             | 6,736,128                        | -                     | 6,736,128             |
| Due from Children's Home Foundation                            | 5,464,782                     | -                                | (5,464,782)           | -                     |
| Inventory                                                      | 48,350                        | -                                | -                     | 48,350                |
| Prepaid expenses                                               | 673,409                       | 60,374                           | -                     | 733,783               |
| Investments                                                    | 5,914,496                     | 162,135,330                      | -                     | 168,049,826           |
| Beneficial interest in trusts                                  | 1,129,275                     | 2,215,577                        | -                     | 3,344,852             |
| Beneficial interest in assets held by<br>community foundations | -                             | 4,243,219                        | -                     | 4,243,219             |
| Cash surrender value of life insurance                         | -                             | 1,226,025                        | -                     | 1,226,025             |
| Other assets                                                   | 291,651                       | -                                | -                     | 291,651               |
| Finance lease right of use asset                               | 40,372                        | -                                | -                     | 40,372                |
| Land, buildings and equipment, net                             | 36,423,773                    | 27,170                           | -                     | 36,450,943            |
| Assets held-for-sale                                           | 3,649,275                     | -                                | -                     | 3,649,275             |
|                                                                | <u>\$ 58,906,025</u>          | <u>\$ 179,055,929</u>            | <u>\$ (5,464,782)</u> | <u>\$ 232,497,172</u> |
| <b>Liabilities and Net Assets</b>                              |                               |                                  |                       |                       |
| <b>Liabilities</b>                                             |                               |                                  |                       |                       |
| Notes payable, net of loan issuance costs                      | \$ 8,835,200                  | \$ -                             | \$ -                  | \$ 8,835,200          |
| Finance lease liability                                        | 40,372                        | -                                | -                     | 40,372                |
| Accounts payable                                               | 1,618,370                     | 43,386                           | -                     | 1,661,756             |
| Accrued expenses                                               | 2,493,984                     | 148,006                          | -                     | 2,641,990             |
| Annuity obligations                                            | -                             | 6,117                            | -                     | 6,117                 |
| Due to Children's Home Society                                 | -                             | 5,464,782                        | (5,464,782)           | -                     |
| Total liabilities                                              | <u>12,987,926</u>             | <u>5,662,291</u>                 | <u>(5,464,782)</u>    | <u>13,185,435</u>     |
| <b>Net Assets</b>                                              |                               |                                  |                       |                       |
| Without donor restrictions                                     |                               |                                  |                       |                       |
| Undesignated                                                   | 41,644,228                    | (2,845,978)                      | -                     | 38,798,250            |
| Board designated                                               | 1,680,074                     | 30,725,179                       | -                     | 32,405,253            |
| With donor restrictions                                        | 2,593,797                     | 145,514,437                      | -                     | 148,108,234           |
| Total net assets                                               | <u>45,918,099</u>             | <u>173,393,638</u>               | -                     | <u>219,311,737</u>    |
|                                                                | <u>\$ 58,906,025</u>          | <u>\$ 179,055,929</u>            | <u>\$ (5,464,782)</u> | <u>\$ 232,497,172</u> |

**Children's Home Society of South Dakota**  
**Consolidating Statement of Activities**  
**Year Ended June 30, 2025**

|                                                                                            | Children's<br>Home<br>Society | Children's<br>Home<br>Foundation | Eliminations        | Consolidated          |
|--------------------------------------------------------------------------------------------|-------------------------------|----------------------------------|---------------------|-----------------------|
| <b>Revenue, Gains and Other Support</b>                                                    |                               |                                  |                     |                       |
| Child care                                                                                 | \$ 13,587,583                 | \$ -                             | \$ -                | \$ 13,587,583         |
| Tuition                                                                                    | 3,914,704                     | -                                | -                   | 3,914,704             |
| Contributions                                                                              | 453,786                       | 10,718,359                       | -                   | 11,172,145            |
| Support from government agencies                                                           | 2,827,627                     | -                                | -                   | 2,827,627             |
| Grants                                                                                     | 179,490                       | -                                | -                   | 179,490               |
| Children's Home Foundation                                                                 | 12,428,915                    | -                                | (12,428,915)        | -                     |
| United Way support                                                                         | 725,335                       | -                                | -                   | 725,335               |
| In-kind contributions                                                                      | 480,384                       | 952,234                          | (480,384)           | 952,234               |
