



Financial Statements

December 31, 2024 and 2023

Boys & Girls Clubs of the Sioux Empire

Boys & Girls Clubs of the Sioux Empire

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Independent Auditor's Report

The Board of Directors
Boys & Girls Clubs of the Sioux Empire
Sioux Falls, South Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Boys & Girls Clubs of the Sioux Empire, which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Clubs of the Sioux Empire as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Boys & Girls Clubs of the Sioux Empire and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Sioux Falls, South Dakota
August 28, 2025

Boys & Girls Clubs of the Sioux Empire

Statements of Financial Position

December 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,130,751	\$ 1,305,645
Certificates of deposit	325,000	698,000
Accounts receivable - fees, net of allowance for credit losses of \$1,937 as of December 31, 2024 and 2023	68,768	14,786
Promises to give	262,604	25,104
Grants receivable	190,040	242,103
Prepaid expenses	41,996	30,695
Inventory	7,303	7,178
Investments	-	250,000
Total current assets	3,026,462	2,573,511
Property and Equipment		
Land	316,000	316,258
Furniture and equipment	907,319	982,102
Buildings and improvements	1,429,848	1,321,926
Transportation equipment	470,914	470,914
	3,124,081	3,091,200
Less accumulated depreciation and amortization	(1,372,808)	(1,272,864)
Total property and equipment	1,751,273	1,818,336
Other Assets		
Beneficial interest in assets held by community foundation	186,220	172,064
Promises to give - net of current portion	-	25,000
Deposits	4,615	3,630
Operating lease right of use asset	6,220,777	6,644,821
Net other assets	6,411,612	6,845,515
Total assets	\$ 11,189,347	\$ 11,237,362

Boys & Girls Clubs of the Sioux Empire
Statements of Financial Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Liabilities and Net Assets		
Current Liabilities		
Current portion of note payable	\$ 25,913	\$ 628,206
Accounts payable	114,110	89,481
Accrued expenses		
Payroll	321,097	244,915
Vacation	94,409	98,358
Other	3,062	13,733
Interest	4,760	4,760
Refundable advance	27,710	170,620
Current portion of operating lease liability	344,020	334,372
Current portion of finance lease liability	20,053	22,621
Total current liabilities	<u>955,134</u>	<u>1,607,066</u>
Long-Term Liabilities		
Note payable, net of current portion	581,807	-
Operating lease liability, net of current portion	4,543,024	4,887,045
Finance lease liability, net of current portion	57,130	12,927
Total long-term liabilities	<u>5,181,961</u>	<u>4,899,972</u>
Total liabilities	<u>6,137,095</u>	<u>6,507,038</u>
Net Assets		
Without donor restrictions	4,285,994	4,387,486
With donor restrictions	766,258	342,838
Total net assets	<u>5,052,252</u>	<u>4,730,324</u>
Total liabilities and net assets	<u>\$ 11,189,347</u>	<u>\$ 11,237,362</u>

Boys & Girls Clubs of the Sioux Empire

Statements of Activities

Years Ended December 31, 2024 and 2023

	2024			2023		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Revenue, Support and Gains						
Contributions	\$ 358,428	\$ 407,759	\$ 766,187	\$ 427,980	\$ 45,479	\$ 473,459
In-kind contributions	100,960	-	100,960	3,840	-	3,840
United Way allocation	417,000	-	417,000	635,333	-	635,333
Private grants and foundation	77,007	71,189	148,196	141,171	70,340	211,511
Federal and state contracts and grants	553,044	-	553,044	810,190	-	810,190
Program service fees	8,015,262	-	8,015,262	6,704,000	-	6,704,000
Gross special event revenue	296,726	-	296,726	199,394	-	199,394
Less cost of direct benefit to donors	(30,665)	-	(30,665)	(30,002)	-	(30,002)
Net special event revenue	266,061	-	266,061	169,392	-	169,392
Change in value of beneficial interest in assets held by community foundation	-	14,156	14,156	-	20,778	20,778
(Loss) gain on disposal of property	(48,460)	-	(48,460)	3,000	-	3,000
Other income	106,295	-	106,295	95,493	-	95,493
Net assets released from restrictions	69,684	(69,684)	-	92,570	(92,570)	-
Total revenue, support and gains	9,915,281	423,420	10,338,701	9,082,969	44,027	9,126,996
Expenses						
Program services	7,380,900	-	7,380,900	6,830,042	-	6,830,042
Supporting services						
Management and general	2,175,977	-	2,175,977	1,765,330	-	1,765,330
Fundraising	459,896	-	459,896	377,008	-	377,008
Total expenses	10,016,773	-	10,016,773	8,972,380	-	8,972,380
Change in Net Assets	(101,492)	423,420	321,928	110,589	44,027	154,616
Net Assets, Beginning of Year	4,387,486	342,838	4,730,324	4,276,897	298,811	4,575,708
Net Assets, End of Year	\$ 4,285,994	\$ 766,258	\$ 5,052,252	\$ 4,387,486	\$ 342,838	\$ 4,730,324

