



Financial Statements
June 30, 2023 and 2022

Children's Home Foundation

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Children's Home Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Children's Home Foundation as of June 30, 2023 and 2022, 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). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Eide Bailly LLP

Sioux Falls, South Dakota
November 15, 2023

Children's Home Foundation
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 2,012,734	\$ 3,601,570
Interest receivable	168,338	118,856
Contributions and bequests receivable	1,721,661	3,033,488
Prepaid expenses	31,316	7,939
Investments	145,445,181	136,417,415
Beneficial interest in trusts	1,998,081	1,930,578
Beneficial interest in assets held by community foundations	3,658,207	3,453,814
Cash surrender value of life insurance	1,150,583	1,115,684
Equipment, net	9,960	10,745
	\$ 156,196,061	\$ 149,690,089
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 8,054	\$ 114,555
Accrued expenses	75,447	64,799
Annuity obligations	12,436	12,217
Due to Children's Home Society	4,802,167	5,211,646
Total liabilities	4,898,104	5,403,217
Net Assets		
Without donor restrictions		
Undesignated	633,244	2,761,892
Board designated	25,922,688	24,592,318
With donor restrictions	124,742,025	116,932,662
Total net assets	151,297,957	144,286,872
	\$ 156,196,061	\$ 149,690,089

Children's Home Foundation
Statements of Activities
Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Gains			
Contributions and bequests	\$ 2,276,962	\$ 2,271,836	\$ 4,548,798
Investment return, net	2,698,109	10,798,311	13,496,420
Distributions from and change in value of beneficial interests in assets held by others	1,611	202,782	204,393
In-kind contributions	2,141,816	-	2,141,816
Increase in cash surrender value of life insurance	34,898	-	34,898
Change in value of annuity obligations	(1,849)	-	(1,849)
Change in value of trusts	-	67,503	67,503
Net asset released from restriction pursuant to endowment spending-rate distribution formula	2,241,262	(2,241,262)	-
Net assets released from restrictions - other	4,757,743	(4,757,743)	-
Total revenue and gains	<u>14,150,552</u>	<u>6,341,427</u>	<u>20,491,979</u>
Expenses			
Program services expense	12,157,162	-	12,157,162
Supporting services expense			
Fundraising and development	2,601,445	-	2,601,445
General and administrative	190,223	-	190,223
Total expenses	<u>14,948,830</u>	<u>-</u>	<u>14,948,830</u>
Change in Net Assets Before Transfers	(798,278)	6,341,427	5,543,149
Transfer from Children's Home Society	<u>-</u>	<u>1,467,936</u>	<u>1,467,936</u>
Change in Net Assets	(798,278)	7,809,363	7,011,085
Net Assets, Beginning of Year	<u>27,354,210</u>	<u>116,932,662</u>	<u>144,286,872</u>
Net Assets, End of Year	<u>\$ 26,555,932</u>	<u>\$ 124,742,025</u>	<u>\$ 151,297,957</u>

Children's Home Foundation
Statements of Activities
Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Gains			
Contributions and bequests	\$ 1,963,176	\$ 6,406,668	\$ 8,369,844
Investment return, net	(4,571,763)	(18,798,001)	(23,369,764)
Distributions from and change in value of beneficial interests in assets held by others	(10,013)	(664,886)	(674,899)
In-kind contributions	1,048,941	-	1,048,941
Increase in cash surrender value of life insurance	33,202	-	33,202
Change in value of annuity obligations	(1,528)	-	(1,528)
Change in value of trusts	-	(445,652)	(445,652)
Net asset released from restriction pursuant to endowment spending-rate distribution formula	2,040,503	(2,040,503)	-
Net assets released from restrictions - other	153,367	(153,367)	-
Total revenue and gains	<u>655,885</u>	<u>(15,695,741)</u>	<u>(15,039,856)</u>
Expenses			
Program services expense	3,323,600	-	3,323,600
Supporting services expense			
Fundraising and development	1,695,577	-	1,695,577
General and administrative	58,453	-	58,453
Total expenses	<u>5,077,630</u>	<u>-</u>	<u>5,077,630</u>
Change in Net Assets Before Transfers	(4,421,745)	(15,695,741)	(20,117,486)
Transfer to Children's Home Society	<u>-</u>	<u>(5,581,638)</u>	<u>(5,581,638)</u>
Change in Net Assets	(4,421,745)	(21,277,379)	(25,699,124)
Net Assets, Beginning of Year	<u>31,775,955</u>	<u>138,210,041</u>	<u>169,985,996</u>
Net Assets, End of Year	<u>\$ 27,354,210</u>	<u>\$ 116,932,662</u>	<u>\$ 144,286,872</u>

