



Consolidated Financial Statements
June 30, 2017 and 2016

Children's Home Society of South Dakota

Children's Home Society of South Dakota

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June 30, 2017 and 2016

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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 Financial Statements

We have audited the accompanying consolidated financial statements of Children's Home Society of South Dakota and Children's Home Foundation (collectively, the Society), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above 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, 2017 and 2016, 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.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information presented on pages 24 through 26 is presented for 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 consolidating 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 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP". The signature is written in dark ink and is positioned to the left of the typed text below.

Sioux Falls, South Dakota
October 25, 2017

Children's Home Society of South Dakota
Consolidated Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Cash and Cash Equivalents		
Undesignated	\$ 10,502,593	\$ 8,515,558
Designated	4,166,487	3,531,389
	14,669,080	12,046,947
Accounts receivable	1,543,771	1,541,695
Contributions, grants and contracts receivable, net	1,321,577	1,138,075
Prepaid expenses	327,443	335,057
Investments	58,934,139	50,931,413
Beneficial interest in trusts	3,286,949	3,093,865
Beneficial interest in assets held by community foundations	2,385,675	2,227,973
Cash surrender value of life insurance	933,124	893,557
Land, buildings and equipment, net	13,517,426	14,005,141
	\$ 96,919,184	\$ 86,213,723
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 125,040	\$ 161,003
Accrued expenses	2,815,678	1,792,199
Annuity obligations	26,829	27,619
Total liabilities	2,967,547	1,980,821
Net Assets		
Unrestricted		
Undesignated	25,359,486	24,126,528
Designated	18,594,976	16,613,649
Temporarily restricted	12,244,587	7,697,871
Permanently restricted	37,752,588	35,794,854
Total net assets	93,951,637	84,232,902
	\$ 96,919,184	\$ 86,213,723

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue, Gains and Other Support				
Child care	\$ 10,170,015	\$ -	\$ -	\$ 10,170,015
Tuition	3,214,792	-	-	3,214,792
Contributions and bequests	1,990,041	545,559	1,918,274	4,453,874
Support from government agencies	2,093,498	-	-	2,093,498
Children's Inn contributions	360,900	19,201	-	380,101
United Way support	-	879,840	-	879,840
Interest on cash and cash equivalents	3,436	-	-	3,436
Gifts-in-kind	624,063	(15,344)	-	608,719
Increase in cash surrender value of life insurance	39,567	-	-	39,567
Distributions from perpetual trusts	34,909	-	-	34,909
Net gain (loss) on investments carried at fair value	1,635,691	4,628,383	-	6,264,074
Distributions from and change in value of beneficial interests in assets held by others	6,655	153,233	-	159,888
Investment income	299,208	936,610	-	1,235,818
Change in value of beneficial interest in trusts	-	153,624	39,460	193,084
Change in value of annuity obligations	(6,660)	-	-	(6,660)
Other state support	-	-	-	-
Other	229,631	-	-	229,631
Net assets released from restrictions				
Satisfaction of program restrictions	2,754,390	(2,754,390)	-	-
Total revenue, gains and other support	<u>23,450,136</u>	<u>4,546,716</u>	<u>1,957,734</u>	<u>29,954,586</u>
Expenses				
Program services				
Child residential/education	11,817,942	-	-	11,817,942
Children's Inn	2,536,769	-	-	2,536,769
Community based services	2,585,287	-	-	2,585,287
General and administrative	1,981,171	-	-	1,981,171
Fund raising	1,314,682	-	-	1,314,682
Total expenses	<u>20,235,851</u>	<u>-</u>	<u>-</u>	<u>20,235,851</u>
Increase (decrease) in net assets	3,214,285	4,546,716	1,957,734	9,718,735
Net Assets, Beginning	<u>40,740,177</u>	<u>7,697,871</u>	<u>35,794,854</u>	<u>84,232,902</u>
Net Assets, Ending	<u>\$ 43,954,462</u>	<u>\$ 12,244,587</u>	<u>\$ 37,752,588</u>	<u>\$ 93,951,637</u>

See Notes to Consolidated Financial Statements

Children's Home Society of South Dakota
Consolidated Statements of Activities
Years Ended June 30, 2017 and 2016