| Increase in cash surrender value of life insurance                                         | -                             | 38,274                           | -                   | 38,274                |
| Distributions from perpetual trusts                                                        | 51,664                        | -                                | -                   | 51,664                |
| Investment return, net                                                                     | 946,931                       | 19,198,373                       | -                   | 20,145,304            |
| Distributions from and change in value of<br>beneficial interests in assets held by others | -                             | 294,010                          | -                   | 294,010               |
| Change in value of beneficial interest in trusts                                           | 174,718                       | 113,878                          | -                   | 288,596               |
| Change in value of annuity obligations                                                     | -                             | 4,030                            | -                   | 4,030                 |
| Therapy                                                                                    | 544,520                       | -                                | -                   | 544,520               |
| Other                                                                                      | 414,525                       | -                                | (72,000)            | 342,525               |
| <b>Total revenue, gains and other support</b>                                              | <b>36,730,182</b>             | <b>31,319,158</b>                | <b>(12,981,299)</b> | <b>55,068,041</b>     |
| <b>Expenses</b>                                                                            |                               |                                  |                     |                       |
| Program services expense                                                                   |                               |                                  |                     |                       |
| Residential and education                                                                  | 19,802,873                    | -                                | -                   | 19,802,873            |
| Community based services                                                                   | 10,515,062                    | 13,356                           | -                   | 10,528,418            |
| Contribution to Children's Home Society                                                    | -                             | 12,909,299                       | (12,909,299)        | -                     |
| <b>Total program services expense</b>                                                      | <b>30,317,935</b>             | <b>12,922,655</b>                | <b>(12,909,299)</b> | <b>30,331,291</b>     |
| Supporting services expense                                                                |                               |                                  |                     |                       |
| General and administrative                                                                 | 4,972,335                     | 282,180                          | -                   | 5,254,515             |
| Fundraising and development                                                                | 188,945                       | 2,856,676                        | (72,000)            | 2,973,621             |
| <b>Total supporting services expenses</b>                                                  | <b>5,161,280</b>              | <b>3,138,856</b>                 | <b>(72,000)</b>     | <b>8,228,136</b>      |
| <b>Total expenses</b>                                                                      | <b>35,479,215</b>             | <b>16,061,511</b>                | <b>(12,981,299)</b> | <b>38,559,427</b>     |
| Change in Net Assets Before Transfers                                                      | 1,250,967                     | 15,257,647                       | -                   | 16,508,614            |
| Transfer to Children's Home Society                                                        | (342,716)                     | 342,716                          | -                   | -                     |
| Change in Net Assets                                                                       | 908,251                       | 15,600,363                       | -                   | 16,508,614            |
| Net Assets, Beginning of Year                                                              | 45,009,848                    | 157,793,275                      | -                   | 202,803,123           |
| <b>Net Assets, End of Year</b>                                                             | <b>\$ 45,918,099</b>          | <b>\$ 173,393,638</b>            | <b>\$ -</b>         | <b>\$ 219,311,737</b> |

**Children's Home Society of South Dakota**  
**Consolidating Statement of Cash Flows**  
**Year Ended June 30, 2025**

|                                                                                                       | Children's<br>Home<br>Society | Children's<br>Home<br>Foundation | Eliminations | Consolidated        |
|-------------------------------------------------------------------------------------------------------|-------------------------------|----------------------------------|--------------|---------------------|
| <b>Operating Activities</b>                                                                           |                               |                                  |              |                     |
| Change in net assets                                                                                  | \$ 908,251                    | \$ 15,600,363                    | \$ -         | \$ 16,508,614       |
| Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities |                               |                                  |              |                     |
| Depreciation                                                                                          | 1,854,716                     | 8,994                            | -            | 1,863,710           |
| Amortization of right of use asset                                                                    | 38,061                        | -                                | -            | 38,061              |
| Gain on disposal of equipment                                                                         | (300,566)                     | -                                | -            | (300,566)           |
| Noncash donation of securities                                                                        | -                             | (73,988)                         | -            | (73,988)            |
| Realized and unrealized gain on investments                                                           | (606,735)                     | (15,123,066)                     | -            | (15,729,801)        |
| Change in value of beneficial interest in assets held by others                                       | -                             | (294,010)                        | -            | (294,010)           |
