



Consolidated Financial Statements
June 30, 2023 and 2022

Children's Home Society of South Dakota

Children's Home Society of South Dakota

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June 30, 2023 and 2022

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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 statement of financial position as of June 30, 2023 and 2022, 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 present fairly, in all material respects, the financial position of Children's Home Society of South Dakota and Children's Home Foundation as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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.

Restatement

As discussed in Note 21 to the consolidated financial statements, it was determined the consolidated statement of financial position did not include certain other assets related to a subscriber savings account (SSA) for the Organization's workman compensation insurance and allocated capital credits from electric cooperatives of which the Organization is a member. This resulted in an understatement of amounts previously reported for other assets, net assets without donor restrictions, and other revenue. Accordingly, amounts reported have been restated in the 2022 consolidated financial statements now presented to correct this. Our opinion is not modified with respect to this matter.

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 November 15, 2023 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Sioux Falls, South Dakota
November 15, 2023

Children's Home Society of South Dakota
Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022 (Restated)
Assets		
Cash and cash equivalents		
Undesignated	\$ 6,989,536	\$ 8,470,721
Designated	1,705,693	5,318,614
Restricted	1,016,450	810,733
Total cash and cash equivalents	9,711,679	14,600,068
Certificate of deposit	3,000,000	250,560
Accounts receivable	1,758,698	1,327,768
Grants and contracts receivable	396,368	733,523
Contributions receivable	1,721,661	3,038,078
Inventory	25,229	-
Prepaid expenses	486,856	501,197
Investments	147,453,545	139,412,518
Beneficial interest in trusts	2,879,240	2,916,520
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
Other assets	251,632	246,988
Finance lease right of use asset	116,493	-
Land, buildings and equipment, net	24,270,471	20,571,479
Total assets	\$ 196,880,662	\$ 188,168,197
Liabilities and Net Assets		
Liabilities		
Construction loan	\$ 2,182,576	\$ -
Finance lease liability	116,493	-
Accounts payable	441,300	1,613,428
Accrued expenses	1,677,156	2,342,855
Annuity obligations	12,436	12,217
Total liabilities	4,429,961	3,968,500
Net Assets		
Without donor restrictions		
Undesignated	36,510,921	27,046,272
Board designated	29,631,101	31,714,075
With donor restrictions	126,308,679	125,439,350
Total net assets	192,450,701	184,199,697
	\$ 196,880,662	\$ 188,168,197

Children's Home Society of South Dakota
Consolidated Statements of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Childcare	\$ 9,778,075	\$ -	\$ 9,778,075
Tuition	3,473,854	-	3,473,854
Contributions	2,290,768	2,273,857	4,564,625
Support from government agencies	2,725,877	445,091	3,170,968
United Way support	-	746,574	746,574
In-kind contributions	2,141,816	-	2,141,816
Increase in cash surrender value of life insurance	34,898	-	34,898
Distributions from perpetual trusts	37,820	-	37,820
Investment return, net	3,194,783	10,861,831	14,056,614
Distributions from and change in value of beneficial interests in assets held by community foundations	1,611	202,782	204,393
Change in value of beneficial interest in trusts	-	83,304	83,304
Change in value of annuity obligations	(1,849)	-	(1,849)
Other	301,660	-	301,660
Net asset released from restriction pursuant to endowment spending-rate distribution formula	2,241,262	(2,241,262)	-
Net assets released from restrictions - other	11,502,848	(11,502,848)	-
Total revenue, gains and other support	<u>37,723,423</u>	<u>869,329</u>	<u>38,592,752</u>
Expenses and Losses			
Program services expense			
Residential and education	16,177,867	-	16,177,867
Community based services	7,895,219	-	7,895,219
Total program services expense	<u>24,073,086</u>	<u>-</u>	<u>24,073,086</u>
Supporting services expense			
General and administrative	3,365,316	-	3,365,316
Fundraising and development	2,729,945	-	2,729,945
Total supporting services expense	<u>6,095,261</u>	<u>-</u>	<u>6,095,261</u>
Loss on asset disposal	<u>173,401</u>	<u>-</u>	<u>173,401</u>
Total expenses and losses	<u>30,341,748</u>	<u>-</u>	<u>30,341,748</u>
Change in Net Assets	7,381,675	869,329	8,251,004
Net Assets, Beginning of Year	<u>58,760,347</u>	<u>125,439,350</u>	<u>184,199,697</u>
Net Assets, End of Year	<u>\$ 66,142,022</u>	<u>\$ 126,308,679</u>	<u>\$ 192,450,701</u>