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 9,826,954	\$ -	\$ -	\$ 9,826,954
2,902,798	-	-	2,902,798
2,066,363	2,400,773	815,776	5,282,912
1,894,689	-	-	1,894,689
371,633	15,546	-	387,179
-	844,350	-	844,350
1,711	-	-	1,711
644,320	(58,274)	-	586,046
37,441	-	-	37,441
33,459	-	-	33,459
(823,318)	(2,104,406)	-	(2,927,724)
42,456	(132,547)	-	(90,091)
181,611	525,162	-	706,773
-	(13,274)	(62,119)	(75,393)
(7,466)	-	-	(7,466)
-	30,000	-	30,000
263,405	-	-	263,405
2,604,536	(2,604,536)	-	-
<u>20,040,592</u>	<u>(1,097,206)</u>	<u>753,657</u>	<u>19,697,043</u>
12,058,902	-	-	12,058,902
2,413,038	-	-	2,413,038
2,387,555	-	-	2,387,555
1,795,762	-	-	1,795,762
1,473,121	-	-	1,473,121
<u>20,128,378</u>	<u>-</u>	<u>-</u>	<u>20,128,378</u>
(87,786)	(1,097,206)	753,657	(431,335)
<u>40,827,963</u>	<u>8,795,077</u>	<u>35,041,197</u>	<u>84,664,237</u>
<u>\$ 40,740,177</u>	<u>\$ 7,697,871</u>	<u>\$ 35,794,854</u>	<u>\$ 84,232,902</u>

Children's Home Society of South Dakota
Consolidated Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Operating Activities		
Change in net assets	\$ 9,718,735	\$ (431,335)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	901,950	920,626
Loss (gain) on disposal of equipment	56	(288)
Net (gain) loss on investments	(6,264,074)	2,927,724
Change in value of beneficial interest in assets held by others	(159,888)	90,091
Change in beneficial interest in trusts	(193,084)	75,393
Change in discount on contributions receivable	(1,909)	(45,043)
Contributions restricted for endowment including noncash gifts	(794,422)	(94,250)
Contribution received under split interest agreement	-	(1,867,575)
Change in cash surrender value of life insurance	(39,567)	(37,441)
Change in working capital components		
Receivables	(100,919)	81,790
Prepaid expenses	7,614	91,083
Accounts payable	(35,963)	76,699
Accrued expenses	1,023,479	490,938
Annuity obligations	(790)	16
Net Cash provided by Operating Activities	4,061,218	2,278,428
Investing Activities		
Purchase of land, buildings and equipment	(414,291)	(248,948)
Contribution to community foundation, net of distributions received	2,186	-
Purchase of investments	(13,058,898)	(13,433,476)
Proceeds from sale and maturity of investments	11,320,246	13,496,974
Net Cash used for Investing Activities	(2,150,757)	(185,450)
Financing Activities		
Proceeds from contributions restricted for endowment	694,672	380,150
Proceeds from contributions restricted for investment in land, buildings and equipment	17,000	9,500
Net Cash provided by Financing Activities	711,672	389,650
Net Change in Cash and Cash Equivalents	2,622,133	2,482,628
Cash and Cash Equivalents, Beginning	12,046,947	9,564,319
Cash and Cash Equivalents, Ending	\$ 14,669,080	\$ 12,046,947

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.

The Children's Home Society provides residential treatment and education for children, foster care and adoption services, forensic interview and exam centers, and prevention and education resources through facilities located in Sioux Falls and the Black Hills of South Dakota. The Children's Inn is a program of the Society which provides 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 because 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 Society".

Cash and Cash Equivalents

The Society 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 Society 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. Allowances of \$- and \$202 have been recorded at June 30, 2017 and 2016, respectively.

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 gain/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Contributions, Grants and Contracts Receivable

Unconditional contributions and bequests expected to be received within one year are recorded at their net realizable value. Unconditional contributions and bequests expected to be collected in future years are initially recorded 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. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management determines the allowance for contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions and bequests are written off when deemed uncollectable. At June 30, 2017 and 2016, the allowance was \$30,991 and \$34,993, respectively.

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.

Beneficial Interests in Trusts

Charitable Trust Held by Others

The Society 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 Society has neither possession nor control over the assets of the trusts. At the date the Society receives notice of a beneficial interest, a temporarily contribution is recorded in the statements of activities, and a beneficial interest in charitable trusts held by others is recorded in the 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 statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities. Upon receipt of trust distributions, temporarily restricted net assets are released to unrestricted net assets.

Perpetual Trusts

The Society 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 Society; however, the Society will never receive the assets of the trusts. At the date the Society receives notice of a beneficial interest, a permanently restricted contribution 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 interests in the trusts are 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. 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 temporarily restricted in the 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 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 funds are held and invested by the community foundations for the benefit of the Society, and are reported at fair value in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

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 an unrestricted contribution. 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.

Land, Buildings and Equipment

Land, buildings and equipment additions over \$500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are 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 or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Revenue and Revenue Recognition

Revenue is recognized when earned. 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 are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Society's program services, administration, and 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 Society records donated professional services at the respective fair values of the services received.

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:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for operating reserve and quasi-endowment.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Society and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Society's Board of Directors.

The Society reports contributions as temporarily restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Society. The restrictions stipulate that resources be maintained permanently but permit the Society to expend the income generated in accordance with the provisions of the agreements.

Fund Raising Costs

Fund raising costs are expensed as incurred.

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 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.

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.