Children's Home Foundation
 Statements of Functional Expenses
 Year Ended June 30, 2023

	<u>Program Expenses</u>	<u>Fundraising and Development</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ -	\$ 912,052	\$ 113,870	\$ 1,025,922
Payroll taxes and benefits	-	197,394	27,181	224,575
Employment costs	-	33,902	-	33,902
Training and conferences	-	5,289	-	5,289
Professional services and fees	-	35,889	32,000	67,889
Insurance	-	25,483	-	25,483
Travel	-	10,677	-	10,677
Occupancy	-	30,528	-	30,528
Goods and supplies	-	1,233,355	-	1,233,355
Printing and publications	-	68,735	-	68,735
Equipment maintenance	-	29,396	5,328	34,724
Contributions to Children's Home Society	12,132,120	-	-	12,132,120
Bad debt	-	14,899	-	14,899
Depreciation	-	3,393	-	3,393
Other	25,042	453	11,844	37,339
	<u>\$ 12,157,162</u>	<u>\$ 2,601,445</u>	<u>\$ 190,223</u>	<u>\$ 14,948,830</u>

Children's Home Foundation
 Statements of Functional Expenses
 Year Ended June 30, 2022

	<u>Program Expenses</u>	<u>Fundraising and Development</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ -	\$ 528,909	\$ 18,135	\$ 547,044
Payroll taxes and benefits	-	136,492	4,073	140,565
Training and conferences	-	5,763	-	5,763
Professional services and fees	-	3,813	30,808	34,621
Insurance	-	6,157	-	6,157
Travel	-	8,749	-	8,749
Occupancy	-	28,806	-	28,806
Goods and supplies	-	924,060	-	924,060
Printing and publications	-	32,253	-	32,253
Equipment maintenance	-	13,959	-	13,959
Contributions to Children's Home Society	3,299,672	-	-	3,299,672
Bad debt	-	3,660	-	3,660
Depreciation	-	2,956	-	2,956
Other	23,928	-	5,437	29,365
	<u>\$ 3,323,600</u>	<u>\$ 1,695,577</u>	<u>\$ 58,453</u>	<u>\$ 5,077,630</u>

Children's Home Foundation
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Change in net assets	\$ 7,011,085	\$ (25,699,124)
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation	3,393	2,956
Realized and unrealized (gain) loss on investments	(9,624,500)	28,163,734
Noncash donation of securities	(28,718)	(181,692)
Change in value of beneficial interest in assets held by community foundations	(204,393)	674,899
Fair value adjustment of contributions and bequests receivable	(109,559)	321,446
Contributions restricted to endowment including noncash gifts	(507,288)	(1,805,970)
Contributions restricted to building project	(229,935)	(1,562,638)
Increase in cash surrender value of life insurance	(34,899)	(33,202)
Change in beneficial interest in trusts	(67,503)	445,652
Change in assets and liabilities		
Interest receivable	(49,482)	(15,295)
Contributions and bequests receivable	676,509	(1,921,908)
Prepaid expenses	(23,377)	(6,000)
Accounts payable	(106,501)	112,273
Accrued expenses	10,648	(50,147)
Annuity obligations	219	(102)
Due to Children's Home Society	(409,479)	240,692
Net Cash used for Operating Activities	<u>(3,693,780)</u>	<u>(1,314,426)</u>
Investing Activities		
Proceeds from sale and maturities of investments	42,889,779	43,684,251
Purchase of investments	(42,264,327)	(44,161,247)
Purchase of property and equipment	(2,608)	(12,601)
Net Cash from (used for) Investing Activities	<u>622,844</u>	<u>(489,597)</u>
Financing Activities		
Proceeds from contributions restricted for endowment	1,038,287	1,223,674
Proceeds from contributions restricted for investment in land, buildings and equipment	443,813	1,109,492
Net Cash from Financing Activities	<u>1,482,100</u>	<u>2,333,166</u>
Net Change in Cash and Cash Equivalents	(1,588,836)	529,143
Beginning Cash and Cash Equivalents	<u>3,601,570</u>	<u>3,072,427</u>
Ending Cash and Cash Equivalents	<u>\$ 2,012,734</u>	<u>\$ 3,601,570</u>

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

The Children's Home Foundation (Foundation) was established by the Children's Home Society of South Dakota (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 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 the Society. The Foundation's articles of incorporation provide that the Foundation's board of directors are appointed by the Society. Therefore, the Foundation is controlled by the Society.