Children's Home Society of South Dakota
Consolidated Statements of Activities
Year Ended June 30, 2022 (Restated)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Childcare	\$ 9,477,690	\$ -	\$ 9,477,690
Tuition	3,418,450	-	3,418,450
Contributions	2,559,918	6,548,592	9,108,510
Support from government agencies	4,765,878	-	4,765,878
Children's Inn contributions	-	197,856	197,856
United Way support	-	873,300	873,300
In-kind contributions	1,759,210	-	1,759,210
Increase in cash surrender value of life insurance	33,202	-	33,202
Distributions from perpetual trusts	57,652	-	57,652
Investment return, net	(4,889,903)	(19,001,558)	(23,891,461)
Distributions from and change in value of beneficial interests in assets held by community foundations	(10,013)	(664,886)	(674,899)
Change in value of beneficial interest in trusts	-	(669,333)	(669,333)
Change in value of annuity obligations	(1,528)	-	(1,528)
Gain on asset disposal	205,824	-	205,824
Other	332,124	-	332,124
Net asset released from restriction pursuant to endowment spending-rate distribution formula	2,078,878	(2,078,878)	-
Net assets released from restrictions - other	1,255,208	(1,255,208)	-
Total revenue, gains and other support	<u>21,042,590</u>	<u>(16,050,115)</u>	<u>4,992,475</u>
Expenses and Losses			
Program services expense			
Residential and education	14,380,731	-	14,380,731
Community based services	5,399,459	-	5,399,459
Total program services expense	<u>19,780,190</u>	<u>-</u>	<u>19,780,190</u>
Supporting services expense			
General and administrative	3,145,580	-	3,145,580
Fundraising and development	1,932,042	-	1,932,042
Total supporting services expense	<u>5,077,622</u>	<u>-</u>	<u>5,077,622</u>
Total expenses and losses	<u>24,857,812</u>	<u>-</u>	<u>24,857,812</u>
Change in Net Assets	<u>(3,815,222)</u>	<u>(16,050,115)</u>	<u>(19,865,337)</u>
Net Assets, Beginning of Year			
As previously reported	62,330,348	141,489,465	203,819,813
Prior period adjustment	245,221	-	245,221
As restated	<u>62,575,569</u>	<u>141,489,465</u>	<u>204,065,034</u>
Net Assets, End of Year	<u>\$ 58,760,347</u>	<u>\$ 125,439,350</u>	<u>\$ 184,199,697</u>

Children's Home Society of South Dakota
Consolidated Statements of Functional Expenses
Year Ended June 30, 2023

	Program Expenses			General and Administrative	Fundraising and Development	Total
	Residential and Education	Community Based Services	Total			
Salaries	\$ 10,412,178	\$ 4,138,671	\$ 14,550,849	\$ 1,406,751	\$ 1,029,482	\$ 16,987,082
Payroll taxes and benefits	2,611,561	1,112,854	3,724,415	362,549	221,747	4,308,711
Employment costs	56,128	27,108	83,236	40,688	33,962	157,886
Training and conferences	116,928	107,014	223,942	20,881	5,378	250,201
Professional services and fees	348,509	333,045	681,554	233,553	41,043	956,150
Food	544,885	95,761	640,646	-	-	640,646
Insurance	470,503	207,753	678,256	98,358	26,019	802,633
Travel	42,497	100,473	142,970	61,425	11,314	215,709
Occupancy	584,699	303,776	888,475	93,788	5,535	987,798
Goods and supplies	304,640	754,926	1,059,566	571,982	1,235,392	2,866,940
Printing and publications	3,031	36,384	39,415	12,454	68,828	120,697
Equipment maintenance and licenses	120,793	68,882	189,675	137,124	29,620	356,419
Bad debt	-	480	480	-	14,899	15,379
Interest	-	-	-	55,358	-	55,358
Depreciation	561,515	582,596	1,144,111	214,576	6,273	1,364,960
Other	-	25,496	25,496	55,829	453	81,778
	<u>\$ 16,177,867</u>	<u>\$ 7,895,219</u>	<u>\$ 24,073,086</u>	<u>\$ 3,365,316</u>	<u>\$ 2,729,945</u>	<u>\$ 30,168,347</u>

Children's Home Society of South Dakota
Consolidated Statements of Functional Expenses
Year Ended June 30, 2022

	Program Expenses			General and Administrative	Fundraising and Development	Total
	Residential and Education	Community Based Services	Total			
Salaries	\$ 9,238,912	\$ 3,079,476	\$ 12,318,388	\$ 1,266,712	\$ 713,886	\$ 14,298,986
Payroll taxes and benefits	2,411,919	932,881	3,344,800	290,585	156,199	3,791,584
Employment costs	14,624	18,294	32,918	74,356	11	107,285
Training and conferences	103,812	54,516	158,328	19,486	5,940	183,754
Professional services and fees	310,547	154,901	465,448	460,176	7,297	932,921
Food	515,235	61,560	576,795	-	-	576,795
Insurance	391,615	146,626	538,241	73,522	6,527	618,290
Travel	65,919	79,307	145,226	11,935	11,883	169,044
Occupancy	542,933	185,320	728,253	57,245	4,525	790,023
Goods and supplies	156,283	407,904	564,187	425,038	949,201	1,938,426
Printing and publications	2,857	13,106	15,963	9,059	53,163	78,185
Equipment maintenance and licenses	92,844	33,130	125,974	136,855	14,212	277,041
Bad debt	-	-	-	-	3,660	3,660
Depreciation	531,308	206,032	737,340	245,346	5,062	987,748
Other	1,923	26,406	28,329	75,265	476	104,070
	<u>\$ 14,380,731</u>	<u>\$ 5,399,459</u>	<u>\$ 19,780,190</u>	<u>\$ 3,145,580</u>	<u>\$ 1,932,042</u>	<u>\$ 24,857,812</u>