Financial Instruments and Credit Risk

The Society 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 Society has not experienced losses in any of these accounts. 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 Society'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 Society.

Fair Value Measurements

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 Society 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 Society develops inputs using the best information available in the circumstances.

Subsequent Events

Management has considered subsequent events through October 25, 2017, the date that the financial statements were available to be issued, in preparing the financial statements and notes thereto.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification was to move approximately \$460,000 of gifts-in-kind from contributions and bequests to gifts-in-kind on the statement of activities. The reclassifications had no impact on previously reported net assets.

Note 2 - 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.

In addition, the Board of Directors has designated that funds held in certain unrestricted cash accounts at June 30, 2017 and 2016 be used for the purpose of funding employee benefits. Specifically, these investments will provide additional funding for the deferred compensation of key employees of the Society (Note 14).

The following summarizes designated cash and investments at June 30, 2017 and 2016:

	2017	2016
Cash and cash equivalents	\$ 4,166,487	\$ 3,531,389
Investments:		
Depreciation	882,720	911,023
Endowment	13,545,769	12,171,237
	\$ 18,594,976	\$ 16,613,649

Note 3 - Contributions, Grants and Contracts Receivable

Contributions, grants, and contracts receivable at June 30, 2017 and 2016 are summarized as follows:

	2017	2016
Endowment	\$ 749,400	\$ 649,650
Building projects	-	11,000
Children's Inn	16,000	22,000
Unrestricted bequests	46,424	-
Government agencies	151,595	105,368
United Way - Children's Inn and Bright Start	444,283	438,091
Total contributions, grants and contracts receivable	1,407,702	1,226,109
Less:		
Discount to net present value at 5% to 6%	(55,134)	(53,041)
Allowance for uncollectible pledges	(30,991)	(34,993)
Net contributions, grants and contracts receivable	\$ 1,321,577	\$ 1,138,075

At June 30, 2017 and 2016, three donors and one donor accounted for approximately 41% and 32%, respectively, of total net contributions and bequests receivable.

The following summarizes scheduled receipts of contributions, grants and contracts receivable at June 30, 2017.

<u>Due by June 30:</u>	
2018	\$ 806,902
2019	98,250
2020	435,750
2021	46,800
2022	20,000
	<u>\$ 1,407,702</u>

Note 4 - Investments

The following summarizes investments by major investment type at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Unrestricted		
Cash equivalents and money market funds	\$ 2,587,138	\$ 980,665
Certificates of deposit	474,327	1,415,245
Corporate debt securities	310,656	207,414
Mutual funds - equity securities	11,432,576	9,857,508
Mutual funds - debt securities	1,525,062	1,728,887
Common stock	123,775	-
	<u>16,453,534</u>	<u>14,189,719</u>
Temporarily and permanently restricted		
Cash equivalents and money market funds	2,143,203	1,855,471
Certificates of deposit	315,709	67,639
State and municipal government obligations	354,084	375,580
Corporate debt securities	1,353,251	1,236,455
Mutual funds - equity securities	32,107,651	26,950,675
Mutual funds - debt securities	4,183,056	4,464,634
Common stock	1,992,010	1,758,878
Preferred stock	31,641	32,362
	<u>42,480,605</u>	<u>36,741,694</u>
	<u>\$ 58,934,139</u>	<u>\$ 50,931,413</u>

Investment income from investments is recorded net of related investment fees of \$187,468 and \$148,413 for the years ended June 30, 2017 and 2016, respectively.

Note 5 - Beneficial Interest in Trusts

The following summarizes the carrying values of beneficial interest in trusts at June 30, 2017 and 2016:

	2017				2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Beneficial interest in perpetual trusts					
Williamson Trust	\$ -	\$ -	\$ 151,025	\$ 151,025	\$ 148,227
Frank West Trust	-	-	43,854	43,854	41,501
A. Coe Frankhauser Charitable Trust	-	-	4,234	4,234	8,517
Thelma Serr Charitable Trust	-	-	318,020	318,020	304,452
Hayward Memorial Trust	-	128,511	-	128,511	121,933
Beach Memorial Trust	-	-	331,417	331,417	306,392
Beneficial interest in charitable trusts					
Edith Siegrist Trust	-	190,867	-	190,867	186,685
Didier Charitable Annuity Trust	-	107,267	-	107,267	101,013
Verne and Bonnie Anderson Trust	-	2,011,754	-	2,011,754	1,875,145
	<u>\$ -</u>	<u>\$ 2,438,399</u>	<u>\$ 848,550</u>	<u>\$ 3,286,949</u>	<u>\$ 3,093,865</u>

The Society 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 6 - Donated Professional Services and Materials

The Society received donated professional services and materials as follows during the years ended June 30, 2017 and 2016:

	Program Services	Management and General	Fundraising and Development	Total
<u>June 30, 2017</u>				
Advertising and printing	\$ -	\$ -	\$ 211,792	\$ 211,792
Events	41,696	-	151,727	193,423
Professional services	8,245	26,126	3,250	37,621
Other goods and services	161,883	-	4,000	165,883
	<u>\$ 211,824</u>	<u>\$ 26,126</u>	<u>\$ 370,769</u>	<u>\$ 608,719</u>
<u>June 30, 2016</u>				
Advertising and printing	\$ 528	\$ -	\$ 281,109	\$ 281,637
Events	31,497	-	155,447	186,944
Professional services	4,400	10,000	-	14,400
Other goods and services	99,315	-	3,750	103,065
	<u>\$ 135,740</u>	<u>\$ 10,000</u>	<u>\$ 440,306</u>	<u>\$ 586,046</u>

Note 7 - Non-Recognized Funds Held by Community Foundations

A number of designated funds which benefit the Society are maintained at the Sioux Falls Area Community Foundation (SFACF). These funds were established as a result of gifts by donors on the Society's behalf. The Society is the sole beneficiary of these funds; however, SFACF has been given variance power by the donors. Therefore, the Society 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, 2017 and 2016, and the annual distributions for the years ended June 30, 2017 and 2016:

	2017		2016	
	Current Value	Annual Distribution	Current Value	Annual Distribution
Winona Axtel Lyon Fund	\$ 91,609	\$ 3,442	\$ 85,689	\$ 3,390
Dorothy Christopherson Fund	45,923	1,725	42,955	1,699
Children's Home Society Endowment	901,418	33,860	843,156	33,341
Lou & Helen Madsen Fund	489,463	18,271	457,714	17,931
Larsen Memorial Fund	135,833	5,103	127,055	5,027
Raymond Daugaard Memorial Fund	68,735	2,583	64,293	2,544
Madden Family Fund	88,521	2,000	81,481	3,000
Children's Inn Endowment	69,728	2,599	65,201	2,534
Madsen House Endowment	92,094	-	82,778	-
Madsen Adoption and Foster Care Endowment	35,809	1,345	33,494	1,325
Excellence in Caring Endowment	30,396	1,166	28,418	1,147
Child Advocacy Center Endowment	20,647	776	19,313	764
Music Fund	16,685	627	15,607	617
Creative Arts	29,641	990	26,625	931
Carmody Family Endowment	13,757	517	12,868	509
Child's Voice Endowment	13,059	491	12,216	483
Amundson Family Endowment	34,932	1,254	32,618	1,118
The Sunshyne Fund	5,509	207	5,153	204
Solveig Steen	135,929	3,209	123,125	1,621
Links to Literacy Endowment	21,936	1,047	-	-
Profillet Endowment	68,266	2,582	-	-
	<u>\$ 2,409,890</u>	<u>\$ 83,794</u>	<u>\$ 2,159,759</u>	<u>\$ 78,185</u>

In addition, the South Dakota Community Foundation has funds totaling \$557,058 and \$515,561 at June 30, 2017 and 2016, respectively, for which the Society is the beneficiary. The Society does not recognize its interest in these funds until any distributions are received. Distributions received totaled \$20,110 and \$16,670 for the years ended June 30, 2017 and 2016, respectively.

Note 8 - Cash Surrender Value of Life Insurance

The Society 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 Society are recorded as life insurance expense. The face values of the policies were approximately \$2,225,000 and \$2,229,000 at June 30, 2017 and 2016. The policies had cash values of \$933,124 and \$893,557 at June 30, 2017 and 2016, respectively. Investments in cash surrender value of life insurance are carried at their contract amount.

Note 9 - Fair Value of Assets and Liabilities

Assets and liabilities measured at fair value on a recurring basis at June 30, 2017 and 2016 are as follows:

	2017	2016
Assets		
Certificates of deposit	\$ 790,036	\$ 1,482,884
State and municipal government obligations	354,084	375,580
Corporate debt securities	1,663,907	1,443,869
Mutual funds - equity securities	43,540,227	36,808,183
Mutual funds - debt securities	5,708,118	6,193,521
Common stock	2,115,785	1,758,878
Preferred stock	31,641	32,362
Beneficial interest in trusts	3,286,949	3,093,865
Beneficial interest in assets held by community foundations	2,385,675	2,227,973
	\$ 59,876,422	\$ 53,417,115
Liabilities		
Annuity obligations	\$ 26,829	\$ 27,619

The related fair values of these assets and liabilities are determined as follows at June 30, 2017:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Certificates of deposit	\$ -	\$ 790,036	\$ -
State and municipal government obligations	-	354,084	-
Corporate debt securities	-	1,663,907	-
Mutual funds - equity securities	43,540,227	-	-
Mutual funds - debt securities	5,708,118	-	-
Common stock	2,115,785	-	-
Preferred stock	31,641	-	-
Total investments valued at fair value	51,395,771	2,808,027	-
Beneficial interest in trusts	-	-	3,286,949
Beneficial interest in assets held by community foundations	-	-	2,385,675
	\$ 51,395,771	\$ 2,808,027	\$ 5,672,624
Liabilities			
Annuity obligations	\$ -	\$ -	\$ 26,829