Boys & Girls Clubs of the Sioux Empire

Statements of Functional Expenses Years Ended December 31, 2024 and 2023

	2024					2023				
	Program Services	Supporting Services Management and General	Supporting Services Fund-raising	Cost of Direct Benefit to Donors	Total Expenses	Program Services	Supporting Services Management and General	Supporting Services Fund-raising	Cost of Direct Benefit to Donors	Total Expenses
Salaries and wages	\$ 4,853,235	\$ 1,428,813	\$ 323,328	\$ -	\$ 6,605,376	\$ 4,299,770	\$ 1,214,492	\$ 265,822	\$ -	\$ 5,780,084
Payroll taxes and benefits	661,454	316,595	24,735	-	1,002,784	660,162	188,215	20,335	-	868,712
Food and supplies	456,130	36,771	10,332	-	503,233	388,650	7,550	16,760	-	412,960
Rent	497,936	57,291	39,984	-	595,211	478,949	56,732	21,662	-	557,343
Repairs and maintenance	156,833	-	1,195	-	158,028	175,770	-	-	-	175,770
Insurance	101,409	39,423	-	-	140,832	123,426	13,720	-	-	137,146
Professional fees	95,953	62,352	19,205	-	177,510	57,974	71,731	28,885	-	158,590
Office expense	30,280	63,356	422	-	94,058	13,391	54,331	-	-	67,722
Local transportation	80,169	-	-	-	80,169	60,679	14,925	-	-	75,604
Credit card processing fees	107,544	6,538	5,180	-	119,262	111,579	-	4,305	-	115,884
Grant supplies	49,186	175	-	-	49,361	153,935	461	1,000	-	155,396
Utilities and real estate taxes	8,193	-	-	-	8,193	18,564	1,725	-	-	20,289
Information technology	18,018	44,140	24,296	-	86,454	44,669	33,768	11,186	-	89,623
Interest expense	26,788	668	-	-	27,456	29,961	2,200	-	-	32,161
Advertising and promotion	1,058	37,754	977	-	39,789	14,920	33,367	850	-	49,137
Miscellaneous	40,411	22,542	9,822	-	72,775	-	15,009	6,188	-	21,197
Conferences	6,200	20,789	73	-	27,062	10,355	32,054	15	-	42,424
Program activity fees	20,958	-	-	30,665	51,623	24,124	-	-	30,002	54,126
Total expenses before depreciation and amortization	7,211,755	2,137,207	459,549	30,665	9,839,176	6,666,878	1,740,280	377,008	30,002	8,814,168
Depreciation and amortization	169,145	38,770	347	-	208,262	163,164	25,050	-	-	188,214
	7,380,900	2,175,977	459,896	30,665	10,047,438	6,830,042	1,765,330	377,008	30,002	9,002,382
Less expenses included with revenues on the statement of activities										
Costs of direct benefits to donors	-	-	-	(30,665)	(30,665)	-	-	-	(30,002)	(30,002)
Total expenses	\$ 7,380,900	\$ 2,175,977	\$ 459,896	\$ -	\$ 10,016,773	\$ 6,830,042	\$ 1,765,330	\$ 377,008	\$ -	\$ 8,972,380