Children's Home Society of South Dakota

Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022 (Restated)
Operating Activities		
Change in net assets	\$ 8,251,004	\$ (19,865,337)
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities		
Depreciation	1,364,960	987,748
Amortization of right of use asset	37,163	-
Loss (gain) on disposal of equipment	173,401	(205,824)
Noncash donation of securities	(28,718)	(181,692)
Realized and unrealized (gain) loss on investments	(9,807,806)	28,823,589
Change in value of beneficial interest in assets held by community foundations	(204,393)	674,899
Change in beneficial interest in trusts	(83,304)	669,333
Fair value adjustment of contributions receivable	(109,970)	312,719
Contributions restricted for endowment including noncash gifts	(507,588)	(1,926,334)
Contributions restricted to building project	(229,935)	(1,562,638)
Change in cash surrender value of life insurance	(34,899)	(33,202)
Change in working capital components		
Receivables	587,735	(926,778)
Inventory	(25,229)	-
Prepaid expenses	14,340	(130,905)
Other assets	(4,644)	(1,767)
Accounts payable	(35,501)	133,882
Accrued expenses	(665,699)	59,194
Annuity obligations	219	(102)
Net Cash (used for) provided by Operating Activities	(1,308,864)	6,826,785
Investing Activities		
Purchase of land, buildings and equipment	(7,630,355)	(7,417,021)
Proceeds from sale of land, buildings and equipment	1,256,375	-
Proceeds from insurance	-	340,218
Purchase of certificate of deposit	(3,000,000)	-
Maturity of certificate of deposit	250,560	-
Purchase of investments	(41,819,151)	(45,200,823)
Proceeds from sale and maturity of investments	43,614,648	44,500,641
Net Cash used for Investing Activities	(7,327,923)	(7,776,985)

Children's Home Society of South Dakota
Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022 (Restated)
Financing Activities		
Proceeds from contributions restricted for endowment	\$ 1,038,587	\$ 1,379,038
Proceeds from contributions restricted for investment in land, buildings and equipment	443,813	1,109,492
Proceeds from construction loan	2,182,576	-
Proceeds from beneficial interest in trust	120,584	-
Principal payments on finance leases	(37,162)	-
	3,748,398	2,488,530
Net Cash provided by Financing Activities	3,748,398	2,488,530
Net Change in Cash and Cash Equivalents	(4,888,389)	1,538,330
Cash and Cash Equivalents, Beginning of Year	14,600,068	13,061,738
Cash and Cash Equivalents, End of Year	\$ 9,711,679	\$ 14,600,068
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 45,045	\$ -
Supplemental Information		
Noncash investing and financing activities		
Accounts payable for land, buildings and equipment	153,706	1,290,333

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 and adoption services and forensic interview and exam centers as well as providing immediate shelter for children and/or women 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 and Cash Equivalents

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.

Accounts Receivable

Accounts receivable are carried at the amount invoiced, less an allowance for doubtful accounts, if considered necessary. Accounts are determined to be past due based upon the contractual terms of the account. Interest is not charged on past due accounts. Management determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts are charged off when the balance is determined to be uncollectible. There were no allowances recorded at June 30, 2023 and 2022. Accounts receivable as of July 1, 2021 were \$2,202,309.

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.

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 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 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, 2023 and 2022.

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 \$115,216 and \$112,800 as of June 30, 2023 and 2022, respectively. The amount of the subscriber savings account was \$136,416 and \$134,188 as of June 30, 2023 and 2022, 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.

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.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. 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, 2023 and 2022. The Organization received cost-reimbursable grants of approximately \$34,000 and \$71,000 that have not been recognized at June 30, 2023 and 2022, 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 revenue when the assets are placed in service. Amounts are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

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.

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.

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.

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, 2023 and 2022, the Society had approximately \$8,893,000 and \$13,631,000, 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 financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Adoption of Accounting Standards Codification Topic 842

Effective July 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases (Topic 842). The Organization elected to apply the guidance as of July 1, 2022, the beginning of the adoption period. The standard requires the recognition of right of use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the statement of activities as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing leases as either finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022, the beginning of the adoption period, no cumulative effect adjustment to net assets, a finance lease liability of \$153,655, and a finance right of use asset of \$153,655. The adoption of the new standard did not materially impact the Organization's consolidated statement of activities or consolidated statement of cash flows. See Note 19 for further disclosure of the Organization's lease contracts.

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:

	2022	2021
Cash and cash equivalents	\$ 8,760,744	\$ 13,841,579
Contributions receivable	2,986,266	1,206,115
Distributions from beneficial interests in trusts	158,104	154,436
Distributions from beneficial interests in assets held by community foundations	159,624	126,757
Spending-rate distributions and appropriations	6,356,586	9,864,050
	<u>\$ 18,421,324</u>	<u>\$ 25,192,937</u>

Cash and cash equivalents are available for general operating expenditures. Restricted cash is 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 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 \$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 \$2,018,289 and \$8,391,663 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 \$1,705,693 and \$5,318,614 as of June 30, 2023 and 2022, respectively, and are further described in Note 3.

Note 3 - Board Designated Cash and Investments

The Board of Directors has designated that amounts equal to depreciation expense be set aside to fund property and equipment. The amount reported as designated cash and investments equals this amount, less property and equipment acquisitions paid for with such funds. The Board of Directors has also designated a portion of investments for endowment.