Children's Home Society of South Dakota

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

The related fair values of these assets and liabilities are determined as follows at June 30, 2016:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Certificates of deposit	\$ -	\$ 1,482,884	\$ -
State and municipal government obligations	-	375,580	-
Corporate debt securities	-	1,443,869	-
Mutual funds - equity securities	36,808,183	-	-
Mutual funds - debt securities	6,193,521	-	-
Common stock	1,758,878	-	-
Preferred stock	32,362	-	-
Total investments valued at fair value	<u>44,792,944</u>	<u>3,302,333</u>	<u>-</u>
Beneficial interest in trusts	-	-	3,093,865
Beneficial interest in assets held by community foundations	<u>-</u>	<u>-</u>	<u>2,227,973</u>
	<u>\$ 44,792,944</u>	<u>\$ 3,302,333</u>	<u>\$ 5,321,838</u>
 Liabilities			
Annuity obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,619</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, beneficial interests in assets held by community foundations, and annuity obligations are estimated at the present value of the expected future cash flows.

Following is a reconciliation of activity for assets measured at fair value based upon significant unobservable (non-market) information for 2017 and 2016:

	Beneficial interest in:	
	Community Foundations	Trusts
Balance, June 30, 2015	\$ 2,302,630	\$ 1,301,682
Contribution	15,434	1,867,576
Adjustments to fair market value, net of distributions	<u>(90,091)</u>	<u>(75,393)</u>
Balance, June 30, 2016	2,227,973	3,093,865
Adjustments to fair market value, net of distributions	<u>157,702</u>	<u>193,084</u>
Balance, June 30, 2017	<u>\$ 2,385,675</u>	<u>\$ 3,286,949</u>

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

	Annuity Obligations
Balance, June 30, 2015	\$ 27,603
New annuities, net of settled liabilities	(7,450)
Changes in the value of annuity obligations	7,466
Balance, June 30, 2016	27,619
New annuities, net of settled liabilities	(7,450)
Changes in the value of annuity obligations	6,660
Balance, June 30, 2017	\$ 26,829

Note 10 - Land, Buildings, and Equipment

The following summarizes land, buildings and equipment at June 30, 2017 and 2016:

	2017	2016
Land and improvements	\$ 2,059,396	\$ 2,046,645
Buildings and improvements	19,066,766	18,961,185
Equipment and fixtures	3,516,741	4,207,038
Vehicles	723,286	673,117
Construction in progress	41,286	-
	25,407,475	25,887,985
Less accumulated depreciation	(11,890,050)	(11,882,844)
	\$ 13,517,426	\$ 14,005,141

Note 11 - Restricted Net Assets

Temporarily Restricted

The following summarizes temporarily restricted net assets at June 30, 2017 and 2016:

	2017	2016
Endowment funds, unappropriated earnings (Note 15)	\$ 6,324,176	\$ 2,645,717
Non-endowment funds, temporarily restricted for:		
IT Project - software	-	15,344
United Way and other program expenses	1,021,154	1,000,372
Building or endowment	444	10,790
Black Hills programs	696,091	628,553
Children's Inn programs	1,432,376	1,349,632
Child's Voice and Child Advocacy Center	3,719	1,602
Creative arts	839	780
Prevention	523,903	145,584
Operating improvements	-	30,000
Various Children's Home Society programs	2,241,885	1,869,497
	\$ 12,244,587	\$ 7,697,871

Net assets were released from restrictions as follows during the years ending June 30, 2017 and 2016:

	2017	2016
Satisfaction of purpose restrictions		
Endowment funds, appropriations (Note 15)	\$ 1,652,304	\$ 1,476,763
United Way and other program expenses	915,683	780,447
Building projects	10,340	38,633
Black Hills programs	26,882	25,100
Children's Inn	83,636	66,991
IT Initiative	-	3,429
Employee retention and recruitment	-	186,336
Prevention	65,545	26,837
	\$ 2,754,390	\$ 2,604,536

Permanently Restricted

Permanently restricted net assets consist of beneficial interests in perpetual trusts and endowment funds restricted by donors for investment in perpetuity, and include assets held by community foundations for the benefit of the Society and the Foundation. Distributions from perpetual trusts and earnings on endowment funds are available for the purposes specified by the donors, or in certain cases, for the unrestricted use of the Society and the Foundation. The permanently restricted net assets balances are as follows at June 30, 2017 and 2016:

	2017	2016
Endowment funds (Note 15)	\$ 34,572,076	\$ 32,653,802
Beneficial interest in trusts	848,549	809,089
Beneficial interest in community foundations	2,331,963	2,331,963
	\$ 37,752,588	\$ 35,794,854

Note 12 - Scholarship Contributions

The Society has received both restricted and unrestricted contributions 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 contributions are classified as donations in the 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 \$154,000 and \$221,000 higher for 2017 and 2016, respectively.