Cash and Cash Equivalents

The Foundation 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 Foundation are excluded from this definition.

Contributions and Bequests Receivable

The Foundation 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.

The Foundation and Society are considered financially interrelated organizations because the Foundation exists to raise, hold, and invest assets for the Society. Accordingly, assets received from donors (including contributions receivable) by the Foundation for the benefit of the Society are recognized as contributions received by the Foundation. Assets transferred from the Society to the Foundation are presented as a separate line item in the statements of activities, unless the Society has specified itself as the beneficiary of the assets and the Society expects repayment of the transferred assets, in which case a liability would be recognized by the Foundation.

Equipment

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 an estimated useful life of five years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statements 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 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, 2023 and 2022.

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 statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment management and custodial fees.

Beneficial Interest in Trusts

The Foundation has been named as an irrevocable beneficiary of a perpetual trust held and administered by an independent trustee. Perpetual trusts provide for the distribution of the net income of the trusts to the Foundation; however, the Foundation will never receive the assets of the trusts. At the date the Foundation receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statements of activities, and a beneficial interest in perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interest in the trust is reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities. At June 30, 2023 and 2022, the trust was \$340,688 and \$324,359, respectively.

The Foundation has also been named as an irrevocable beneficiary of a charitable remainder trust held and administered by an independent trustee. Under this trust agreement, the Foundation receives an annual distribution from the trust for a period of twenty years. At the end of the twenty-year period, the Foundation will receive a proportionate share of the trust's remaining value. At the date the Foundation received notice of the beneficial interest, a contribution with donor restrictions was recorded in the statements of activities, and a beneficial interest in trust was recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interest in the trust is reported at the fair value of the trust's assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities. At June 30, 2023 and 2022, the trust was \$1,657,393 and \$1,606,219, respectively.

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 Society 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 Fund is held and invested by the community foundations for the benefit of the Foundation and is reported at fair value in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor 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 and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for certain board-designated reserves (Note 8) and a board-designated endowment (Note 12).

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 Foundation 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 statements of activities as net assets released from restrictions. The Foundation reports conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period.

Revenue Recognition

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. There were no conditional promises to give as of June 30, 2023 and 2022.

Charitable Gift Annuities

Under charitable gift annuity contracts, the Foundation 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 annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions 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 Foundation's fundraising and development activities; however, the 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 Foundation records donated professional services at the respective fair values of the services received (Note 10).

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The 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 financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and benefits, professional services and fees and goods and supplies, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Foundation is organized as a South Dakota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Foundation 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.

The Foundation 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 financial statements. The entity 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.

Financial Instruments and Credit Risk

The Foundation 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 Foundation has not experienced losses in any of these accounts.

The Foundation 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, 2023 and 2022, the Foundation had approximately \$1,542,000 and \$3,057,000 respectively, in excess of FDIC-insured limits.

Credit risk associated with contributions and bequests receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from individuals and organizations supportive of the Foundation'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 Foundation.

Estimates

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

Reclassifications

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

Subsequent Events

Management has evaluated subsequent events through November 15, 2023, the date that the financial statements were available to be issued.

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 statement of financial position date, comprise the following:

	2023	2022
Cash and cash equivalents	\$ 1,578,798	\$ 3,037,358
Contributions and bequests receivable	914,420	1,119,258
Distributions from beneficial interests in trusts	120,997	122,408
Distributions from beneficial interests in assets held by community foundations	159,624	126,757
Spending-rate distributions and appropriations	6,356,586	9,478,982
	<u>\$ 9,130,425</u>	<u>\$ 13,884,763</u>

Cash and cash equivalents are available for general operating expenditures. Restricted cash would be available to the extent it is expected to be used within the following fiscal year.

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 4 to 5 percent. Although the Foundation 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 \$25,907,119 and \$18,003,798 as of June 30, 2023 and 2022, respectively. In addition to board designated endowments, the board has designated certain investments which were \$9,924 and \$6,323,478 as of June 30, 2023 and 2022, 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 \$5,645 and \$265,042 as of June 30, 2023 and 2022, respectively, and are further described in Note 8.