The following summarizes board designated cash and investments at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents		
Self-funded insurance reserve	\$ 129,505	\$ 395,698
Depreciation reserve	1,576,188	4,922,916
Investments		
Depreciation	-	250,560
Operating reserve	2,018,289	8,141,103
Endowment	25,907,119	18,003,798
	<u>\$ 29,631,101</u>	<u>\$ 31,714,075</u>

Note 4 - Certificates of Deposit

The Organization had certificates of deposit, held at cost which approximates fair value, at a financial institution of \$3,000,000 and \$250,560 as of June 30, 2023 and 2022, respectively. The certificates bear interest rates at 3.5% and .1% and have maturity dates of October 2023 and February 2023, respectively, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements. The \$3,000,000 certificate of deposit serves as collateral on the construction loan.

Note 5 - Contributions Receivable

Contributions receivable at June 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Endowment	\$ 170,137	\$ 1,081,136
Children's Inn	1,796,762	2,687,150
Total contributions receivable	<u>1,966,899</u>	<u>3,768,286</u>
Less		
Adjustment to fair value	<u>(245,238)</u>	<u>(730,208)</u>
Total contributions receivable	<u>\$ 1,721,661</u>	<u>\$ 3,038,078</u>

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

The following summarizes scheduled receipts of contributions 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 6 - Investments

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

	<u>2023</u>	<u>2022</u>
Without donor restrictions		
Cash equivalents and money market funds	\$ 3,649,069	\$ 3,924,653
Certificates of deposit	-	1,238,968
Corporate debt securities	252,278	259,648
Mutual funds - equity securities	19,345,546	17,720,957
Mutual funds - debt securities	<u>7,374,311</u>	<u>7,113,626</u>
	<u>30,621,204</u>	<u>30,257,852</u>
With donor restrictions		
Cash equivalents and money market funds	6,372,476	7,503,507
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	69,791,126
Mutual funds - debt securities	<u>32,616,045</u>	<u>30,065,225</u>
	<u>116,832,341</u>	<u>109,154,666</u>
	<u>\$ 147,453,545</u>	<u>\$ 139,412,518</u>

Investment income from investments is recorded net of related investment fees of \$334,524 and \$391,221 for the years ended June 30, 2023 and 2022, respectively.

Note 7 - 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 \$2,165,000 and \$2,217,000 at June 30, 2023 and 2022. 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 8 - Construction loan

The Organization entered into a \$3,000,000 note payable during the current year in order to finance the construction of the Shelter for Family Safety. The note matures September 30, 2023 and bears interest at 5.5%. Payments are due at maturity and the loan is collateralized by a \$3,000,000 certificate of deposit (Note 4).

Children's Home Society of South Dakota

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 9 - Beneficial Interest in Trusts

The following summarizes the carrying values of beneficial interest in trusts at June 30, 2023 and 2022:

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Beneficial interest in perpetual trusts				
Williamson Trust	\$ -	\$ 1,935	\$ 1,935	\$ 133,041
A. Coe Frankhauser Charitable Trust	-	122,666	122,666	121,499
Thelma Serr Charitable Trust	-	305,855	305,855	300,898
Hayward Memorial Trust	-	139,883	139,883	135,595
Beach Memorial Trust	-	340,688	340,688	324,359
Beneficial interest in charitable trusts				
Edith Siegrist Trust	-	174,901	174,901	172,631
Didier Charitable Annuity Trust	-	135,920	135,920	122,276
Verne and Bonnie Anderson Trust	-	1,657,392	1,657,392	1,606,221
	<u>\$ -</u>	<u>\$ 2,879,240</u>	<u>\$ 2,879,240</u>	<u>\$ 2,916,520</u>

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.

Note 10 - Land, Buildings, and Equipment

The following summarizes land, buildings and equipment at June 30, 2023 and 2022:

	2023	2022
Land and improvements	\$ 3,167,335	\$ 2,735,184
Buildings and improvements	26,910,300	18,911,558
Equipment and fixtures	7,101,653	4,648,022
Vehicles	960,554	650,237
Construction in progress	458,943	8,599,703
	<u>38,598,785</u>	<u>35,544,704</u>
Less accumulated depreciation	<u>(14,328,314)</u>	<u>(14,973,225)</u>
	<u>\$ 24,270,471</u>	<u>\$ 20,571,479</u>

Construction in progress relates to costs incurred in relation to construction of new dining facilities and a new shelter for family safety as of June 30, 2023 and 2022, respectively.

Children's Home Society of South Dakota

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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, 2023 and 2022, and the annual distributions for the years ended June 30, 2023 and 2022:

	2023		2022	
	Current Value	Annual Distribution	Current Value	Annual Distribution
Winona Axtel Lyon Fund	\$ 99,731	\$ 4,061	\$ 95,405	\$ 3,862
Dorothy Christopherson Fund	49,994	2,036	47,826	1,936
Children's Home Society Endowment	983,347	40,017	940,205	38,052
Lou & Helen Madsen Fund	532,921	21,716	510,405	20,644
Larsen Memorial Fund	147,877	6,021	141,462	5,726
Raymond Daugaard Memorial Fund	74,830	3,047	71,584	2,897
Madden Family Fund	101,834	-	93,447	1,000
Children's Inn Endowment	79,270	3,182	75,787	1,556
Madsen House Endowment	125,963	-	115,588	-
Madsen Adoption and Foster Care Endowment	39,034	1,589	37,341	1,510
Excellence in Caring Endowment	33,169	1,377	31,764	1,313
Child Advocacy Center Endowment	22,478	915	21,503	870
Music Fund	18,164	740	17,379	703
Creative Arts	42,101	1,499	36,969	625
Carmody Family Endowment	14,976	610	14,327	580
Child's Voice Endowment	-	-	13,600	551
Amundson Family Endowment	43,568	1,753	41,658	1,599
The Sunshyne Fund	5,998	244	5,737	232
Solveig Steen Endowment	163,533	6,301	155,469	5,882
Elvira Larson Endowment	11,787	480	11,276	456
Links to Literacy Endowment	23,682	968	22,693	922
Profilet Endowment	73,521	752	70,452	716
	<u>\$ 2,687,776</u>	<u>\$ 97,308</u>	<u>\$ 2,571,877</u>	<u>\$ 91,632</u>