Note 13 - Revenue from Governmental Units

The Society 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 Society's programs and activities.

Note 14 - Employee Benefit Plans

The Society 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 was modified effective July 1, 2016 to allow employees the option to make elective deferral contributions to the plan. In addition, the plan allows 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. Retirement plan contributions for the years ended June 30, 2017 and 2016 were 8% or \$698,967 and \$758,984, respectively.

The Society has 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 Society is accruing the estimated net present value of the required payments at the earliest dates in which the benefits vest. Four of the plans are 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, 2017 and 2016, \$467,100 and \$439,844, respectively, has been accrued and recorded as a liability in the accompanying financial statements. The Society owns life insurance policies on one of these individuals. The Society will receive the death benefits under the terms of the agreement.

The Society sponsors a self-insured health plan and a self-insured dental plan for all its employees who meet eligibility requirements. A portion of the cost of the plans is withheld from the participating employee's wages and the remainder is paid by the Society. An estimated liability for health and dental claims incurred but not paid at June 30, 2017 and 2016, of approximately \$80,000 and \$165,000, respectively, has been accrued based on past claims experience and management's assessment of future claims.

Note 15 - Endowment Funds

The Society'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 Society'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 as the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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). The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by the state of South Dakota in its enacted version of UPMIFA. In accordance with UPMIFA, the Society 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 Society 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 Society; and (7) the investment policies of the Society.

Children's Home Society of South Dakota
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

The following summarizes endowment net assets at June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds				
Any Children's Home Society programs	\$ -	\$ 4,327,343	\$ 27,301,116	\$ 31,628,459
Child's Voice and Child Advocacy Center	-	344,060	2,213,920	2,557,980
Children's Inn programs	-	584,085	1,090,566	1,674,651
Building maintenance	-	336,422	293,647	630,069
Restricted cash	-	-	517	517
Black Hills programs	-	147,096	402,068	549,164
Creative Arts	-	387,785	1,311,280	1,699,065
Mark Amundson Memorial	-	21,463	199,298	220,761
Prevention	-	175,922	1,682,563	1,858,485
Adoption	(117)	-	77,101	76,984
	<u>(117)</u>	<u>6,324,176</u>	<u>34,572,076</u>	<u>40,896,135</u>
Board designated endowment funds	13,545,769	-	-	13,545,769
	<u>\$ 13,545,652</u>	<u>\$ 6,324,176</u>	<u>\$ 34,572,076</u>	<u>\$ 54,441,904</u>

The following summarizes endowment net assets at June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds				
Any Children's Home Society programs	\$ -	\$ 1,482,824	\$ 26,533,046	\$ 28,015,870
Child's Voice and Child Advocacy Center	-	103,609	1,962,718	2,066,327
Children's Inn programs	-	474,358	913,339	1,387,697
Building maintenance	-	250,408	293,647	544,055
Restricted cash	-	-	13,814	13,814
Black Hills programs	-	98,177	388,835	487,012
Creative Arts	-	236,341	1,057,121	1,293,462
Mark Amundson Memorial	(5,341)	-	189,298	183,957
Prevention	(30,014)	-	1,301,984	1,271,970
	<u>(35,355)</u>	<u>2,645,717</u>	<u>32,653,802</u>	<u>35,264,164</u>
Board designated endowment funds	12,171,237	-	-	12,171,237
	<u>\$ 12,135,882</u>	<u>\$ 2,645,717</u>	<u>\$ 32,653,802</u>	<u>\$ 47,435,401</u>

Children's Home Society of South Dakota
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

The following summarizes the change in endowment net assets for the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 12,135,882	\$ 2,645,717	\$ 32,653,802	\$ 47,435,401
Investment return				
Investment income	276,250	854,480	-	1,130,730
Realized and unrealized gain on investments, net	1,580,208	4,476,283	-	6,056,491
	<u>1,856,458</u>	<u>5,330,763</u>	<u>-</u>	<u>7,187,221</u>
Contributions and bequests	230,038	-	1,918,274	2,148,312
Appropriation of endowment funds for expenditure	(676,726)	(1,652,304)	-	(2,329,030)
	<u>(446,688)</u>	<u>(1,652,304)</u>	<u>1,918,274</u>	<u>(180,718)</u>
Endowment net assets, end of year	<u>\$ 13,545,652</u>	<u>\$ 6,324,176</u>	<u>\$ 34,572,076</u>	<u>\$ 54,441,904</u>