| Change in beneficial interest in trusts                                                               | (174,718)                     | (113,878)                        | -            | (288,596)           |
| Fair value adjustment of contributions and bequests receivable                                        | -                             | 773,822                          | -            | 773,822             |
| Contributions restricted for endowment including noncash gifts                                        | -                             | (95,161)                         | -            | (95,161)            |
| Contributions restricted to building project                                                          | -                             | (7,034,942)                      | -            | (7,034,942)         |
| Change in cash surrender value of life insurance                                                      | -                             | (38,274)                         | -            | (38,274)            |
| Change in operating assets and liabilities                                                            |                               |                                  |              |                     |
| Receivables                                                                                           | 468,088                       | 443,475                          | 279,699      | 1,191,262           |
| Inventory                                                                                             | (22,659)                      | -                                | -            | (22,659)            |
| Prepaid expenses                                                                                      | (35,891)                      | (18,791)                         | -            | (54,682)            |
| Other assets                                                                                          | (20,738)                      | -                                | -            | (20,738)            |
| Accounts payable                                                                                      | 222,977                       | 33,979                           | -            | 256,956             |
| Accrued expenses                                                                                      | 247,589                       | 56,059                           | -            | 303,648             |
| Annuity obligations                                                                                   | -                             | (6,526)                          | -            | (6,526)             |
| Due to Children's Home Society                                                                        | -                             | 279,699                          | (279,699)    | -                   |
| <b>Net Cash provided by (used for) Operating Activities</b>                                           | <b>2,578,375</b>              | <b>(5,602,245)</b>               | <b>-</b>     | <b>(3,023,870)</b>  |
| <b>Investing Activities</b>                                                                           |                               |                                  |              |                     |
| Purchase of land, buildings and equipment                                                             | (5,041,472)                   | (20,237)                         | -            | (5,061,709)         |
| Proceeds from sale of land, buildings and equipment                                                   | 1,259,219                     | -                                | -            | 1,259,219           |
| Purchase of investments                                                                               | (12,836,010)                  | (62,969,639)                     | -            | (75,805,649)        |
| Proceeds from sale and maturity of investments                                                        | 9,784,235                     | 68,840,591                       | -            | 78,624,826          |
| <b>Net Cash (used for) provided by Investing Activities</b>                                           | <b>(6,834,028)</b>            | <b>5,850,715</b>                 | <b>-</b>     | <b>(983,313)</b>    |
| <b>Financing Activities</b>                                                                           |                               |                                  |              |                     |
| Proceeds from contributions restricted for endowment                                                  | -                             | 100,161                          | -            | 100,161             |
| Proceeds from contributions restricted for investment in land, buildings and equipment                | -                             | 626,792                          | -            | 626,792             |
| Payments for debt issuance costs                                                                      | (116,300)                     | -                                | -            | (116,300)           |
| Payments for long-term debt                                                                           | (25,500)                      | -                                | -            | (25,500)            |
| Principal payments on finance leases                                                                  | (38,061)                      | -                                | -            | (38,061)            |
| <b>Net Cash (used for) provided by Financing Activities</b>                                           | <b>(179,861)</b>              | <b>726,953</b>                   | <b>-</b>     | <b>547,092</b>      |
| <b>Net Change in Cash, Cash Equivalents and Restricted Cash</b>                                       | <b>(4,435,514)</b>            | <b>975,423</b>                   | <b>-</b>     | <b>(3,460,091)</b>  |
| <b>Beginning Cash, Cash Equivalents and Restricted Cash</b>                                           | <b>7,215,097</b>              | <b>1,306,375</b>                 | <b>-</b>     | <b>8,521,472</b>    |
| <b>Ending Cash, Cash Equivalents and Restricted Cash</b>                                              | <b>\$ 2,779,583</b>           | <b>\$ 2,281,798</b>              | <b>\$ -</b>  | <b>\$ 5,061,381</b> |
| <b>Supplemental Information</b>                                                                       |                               |                                  |              |                     |
| Noncash investing and financing activities                                                            |                               |                                  |              |                     |
| Accounts payable for land, buildings and equipment                                                    | \$ 906,278                    | \$ -                             | \$ -         | \$ 906,278          |
| Transfer of land, buildings and equipment to assets held-for-sale                                     | 3,612,546                     | -                                | -            | 3,612,546           |
| Refinance on long-term debt                                                                           | 8,951,500                     | -                                | -            | 8,951,500           |