In addition, the South Dakota Community Foundation has funds totaling \$895,409 and \$702,929 at June 30, 2023 and 2022, 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 \$31,895 and \$32,456 for the years ended June 30, 2023 and 2022, 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.

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	95,837,051	87,512,083
Mutual funds - debt securities	39,990,356	37,178,851
Contributions receivable	1,721,661	3,038,078
Beneficial interest in trusts	2,879,240	2,916,520
Beneficial interest in assets held by community foundations	<u>3,658,207</u>	<u>3,453,814</u>
	<u>\$ 145,691,108</u>	<u>\$ 137,392,770</u>
Liabilities		
Annuity obligations	<u>\$ 12,436</u>	<u>\$ 12,217</u>

Children's Home Society of South Dakota

Notes to Consolidated 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	95,837,051	-	-	95,837,051
Mutual funds - debt securities	39,990,356	-	-	39,990,356
Total investments valued at fair value	<u>135,827,407</u>	<u>1,604,593</u>	<u>-</u>	<u>137,432,000</u>
Beneficial interest in trusts	-	-	2,879,240	2,879,240
Beneficial interest in assets held by community foundations	-	-	3,658,207	3,658,207
Total beneficial interests	<u>-</u>	<u>-</u>	<u>6,537,447</u>	<u>6,537,447</u>
Contributions receivable	-	-	1,721,661	1,721,661
	<u>\$ 135,827,407</u>	<u>\$ 1,604,593</u>	<u>\$ 8,259,108</u>	<u>\$ 145,691,108</u>
Liabilities				
Annuity obligations	\$ -	\$ -	\$ 12,436	\$ 12,436

Children's Home Society of South Dakota

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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	87,512,083	-	-	87,512,083
Mutual funds - debt securities	37,178,851	-	-	37,178,851
Total investments valued at fair value	<u>124,690,934</u>	<u>3,293,424</u>	<u>-</u>	<u>127,984,358</u>
Beneficial interest in trusts	-	-	2,916,520	2,916,520
Beneficial interest in assets held by community foundations	-	-	3,453,814	3,453,814
Total beneficial interests	<u>-</u>	<u>-</u>	<u>6,370,334</u>	<u>6,370,334</u>
Contributions receivable	<u>-</u>	<u>-</u>	<u>3,038,078</u>	<u>3,038,078</u>
	<u>\$ 124,690,934</u>	<u>\$ 3,293,424</u>	<u>\$ 9,408,412</u>	<u>\$ 137,392,770</u>
Liabilities				
Annuity obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,217</u>	<u>\$ 12,217</u>

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.

Children's Home Society of South Dakota

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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

	Contributions Receivable	Beneficial Interest in	
		Community Foundations	Trusts
Balance, July 1, 2021	\$ 607,227	\$ 4,128,713	\$ 3,585,853
Change in fair value	(311,718)	(521,821)	(669,333)
Collections and losses	(2,207,406)	-	-
Contributions	4,949,975	-	-
Distributions from the CF	-	(153,078)	-
	3,038,078	3,453,814	2,916,520
Balance, June 30, 2022			
Change in fair value	479,969	359,453	83,304
Collections and losses	(2,017,411)	-	(120,584)
Contributions	221,025	-	-
Distributions from the CF	-	(155,060)	-
	1,721,661	3,658,207	2,879,240
Balance, June 30, 2023	\$ 1,721,661	\$ 3,658,207	\$ 2,879,240

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
New annuities, net of settled liabilities	-
Changes in the value of annuity obligations	13
	12,217
Balance, June 30, 2022	
New annuities, net of settled liabilities	-
Changes in the value of annuity obligations	219
	219
Balance, June 30, 2023	\$ 12,436

Note 13 - Donated Professional Services and Materials

The Organization received donated professional services and materials 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>
<u>June 30, 2022</u>				
Advertising and printing	\$ -	\$ -	\$ 772,603	\$ 772,603
Events	8,135	-	219,803	227,938
Professional services	10,213	7,600	326	18,139
Goods and supplies	366,675	-	2,355	369,030
Construction in progress	-	-	-	371,500
	<u>\$ 385,023</u>	<u>\$ 7,600</u>	<u>\$ 995,087</u>	<u>\$ 1,759,210</u>

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. In addition, there were \$151,207 and \$371,500 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.