The following summarizes the change in endowment net assets for the year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 13,100,680	\$ 5,744,589	\$ 31,853,461	\$ 50,698,730
Investment return				
Investment income	163,745	482,236	-	645,981
Realized and unrealized loss on investments, net	(795,705)	(2,104,345)	-	(2,900,050)
	<u>(631,960)</u>	<u>(1,622,109)</u>	<u>-</u>	<u>(2,254,069)</u>
Contributions and bequests	249,223	-	800,341	1,049,564
Appropriation of endowment funds for expenditure	(582,061)	(1,476,763)	-	(2,058,824)
	<u>(332,838)</u>	<u>(1,476,763)</u>	<u>800,341</u>	<u>(1,009,260)</u>
Endowment net assets, end of year	<u>\$ 12,135,882</u>	<u>\$ 2,645,717</u>	<u>\$ 32,653,802</u>	<u>\$ 47,435,401</u>

Funds with Deficiencies

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 Society to retain as a fund of perpetual duration, (i.e., underwater endowments). Losses on permanently restricted endowment investments are first used to reduce previous investment income and gains which have not been expended. Any additional losses are shown as a reduction in unrestricted net assets. At June 30, 2017 and 2016, deficiencies of this nature reported in unrestricted net assets were \$117 and \$35,355, respectively. If such deficiencies exist, subsequent gains that restore the fair value of investments to the donor specified amounts will be classified as increases in unrestricted net assets.

Return Objectives and Risk Parameters

The Society has adopted investment and spending policies for its endowment fund. The objective of these policies is to provide the Society a predictable funding stream for its programs while protecting the purchasing power of the endowment funds. The Society, 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.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objective, the Society expects to maintain appropriate diversification among equity and fixed income allocations. The purpose is to moderate the overall investment risk of the endowment fund.

Spending Policy and How the Investment Objectives Related to Spending Policy

The Board of Directors of the Society may appropriate for expenditure or accumulate so much of the endowment fund as the Society 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 unrestricted 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 percentages was 5% for the years ended June 30, 2017 and 2016.

Note 16 - Commitments and Contingencies

Property acquired with federal grants is considered owned by the Society 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 \$2,273,762 and \$2,390,383 at June 30, 2017 and 2016, respectively.

Community Development Block Grants totaling \$915,000, 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 \$1,476,670 and \$1,551,811 at June 30, 2017 and 2016, respectively, and is included in the reversionary interest amount above.



Supplementary Information
June 30, 2017 and 2016

Children's Home Society of South Dakota

Children's Home Society of South Dakota
Consolidating Statement of Financial Position
June 30, 2017

	Children's Home Society	Children's Home Foundation	Eliminations	Consolidated
Assets				
Cash and cash equivalents				
Undesignated	\$ 8,007,296	\$ 2,495,297	\$ -	\$ 10,502,593
Designated	4,166,487	-	-	4,166,487
	<u>12,173,783</u>	<u>2,495,297</u>	<u>-</u>	<u>14,669,080</u>
Accounts receivable	1,506,392	37,379	-	1,543,771
Contributions, grants and contracts receivable, net	595,878	725,699	-	1,321,577
Due from Children's Home Foundation	71,063	-	(71,063)	-
Prepaid expenses	320,727	6,716	-	327,443
Investments	1,506,508	57,427,631	-	58,934,139
Beneficial interest in trusts	943,778	2,343,171	-	3,286,949
Beneficial interest in assets held by community foundations	-	2,385,675	-	2,385,675
Cash surrender value of life insurance	-	933,124	-	933,124
Land, buildings and equipment, net	13,508,348	9,078	-	13,517,426
	<u>\$ 30,626,477</u>	<u>\$ 66,363,770</u>	<u>\$ (71,063)</u>	<u>\$ 96,919,184</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 123,582	\$ 1,458	\$ -	\$ 125,040
Accrued expenses	2,670,392	145,286	-	2,815,678
Annuity obligations	-	26,829	-	26,829
Due to Children's Home Society	-	71,063	(71,063)	-
	<u>2,793,974</u>	<u>244,636</u>	<u>(71,063)</u>	<u>2,967,547</u>
Net Assets				
Unrestricted				
Undesignated	20,624,991	4,734,495	-	25,359,486
Designated	5,049,207	13,545,769	-	18,594,976
Temporarily restricted	1,093,714	11,150,873	-	12,244,587
Permanently restricted	1,064,591	36,687,997	-	37,752,588
	<u>27,832,503</u>	<u>66,119,134</u>	<u>-</u>	<u>93,951,637</u>
	<u>\$ 30,626,477</u>	<u>\$ 66,363,770</u>	<u>\$ (71,063)</u>	<u>\$ 96,919,184</u>

Children's Home Society of South Dakota
Consolidating Statement of Activities
June 30, 2017