Note 3 - Contributions and Bequests Receivable

The following summarizes contributions and bequests receivable at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Endowment	\$ 170,137	\$ 1,076,135
Shelter for Family Safety	<u>1,796,762</u>	<u>2,687,150</u>
	1,966,899	3,763,285
Adjustment to fair value	<u>(245,238)</u>	<u>(729,797)</u>
	<u>\$ 1,721,661</u>	<u>\$ 3,033,488</u>

At June 30, 2023 and 2022, three donors accounted for approximately 48% and 44%, respectively, of total contributions and bequests receivable.

The following summarizes scheduled receipts of contributions and bequests receivable at June 30, 2023.

<u>Due by June 30,</u>	
2024	\$ 932,670
2025	337,302
2026	218,427
2027	100,500
2028	80,500
Thereafter	<u>297,500</u>
	<u>\$ 1,966,899</u>

Note 4 - Investments

The following summarizes investments by major investment type at June 30, 2023 and 2022:

	2023	2022
Without donor restrictions		
Cash equivalents and money market funds	\$ 3,600,965	\$ 3,820,464
Certificates of deposit	-	1,238,968
Corporate debt securities	252,278	259,648
Mutual funds - equity securities	17,939,941	16,462,838
Mutual funds - debt securities	6,819,656	6,658,309
	28,612,840	28,440,227
With donor restrictions		
Cash equivalents and money market funds	6,372,476	7,418,228
Certificates of deposit	-	274,990
State and municipal government obligations	69,253	128,112
Corporate debt securities	1,283,062	1,391,706
Mutual funds - equity securities	76,491,505	68,991,020
Mutual funds - debt securities	32,616,045	29,773,132
	116,832,341	107,977,188
	\$ 145,445,181	\$ 136,417,415

Investment income from investments is recorded net of related investment fees of \$331,397 and \$386,768 for the years ended June 30, 2023 and 2022, respectively.

Note 5 - Cash Surrender Value of Life Insurance

The Foundation is the beneficiary of life insurance policies on the lives of certain donors. Premiums paid by donors are recorded as contributions received. Premiums paid by the Foundation are recorded as life insurance expense. The face values of the policies were approximately \$2,165,000 and \$2,217,000 at June 30, 2023 and 2022, respectively. The policies had cash values of \$1,150,583 and \$1,115,684 at June 30, 2023 and 2022, respectively. Investments in cash surrender value of life insurance are carried at their contract amount.

Note 6 - Fair Value of Assets and Liabilities

Certain assets and liabilities are reported at fair value in the 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 Foundation 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 Foundation develops inputs using the best information available in the circumstances.

Assets and liabilities measured at fair value on a recurring basis at June 30, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Assets		
Certificates of deposit	\$ -	\$ 1,513,958
State and municipal government obligations	69,253	128,112
Corporate debt securities	1,535,340	1,651,354
Mutual funds - equity securities	94,431,446	85,453,858
Mutual funds - debt securities	39,435,701	36,431,441
Contributions and bequests receivable	1,721,661	3,033,488
Beneficial interest in trusts	1,998,081	1,930,578
Beneficial interest in assets held by community foundations	3,658,207	3,453,814
	<u>\$ 142,849,689</u>	<u>\$ 133,596,603</u>
Liabilities		
Annuity obligations	<u>\$ 12,436</u>	<u>\$ 12,217</u>

Children's Home Foundation

Notes to Financial Statements

June 30, 2023 and 2022

The related fair values of these assets and liabilities are determined as follows at June 30, 2023:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Assets				
State and municipal government obligations	\$ -	\$ 69,253	\$ -	\$ 69,253
Corporate debt securities	-	1,535,340	-	1,535,340
Mutual funds - equity securities	94,431,446	-	-	94,431,446
Mutual funds - debt securities	39,435,701	-	-	39,435,701
Total investments valued at fair value	<u>133,867,147</u>	<u>1,604,593</u>	<u>-</u>	<u>135,471,740</u>
Beneficial interest in trusts	-	-	1,998,081	1,998,081
Beneficial interest in assets held by community foundations	-	-	3,658,207	3,658,207
Total beneficial interests	<u>-</u>	<u>-</u>	<u>5,656,288</u>	<u>5,656,288</u>
Contributions and bequests receivable	-	-	1,721,661	1,721,661
	<u>\$ 133,867,147</u>	<u>\$ 1,604,593</u>	<u>\$ 7,377,949</u>	<u>\$ 142,849,689</u>
Liabilities				
Annuity obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,436</u>	<u>\$ 12,436</u>