Children's Home Society of South Dakota

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 14 - Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
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	7,412,238	10,358,807
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	7,493,998
United Way and other program expenses	1,113,636	1,035,965
	<u>14,002,496</u>	<u>23,177,055</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs (Note 18)	<u>21,410,250</u>	<u>12,706,120</u>
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
Various Children's Home Society programs	68,817,217	68,660,262
Child's Voice and Child Advocacy Center	3,822,079	3,558,871
Shelter for Family Safety	9,300,042	7,888,649
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
Contributions and bequests receivable, net - permanently restricted to general endowment	122,885	636,705
	<u>86,903,715</u>	<u>85,455,304</u>
Not subject to spending policy or appropriation		
Beneficial interest in trusts	771,144	879,797
Beneficial interest in community foundations	3,221,074	3,221,074
	<u>3,992,218</u>	<u>4,100,871</u>
	<u>\$ 126,308,679</u>	<u>\$ 125,439,350</u>

Children's Home Society of South Dakota

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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		
Black Hills programs	\$ 115,959	\$ 69,739
Shelter for Family Safety Program	1,777,321	45,558
Shelter for Family Safety Facility	8,787,300	-
Advocacy and prevention	23,855	35,700
Various Children's Home Society programs	798,413	1,104,211
	11,502,848	1,255,208
 Restricted-purpose spending-rate distributions and appropriations (Note 18)	 2,241,262	 2,078,878
	\$ 13,744,110	\$ 3,334,086

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 \$198,000 and \$150,000 higher for 2023 and 2022, 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.

Note 17 - Employee Benefit Plans

The Organization has established a defined contribution 401(k) retirement plan covering 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 Organization 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. Retirement plan contributions for the years ended June 30, 2023 and 2022 were 8% or \$1,031,718 and \$801,460, respectively.

The Organization had deferred compensation agreements with four key employees and two retired employees which provide for benefits upon retirement, or for their beneficiaries if the employee dies before retirement. The Organization is accruing the estimated net present value of the required payments at the earliest dates in which the benefits vest. Four of the plans were considered vested on the date the employees attain the age 65 or January 2020, whichever is first. The other two plans are considered to be fully vested after a period of 10 years or March 2027. No benefits will be paid to the employees should employment be terminated by either party prior to the vesting date. At June 30, 2023, only one plan remains on one of the retired employees. At June 30, 2023 and 2022, \$0 and \$23,663, respectively, has been accrued and recorded as a liability in the accompanying consolidated financial statements. The Organization owns life insurance policies on one of these individuals. The Organization will receive the death benefits under the terms of the agreement.

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.

Children's Home Society of South Dakota

Notes to Consolidated 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
Children's Inn programs	-	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>

Children's Home Society of South Dakota

Notes to Consolidated Financial Statements

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	-	69,296,967	69,296,967
Child's Voice and Child Advocacy Center	-	3,558,871	3,558,871
Shelter for Family Safety	-	7,888,649	7,888,649
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	-	10,892,198	10,892,198
Child's Voice and Child Advocacy Center	-	442,543	442,543
Children's Inn programs	-	(8,177)	(8,177)
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
	\$ 18,003,798	\$ 98,161,424	\$ 116,165,222

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, 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 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.

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, 2023 and 2022.

The following summarizes the change 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	\$ 98,161,424	\$ 116,165,222
Investment return, net	2,503,052	10,311,695	12,814,747
Contributions and bequests	12,362	1,327,415	1,339,777
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	-	120,583	120,583
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 Society of South Dakota

Notes to Consolidated Financial Statements

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	\$ 116,406,186	\$ 133,622,690
Investment return, net	(3,381,011)	(18,023,996)	(21,405,007)
Contributions and bequests	7,497	1,858,112	1,865,609
Appropriation of endowment assets pursuant to spending-rate policy	-	(2,078,878)	(2,078,878)
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>\$ 98,161,424</u>	<u>\$ 116,165,222</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 \$1,518,022 and \$1,679,379 at June 30, 2023 and 2022, 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 \$1,036,267 and \$1,080,523 at June 30, 2023 and 2022, 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 entered into a contract for construction of the new shelter for family safety. The remaining commitment on the contract as of June 30, 2023 is approximately \$142,000.

The Organization has a signed agreement for a new dining hall facility. The remaining commitment on the agreement was \$73,152 at June 30, 2023.

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, 2023 were as follows:

	2023
Finance lease cost:	
Interest expense	\$ 1,105
Amortization of right of use asset	37,163

The following table summarizes the supplemental cash flow information for the year ended June 30, 2023:

	2023
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from finance lease	\$ 1,105
Financing cash flows from finance lease	37,163

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

	2023
Weighted-average remaining lease term (in years)	3.08
Weighted-average discount rate	0.81%

The future minimum lease payments under noncancelable finance leases with terms greater than one year are listed below as of June 30, 2023.

2024	\$ 38,267
2025	38,267
2026	38,267
2027	3,188
Total lease payments	117,989
Less interest	(1,496)
Present value of lease liabilities	\$ 116,493

Note 21 - Restatement

During 2023, it was determined the consolidated statement of financial position did not include certain other assets related to a subscriber savings account (SSA) for the Organization's workman compensation insurance and allocated capital credits from electric cooperatives for which the Organization is a member. This resulted in an understatement of amounts previously reported as other assets, net assets without donor restrictions, and other revenue. Accordingly, amounts reported have been restated in the 2022 consolidated financial statements now presented to correct this.