	Children's Home Society	Children's Home Foundation	Eliminations	Consolidated
Revenue, Gains and Other Support				
Child care	\$ 10,170,015	\$ -	\$ -	\$ 10,170,015
Tuition	3,214,792	-	-	3,214,792
Contributions and bequests	204,176	4,249,698	-	4,453,874
Support from government agencies	2,093,498	-	-	2,093,498
Children's Home Foundation	2,116,003	-	(2,116,003)	-
Children's Inn contributions	380,101	-	-	380,101
United Way support	879,840	-	-	879,840
Interest on cash and cash equivalents	-	3,436	-	3,436
Gifts-in-kind	149,307	459,412	-	608,719
Increase in cash surrender value of life insurance	-	39,567	-	39,567
Distributions from perpetual trusts	34,909	-	-	34,909
Net gain on investments carried at fair value	115,238	6,148,836	-	6,264,074
Distributions from and change in value of beneficial interests in assets held by others	-	159,888	-	159,888
Investment income	37,024	1,198,794	-	1,235,818
Change in value of beneficial interest in trusts	31,450	161,634	-	193,084
Change in value of annuity obligations	-	(6,660)	-	(6,660)
Other	254,831	-	(25,200)	229,631
	<u>19,681,184</u>	<u>12,414,605</u>	<u>(2,141,203)</u>	<u>29,954,586</u>
Expenses				
Program services				
Child residential/education	11,817,942	-	-	11,817,942
Children's Inn	2,536,769	-	-	2,536,769
Community based services	2,585,287	-	-	2,585,287
General and administrative	1,955,823	25,348	-	1,981,171
Contribution to Children's Home Society	-	2,116,003	(2,116,003)	-
Fund raising	119,552	1,220,330	(25,200)	1,314,682
Total expenses	<u>19,015,373</u>	<u>3,361,681</u>	<u>(2,141,203)</u>	<u>20,235,851</u>
Increase in net assets	665,811	9,052,924	-	9,718,735
Net Assets, Beginning	<u>27,166,692</u>	<u>57,066,210</u>	<u>-</u>	<u>84,232,902</u>
Net Assets, Ending	<u>\$ 27,832,503</u>	<u>\$ 66,119,134</u>	<u>\$ -</u>	<u>\$ 93,951,637</u>

Children's Home Society of South Dakota
Consolidating Statement of Cash Flows
June 30, 2017

	Children's Home Society	Children's Home Foundation	Eliminations	Consolidated
Operating Activities				
Change in net assets	\$ 665,811	\$ 9,052,924	\$ -	\$ 9,718,735
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Depreciation	897,952	3,998	-	901,950
Loss on disposal of equipment	56	-	-	56
Net gain on investments	(115,238)	(6,148,836)	-	(6,264,074)
Change in value of beneficial interest in assets held by others	-	(159,888)	-	(159,888)
Change in beneficial interest in trusts	(31,450)	(161,634)	-	(193,084)
Change in discount on contributions receivable	-	(1,909)	-	(1,909)
Contributions restricted for endowment including noncash gifts	(20,289)	(774,133)	-	(794,422)
Change in cash surrender value of life insurance	-	(39,567)	-	(39,567)
Change in working capital components				
Receivables	67,573	(46,928)	(121,564)	(100,919)
Prepaid expenses	5,912	1,702	-	7,614
Accounts payable	(31,355)	(4,608)	-	(35,963)
Accrued expenses	981,514	41,965	-	1,023,479
Annuity obligations	-	(790)	-	(790)
Deferred revenue	-	(121,564)	121,564	-
Net Cash provided by Operating Activities	<u>2,420,486</u>	<u>1,640,732</u>	<u>-</u>	<u>4,061,218</u>
Investing Activities				
Purchase of land, buildings and equipment	(411,082)	(3,209)	-	(414,291)
Proceeds from sale of land, buildings and equipment	-	-	-	-
Contribution to community foundation, net of distributions received	-	2,186	-	2,186
Purchase of investments	(489,363)	(12,569,535)	-	(13,058,898)
Proceeds from sale and maturity of investments	548,142	10,772,104	-	11,320,246
Net Cash used for Investing Activities	<u>(352,303)</u>	<u>(1,798,454)</u>	<u>-</u>	<u>(2,150,757)</u>
Financing Activities				
Proceeds from contributions restricted for endowment	20,289	674,383	-	694,672
Proceeds from contributions restricted for investment in land, buildings and equipment	-	17,000	-	17,000
Net Cash provided by Financing Activities	<u>20,289</u>	<u>691,383</u>	<u>-</u>	<u>711,672</u>
Net Change in Cash and Cash Equivalents	2,088,472	533,661	-	2,622,133
Cash and Cash Equivalents, Beginning	<u>10,085,311</u>	<u>1,961,636</u>	<u>-</u>	<u>12,046,947</u>
Cash and Cash Equivalents, Ending	<u>\$ 12,173,783</u>	<u>\$ 2,495,297</u>	<u>\$ -</u>	<u>\$ 14,669,080</u>