The related fair values of these assets and liabilities are determined as follows at June 30, 2022:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Assets				
Certificates of deposit	\$ -	\$ 1,513,958	\$ -	\$ 1,513,958
State and municipal government obligations	-	128,112	-	128,112
Corporate debt securities	-	1,651,354	-	1,651,354
Mutual funds - equity securities	85,453,858	-	-	85,453,858
Mutual funds - debt securities	36,431,441	-	-	36,431,441
Total investments valued at fair value	<u>121,885,299</u>	<u>3,293,424</u>	<u>-</u>	<u>125,178,723</u>
Beneficial interest in trusts	-	-	1,930,578	1,930,578
Beneficial interest in assets held by community foundations	-	-	3,453,814	3,453,814
Total beneficial interests	<u>-</u>	<u>-</u>	<u>5,384,392</u>	<u>5,384,392</u>
Contributions and bequests receivable	-	-	3,033,488	3,033,488
	<u>\$ 121,885,299</u>	<u>\$ 3,293,424</u>	<u>\$ 8,417,880</u>	<u>\$ 133,596,603</u>
Liabilities				
Annuity obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,217</u>	<u>\$ 12,217</u>

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Notes to Financial Statements

June 30, 2023 and 2022

The fair value of mutual funds and stocks are determined by reference to quoted market prices. The fair value of certificates of deposit, 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.

Following is a reconciliation of activity for assets measured at fair value based upon significant unobservable (non-market) information for 2023 and 2022:

	Contributions And Bequests Receivable	Beneficial Interest in	
		Community Foundations	Trusts
Balance, July 1, 2021	\$ 397,584	\$ 4,128,713	\$ 2,376,230
Change in fair value	(320,446)	(521,821)	(445,652)
Collections and losses	(1,993,625)	-	-
Contributions	4,949,975	-	-
Distributions from the CF	-	(153,078)	-
	3,033,488	3,453,814	1,930,578
Balance, June 30, 2022			
Change in fair value	484,559	362,647	67,503
Collections and losses	(2,017,411)	-	-
Contributions	221,025	-	-
Distributions from the CF	-	(158,254)	-
	\$ 1,721,661	\$ 3,658,207	\$ 1,998,081

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

	Annuity Obligations
Balance, July 1, 2021	\$ 12,319
Change in fair value	(102)
Balance, June 30, 2022	12,217
Change in fair value	219
Balance, June 30, 2023	\$ 12,436

Note 7 - Net Assets With Donor Restrictions

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

	2023	2022
Subject to expenditure for specified purpose or passage of time		
Various Children's Home Society programs	\$ 2,094,804	\$ 1,587,296
Child's Voice and Child Advocacy Center	8,079	5,840
Shelter for Family Safety Program	7,383,692	10,330,883
Building maintenance	792	729
Black Hills programs	2,335,320	2,196,817
Creative arts	1,837	1,738
Advocacy and prevention	475,906	495,865
Shelter for Family Safety Facility	559,884	1,783,580
Other	5,984	5,124
	12,866,298	16,407,872
Endowments		
Subject to appropriation and expenditure when a specified event occurs (Note 12)	21,410,250	12,603,565
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
Various Children's Home Society programs	68,940,102	68,507,395
Child's Voice and Child Advocacy Center	3,822,079	3,558,871
Shelter for Family Safety	9,300,042	7,598,709
Building maintenance	293,647	293,647
Black Hills programs	549,108	467,933
Creative Arts	1,476,463	1,461,963
Mark Amundson Memorial	233,058	231,058
Advocacy and prevention	1,831,488	1,798,488
Adoption	457,728	457,728
	86,903,715	84,375,792
Not subject to spending policy or appropriation		
Beneficial interest in assets held by community foundations	3,221,074	3,221,074
Beneficial interests in perpetual trusts	340,688	324,359
	3,561,762	3,545,433
	\$ 124,742,025	\$ 116,932,662

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, 2023 and 2022:

	2023	2022
Satisfaction of purpose and/or time restrictions		
Various Children's Home Society programs	\$ 9,553	\$ 19,860
Shelter for Family Safety Program	1,450,215	28,068
Black Hills programs	115,959	69,739
Shelter for Family Safety Facility	3,158,161	-
Advocacy and prevention	23,855	35,700
	4,757,743	153,367
 Restricted-purpose spending-rate distributions and appropriations (Note 12)	 2,241,262	 2,040,503
	 \$ 6,999,005	 \$ 2,193,870

Note 8 - Board Designated Net Assets

Board designated net assets are summarized as follows:

	2023	2022
Cash		
Self-funded insurance reserve	\$ 5,645	\$ 265,042
Investments		
Operating reserve	9,924	6,323,478
Endowments	25,907,119	18,003,798
	 \$ 25,922,688	 \$ 24,592,318

Note 9 - Employee Benefit Plans

The Foundation's employees participate in a defined contribution 401(k) retirement plan established by the Society. The plan covers all eligible employees who have attained the age of 21 and have one year of service. The plan allows employees the option to make elective deferral contributions and the Society the ability to make discretionary matching contributions based upon the participants' deferrals and/or discretionary profit-sharing contributions which are allocated to all eligible participants based upon their eligible compensation. Contributions to this plan by the Foundation were 8% or approximately \$64,700 and \$41,500 for the years ended June 30, 2023 and 2022, respectively.

Note 10 - Donated Professional Services and Materials

Donated professional services and materials are as follows during the years ended June 30, 2023 and 2022:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
<u>June 30, 2023</u>				
Advertising and printing	\$ 258,816	\$ -	\$ 1,110,827	\$ 1,369,643
Events	8,887	-	136,349	145,236
Professional services	2,350	22,569	-	24,919
Goods and supplies	431,840	-	18,971	450,811
Construction in progress	-	-	-	151,207
	<u>\$ 701,893</u>	<u>\$ 22,569</u>	<u>\$ 1,266,147</u>	<u>2,141,816</u>
Less amounts passed through to Society				<u>(1,170,522)</u>
				<u>\$ 971,294</u>
<u>June 30, 2022</u>				
Advertising and printing	\$ -	\$ -	\$ 635,408	\$ 635,408
Events	6,815	-	219,803	226,618
Professional services	9,813	7,600	326	17,739
Goods and supplies	169,176	-	-	169,176
	<u>\$ 185,804</u>	<u>\$ 7,600</u>	<u>\$ 855,537</u>	<u>1,048,941</u>
Less amounts passed through to Society				<u>(288,894)</u>
				<u>\$ 760,047</u>

The Foundation 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 Foundation. 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 Foundation 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 Foundation receives donated professional services that would typically be purchased if not provided as an in-kind contribution. In addition, there were \$151,207 and \$0 of donated artwork and construction services capitalized related to the new shelter for family safety. 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.

Note 11 - Related Party Transactions

Transactions with the Society not disclosed elsewhere in the financial statements consist of the following:

The board members of the Foundation are appointed by the board members of the Society. The Society pays certain payroll and other administrative expenses for the Foundation, which are then reimbursed by the Foundation. These amounts totaled approximately \$1,358,000 and \$888,000 for the years ended June 30, 2023 and 2022, respectively.

The Foundation rents office space from the Society on a month-to-month basis. Total rent paid was \$25,000 during each of the years ended June 30, 2023 and 2022.

Contribution receivables at June 30, 2023 and 2022, include gifts from several board members and employees of the Foundation and Society with a gross recorded value of \$448,000 and \$641,000, respectively, which do not include reductions for allowance and discounts.

Note 12 - Endowment Funds

The Foundation's endowment funds consist of various donor-restricted endowment funds and funds designated as endowment by the Foundation's Board of Directors. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation'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 Foundation 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 Foundation 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 Foundation 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 Foundation; and (7) the investment policies of the Foundation.