The effect on the Organization's consolidated financial statements as of June 30, 2022 is as follows:

	<u>As Previously Reported</u>	<u>Restatement</u>	<u>As Restated</u>
<u>Statement of Financial Position</u>			
Other Assets	\$ -	\$ 246,988	\$ 246,988
Total assets	187,921,209	246,988	188,168,197
Net Assets			
Without donor restrictions			
Undesignated	26,799,284	246,988	27,046,272
Total net assets	183,952,709	246,988	184,199,697
Total liabilities and net assets	187,921,209	246,988	188,168,197
<u>Statement of Activities</u>			
Net Assets Without Donor Restrictions			
Revenue, Gains, and Other Support			
Other	\$ 330,357	\$ 1,767	\$ 332,124
Total revenue, gains, and other support	21,040,823	1,767	21,042,590
Change in Net Assets Without Donor Restrictions	(3,816,989)	1,767	(3,815,222)
Prior period adjustment	-	245,221	245,221
As restated	-	62,575,569	62,575,569
Net Assets Without Donor Restrictions			
End of Year	58,513,359	246,988	58,760,347
Total Net Assets			
Revenue, Gains, and Other Support			
Other	\$ 330,357	\$ 1,767	\$ 332,124
Total revenue, gains, and other support	4,990,708	1,767	4,992,475
Total Change in Net Assets	(19,867,104)	1,767	(19,865,337)
Prior period adjustment	-	245,221	245,221
As restated	-	204,065,034	204,065,034
Total Net Assets, End of Year	183,952,709	246,988	184,199,697

	As Previously Reported	Restatement	As Restated
<u>Statement of Cash Flow</u>			
Operating Activities			
Change in net assets	\$ (19,867,104)	\$ 1,767	\$ (19,865,337)
Change in other assets	-	(1,767)	(1,767)

Note 22 - Subsequent Events

Subsequent to year end, the Organization entered into a purchase agreement for the purchase certain real estate located in Rapid City, South Dakota. The purchase price of the property is \$8,588,250. In addition, the Organization entered into a separate purchase agreement for the purchase of bare land near the previously mentioned real estate for the purchase price of \$2,808,124. The purchases will be financed with a short-term note payable.

In September 2023, the Organization paid off the construction loan using cash funds.

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



Supplementary Information
June 30, 2023 and 2022

Children's Home Society of South Dakota

Children's Home Society of South Dakota
Consolidating Statement of Financial Position
June 30, 2023

	Children's Home Society	Children's Home Foundation	Eliminations	Consolidated
Assets				
Cash and cash equivalents				
Undesignated	\$ 5,481,898	\$ 1,507,638	\$ -	\$ 6,989,536
Designated	1,700,048	5,645	-	1,705,693
Restricted	516,999	499,451	-	1,016,450
	<u>7,698,945</u>	<u>2,012,734</u>	<u>-</u>	<u>9,711,679</u>
Certificate of deposit	3,000,000	-	-	3,000,000
Accounts receivable	1,590,360	168,338	-	1,758,698
Grants and contracts receivable	396,368	-	-	396,368
Contributions receivable	-	1,721,661	-	1,721,661
Due from Children's Home Foundation	4,802,167	-	(4,802,167)	-
Inventory	25,229	-	-	25,229
Prepaid expenses	455,540	31,316	-	486,856
Investments	2,008,364	145,445,181	-	147,453,545
Beneficial interest in trusts	881,159	1,998,081	-	2,879,240
Beneficial interest in assets held by community foundations	-	3,658,207	-	3,658,207
Cash surrender value of life insurance	-	1,150,583	-	1,150,583
Other assets	251,632	-	-	251,632
Finance lease right of use asset	116,493	-	-	116,493
Land, buildings and equipment, net	24,260,511	9,960	-	24,270,471
	<u>\$ 45,486,768</u>	<u>\$ 156,196,061</u>	<u>\$ (4,802,167)</u>	<u>\$ 196,880,662</u>
Liabilities and Net Assets				
Liabilities				
Construction loan	\$ 2,182,576	\$ -	\$ -	\$ 2,182,576
Finance lease liability	116,493	-	-	116,493
Accounts payable	433,246	8,054	-	441,300
Accrued expenses	1,601,709	75,447	-	1,677,156
Annuity obligations	-	12,436	-	12,436
Due to Children's Home Society	-	4,802,167	(4,802,167)	-
	<u>4,334,024</u>	<u>4,898,104</u>	<u>(4,802,167)</u>	<u>4,429,961</u>
Net Assets				
Without donor restrictions				
Undesignated	35,877,677	633,244	-	36,510,921
Board designated	3,708,413	25,922,688	-	29,631,101
With donor restrictions	1,566,654	124,742,025	-	126,308,679
	<u>41,152,744</u>	<u>151,297,957</u>	<u>-</u>	<u>192,450,701</u>
	<u>\$ 45,486,768</u>	<u>\$ 156,196,061</u>	<u>\$ (4,802,167)</u>	<u>\$ 196,880,662</u>

Children's Home Society of South Dakota
Consolidating Statement of Activities
Year Ended June 30, 2023

	Children's Home Society	Children's Home Foundation	Eliminations	Consolidated
Revenue, Gains and Other Support				
Child care	\$ 9,778,075	\$ -	\$ -	\$ 9,778,075
Tuition	3,473,854	-	-	3,473,854
Contributions	15,827	4,548,798	-	4,564,625
Support from government agencies	3,170,968	-	-	3,170,968
Children's Home Foundation	11,470,540	-	(11,470,540)	-
United Way support	746,574	-	-	746,574
In-kind contributions	661,580	2,141,816	(661,580)	2,141,816
Increase in cash surrender value of life insurance	-	34,898	-	34,898
Distributions from perpetual trusts	37,820	-	-	37,820
Investment return, net	560,194	13,496,420	-	14,056,614
Distributions from and change in value of beneficial interests in assets held by others	-	204,393	-	204,393
Change in value of beneficial interest in trusts	15,801	67,503	-	83,304
Change in value of annuity obligations	-	(1,849)	-	(1,849)
Other	326,860	-	(25,200)	301,660
Total revenue, gains and other support	30,258,093	20,491,979	(12,157,320)	38,592,752
Expenses and Losses				
Program services expense				
Residential and education	16,177,867	-	-	16,177,867
Community based services	7,870,177	25,042	-	7,895,219
Contribution to Children's Home Society	-	12,132,120	(12,132,120)	-
Total program services expense	24,048,044	12,157,162	(12,132,120)	24,073,086
Supporting services expense				
General and administrative	3,175,093	190,223	-	3,365,316
Fundraising and development	153,700	2,601,445	(25,200)	2,729,945
Total supporting services expenses	3,328,793	2,791,668	(25,200)	6,095,261
Loss on asset disposal	173,401	-	-	173,401
Total expenses and losses	27,550,238	14,948,830	(12,157,320)	30,341,748
Change in Net Assets Before Transfers	2,707,855	5,543,149	-	8,251,004
Transfer to Children's Home Society	(1,467,936)	1,467,936	-	-
Change in Net Assets	1,239,919	7,011,085	-	8,251,004
Net Assets, Beginning of Year	39,912,825	144,286,872	-	184,199,697
Net Assets, End of Year	\$ 41,152,744	\$ 151,297,957	\$ -	\$ 192,450,701

Children's Home Society of South Dakota
Consolidating Statement of Cash Flows
Year Ended June 30, 2023

	Children's Home Society	Children's Home Foundation	Eliminations	Consolidated
Operating Activities				
Change in net assets	\$ 1,239,919	\$ 7,011,085	\$ -	\$ 8,251,004
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities				
Depreciation	1,361,567	3,393	-	1,364,960
Amortization of right of use asset	37,163	-	-	37,163
Loss on disposal of equipment	173,401	-	-	173,401
Noncash donation of securities	-	(28,718)	-	(28,718)
Realized and unrealized gain on investments	(183,306)	(9,624,500)	-	(9,807,806)
Change in value of beneficial interest in assets held by others	-	(204,393)	-	(204,393)
Change in beneficial interest in trusts	(15,801)	(67,503)	-	(83,304)
Fair value adjustment of contributions and bequests receivable	(411)	(109,559)	-	(109,970)
Contributions restricted for endowment including noncash gifts	(300)	(507,288)	-	(507,588)
Contributions restricted to building project	-	(229,935)	-	(229,935)
Change in cash surrender value of life insurance	-	(34,899)	-	(34,899)
Change in working capital components				
Receivables	370,187	627,027	(409,479)	587,735
Inventory	(25,229)	-	-	(25,229)
Prepaid expenses	37,717	(23,377)	-	14,340
Other assets	(4,644)	-	-	(4,644)
Accounts payable	71,000	(106,501)	-	(35,501)
Accrued expenses	(676,347)	10,648	-	(665,699)
Annuity obligations	-	219	-	219
Due to Children's Home Society	-	(409,479)	409,479	-
Net Cash provided by (used for) Operating Activities	2,384,916	(3,693,780)	-	(1,308,864)
Investing Activities				
Purchase of land, buildings and equipment	(7,627,747)	(2,608)	-	(7,630,355)
Proceeds from sale of land, buildings and equipment	1,256,375	-	-	1,256,375
Purchase of certificate of deposit	(3,000,000)	-	-	(3,000,000)
Maturity of certificate of deposit	250,560	-	-	250,560
Purchase of investments	(797,176)	(42,264,327)	1,242,352	(41,819,151)
Proceeds from sale and maturity of investments	1,967,221	42,889,779	(1,242,352)	43,614,648
Net Cash (used for) provided by Investing Activities	(7,950,767)	622,844	-	(7,327,923)
Financing Activities				
Proceeds from contributions restricted for endowment	300	1,038,287	-	1,038,587
Proceeds from contributions restricted for investment in land, buildings and equipment	-	443,813	-	443,813
Proceeds from construction loan	2,182,576	-	-	2,182,576
Proceeds from beneficial interest in trust	120,584	-	-	120,584
Principal payments on finance leases	(37,162)	-	-	(37,162)
Net Cash provided by Financing Activities	2,266,298	1,482,100	-	3,748,398
Net Change in Cash and Cash Equivalents	(3,299,553)	(1,588,836)	-	(4,888,389)
Cash and Cash Equivalents, Beginning of Year	10,998,498	3,601,570	-	14,600,068
Cash and Cash Equivalents, End of Year	\$ 7,698,945	\$ 2,012,734	\$ -	\$ 9,711,679
Supplemental Information				
Noncash investing and financing activities				
Accounts payable for land, buildings and equipment	\$ 153,706	\$ -	\$ -	\$ 153,706