Children's Home Foundation

Notes to Financial Statements

June 30, 2023 and 2022

The following summarizes endowment net assets at June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 25,907,119	\$ -	\$ 25,907,119
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor			
Various Children's Home Society programs	-	68,940,102	68,940,102
Child's Voice and Child Advocacy Center	-	3,822,079	3,822,079
Shelter for Family Safety	-	9,300,042	9,300,042
Building maintenance	-	293,647	293,647
Black Hills programs	-	549,108	549,108
Creative Arts	-	1,476,463	1,476,463
Mark Amundson Memorial	-	233,058	233,058
Advocacy and prevention	-	1,831,488	1,831,488
Adoption	-	457,728	457,728
Accumulated investment gains			
Various Children's Home Society programs	-	17,605,584	17,605,584
Child's Voice and Child Advocacy Center	-	680,918	680,918
Shelter for Family Safety	-	1,411,060	1,411,060
Building maintenance	-	540,238	540,238
Black Hills programs	-	185,819	185,819
Creative Arts	-	485,052	485,052
Mark Amundson Memorial	-	45,726	45,726
Advocacy and prevention	-	392,087	392,087
Adoption	-	63,766	63,766
	<u>\$ 25,907,119</u>	<u>\$ 108,313,965</u>	<u>\$ 134,221,084</u>

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June 30, 2023 and 2022

The following summarizes endowment net assets at June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 18,003,798	\$ -	\$ 18,003,798
Donor restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor			
Various Children's Home Society programs	-	68,507,395	68,507,395
Child's Voice and Child Advocacy Center	-	3,558,871	3,558,871
Shelter for Family Safety	-	7,598,709	7,598,709
Building maintenance	-	293,647	293,647
Black Hills programs	-	467,933	467,933
Creative Arts	-	1,461,963	1,461,963
Mark Amundson Memorial	-	231,058	231,058
Advocacy and prevention	-	1,798,488	1,798,488
Adoption	-	457,728	457,728
Accumulated investment gains			
Various Children's Home Society programs	-	10,821,201	10,821,201
Child's Voice and Child Advocacy Center	-	442,543	442,543
Shelter for Family Safety	-	(39,735)	(39,735)
Building maintenance	-	495,452	495,452
Black Hills programs	-	149,088	149,088
Creative Arts	-	386,203	386,203
Mark Amundson Memorial	-	31,937	31,937
Advocacy and prevention	-	283,781	283,781
Adoption	-	33,095	33,095
	<u>\$ 18,003,798</u>	<u>\$ 96,979,357</u>	<u>\$ 114,983,155</u>

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 Foundation to retain as a fund of perpetual duration, (i.e., underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2023, there were no deficiencies of this nature reported in net assets with donor restrictions. At June 30, 2022, funds with original gift values of \$6,626,220, fair values of \$5,939,668, and deficiencies of \$686,552 were reported in net assets with donor restrictions. These amounts were fully recovered during 2023 due to favorable market fluctuations.

Investment Spending Policies

The Foundation has adopted investment and spending policies for its endowment fund that attempt to provide the Foundation a predictable funding stream for its programs while protecting the purchasing power of the endowment funds. The Foundation, 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 Foundation expects to maintain appropriate diversification among equity and fixed income allocations. The purpose is to moderate the overall investment risk of the endowment fund.

The Board of Directors of the Foundation may appropriate for expenditure or accumulate so much of the endowment fund as the Foundation 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, 2023 and 2022.

The following summarizes the changes in endowment net assets for the years ended June 30, 2023 and 2022:

<u>June 30, 2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 18,003,798	\$ 96,979,357	\$ 114,983,155
Investment return, net	2,503,052	10,246,709	12,749,761
Contributions and bequests	12,362	1,327,115	1,339,477
Appropriation of endowment assets pursuant to spending-rate policy	-	(2,241,262)	(2,241,262)
Other changes			
Board designated transfer	6,312,902	-	6,312,902
Donor redirected transfer	-	634,110	634,110
Transfer of CHS endowment funds	-	1,367,936	1,367,936
Distribution from board-designated endowment pursuant to distribution policy	(924,995)	-	(924,995)
Endowment net assets, end of year	<u>\$ 25,907,119</u>	<u>\$ 108,313,965</u>	<u>\$ 134,221,084</u>

Children's Home Foundation
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June 30, 2023 and 2022

<u>June 30, 2022</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 17,216,504	\$ 115,093,054	\$ 132,309,558
Investment return, net	(3,381,011)	(17,810,942)	(21,191,953)
Contributions and bequests	7,497	1,737,748	1,745,245
Appropriation of endowment assets pursuant to spending-rate policy	-	(2,040,503)	(2,040,503)
Other changes			
Board designated transfer	4,856,323	-	4,856,323
Distribution from board-designated endowment pursuant to distribution policy	(695,515)	-	(695,515)
Endowment net assets, end of year	<u>\$ 18,003,798</u>	<u>\$ 96,979,357</u>	<u>\$ 114,983,155</u>