Boys & Girls Clubs of the Sioux Empire

Statements of Cash Flows

Years Ended December 31, 2024 and 2023

	2024	2023
Operating Activities		
Change in net assets	\$ 321,928	\$ 154,616
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	208,262	188,214
Loss (gain) on disposal of property and equipment	48,460	(3,000)
Contribution of property	(100,000)	-
Change in beneficial interest in assets	(14,156)	(20,778)
Decrease (increase) in		
Accounts receivable	(53,982)	12,315
Grants receivable	52,063	(205,082)
Promises to give	(212,500)	(30,000)
Inventory, prepaid expenses and deposits	(12,411)	19,065
Accounts payable	24,629	(5,199)
Accrued expenses and refundable advance	(81,348)	213,840
Operating lease assets and liabilities	89,671	87,983
Net Cash from Operating Activities	270,616	411,974
Investing Activities		
Proceeds from certificates of deposit	698,000	-
Proceeds from sale of property	7,250	3,000
Proceeds from the sale of investments	250,000	-
Purchase of certificates of deposit	(325,000)	(698,000)
Purchase of property	(29,239)	(228,804)
Purchase of investments	-	(250,000)
Net Cash from (used for) Investing Activities	601,011	(1,173,804)
Financing Activities		
Payments on notes payable	(20,486)	(46,361)
Principal payments on finance lease	(26,035)	(22,539)
Net Cash used for Financing Activities	(46,521)	(68,900)
Change in Cash and Cash Equivalents	825,106	(830,730)
Cash and Cash Equivalents, Beginning	1,305,645	2,136,375
Cash and Cash Equivalents, Ending	\$ 2,130,751	\$ 1,305,645
Supplemental Disclosure to Statements of Cash Flows		
Cash paid during the year for interest	\$ 27,456	\$ 32,161
Supplemental Disclosure of Non-cash Investing and Financing Activity		
Equipment financed through capital lease arrangement	\$ 71,638	\$ -

Note 1 - Principal Activity and Significant Accounting Policies**Principal Business Activity**

The mission of Boys & Girls Clubs of the Sioux Empire (Organization) is to enrich and develop the lives of children, youth, and families in the Sioux Empire through comprehensive and educational services to meet evolving needs. Primary programs operated by the Organization include Infants and Toddlers, Early Childhood Education, After School Enrichment, Summer Enrichment, Extended Care, and Boys and Girls Clubs. These programs are operated from three locations in Sioux Falls.

The Organization receives fees for services and public support.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Receivables and Allowance for Credit Losses

Accounts receivables consist primarily of amounts due from customer obligations. Customers are charged a \$5 per week late fee for past due amounts. Payments on receivables are applied to the earliest unpaid bill. The carrying amount of the receivables is reduced by an amount that reflects management's best estimate of the amounts that will not be collected. Individual accounts are sent to collections on a discretionary basis determined on a case-by-case analysis. Customers sent to collections are expelled from the daycare program. Receivables from contracts with customers are reported as accounts receivable - fees, net in the accompanying statements of financial position. The accounts receivable balance as of January 1, 2023 was \$27,101.

Management considers the following factors when determining the collectability of specific customer accounts: historical experience, an assessment of economic conditions, and a review of subsequent collections. Management believes that the historical loss information it has compiled is a reasonable basis on which to determine expected credit losses for accounts receivables held at December 31, 2024 and 2023 because the composition of the accounts receivables at those dates are consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers have not changed significantly over time).

Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Accordingly, the allowance for credit losses was \$1,937 for December 31, 2024 and 2023.

Grants receivable paid on a cost-reimbursement basis are recognized as a receivable once the services are provided, the costs are incurred, or the grant conditions have been met.

Certificates of Deposit

The certificates of deposit (CDs) were non-brokered CDs with original maturities over 90 days carried at cost.

Promises to Give

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give 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 revenues in the statements of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2024 and 2023, the allowance was \$0.

Inventory

Inventory is comprised of childcare food and is stated at the lower of cost or net realizable value determined using the first-in, first-out (FIFO) 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 statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Property and Equipment

Property and equipment additions over \$1,000 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 5 to 39 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are 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 December 31, 2024 and 2023.

Beneficial Interest in Assets Held by Community Foundation

The Organization established an endowment fund that is perpetual in nature (the Fund) under the Sioux Falls Area Community Foundation (SFACF) and named the Organization as beneficiary. The Organization granted variance power to the SFACF, which allows the SFACF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if in the sole judgement of the SFACF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the SFACF for the Organization's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Right of Use Leased Assets and Liabilities

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

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor (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 without donor restrictions if the 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. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

The Organization recognizes revenue from childcare and registration fees during the year in which the related services are provided to the children and their families. The performance obligation of delivering childcare and registration services is simultaneously received and consumed by the children and their families; therefore, the revenue is recognized ratably over the course of the year. Payment for childcare is required monthly. Payment for registration fees is required at the time of registration. All amounts received prior to the commencement of the services, including registration fees, are deferred to the applicable period.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a 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 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.

Consequently, at December 31, 2024 and 2023, contributions of approximately \$562,000 and \$417,000, respectively, have not been recognized in the accompanying statements of activities because the condition on which they depend has not yet been met. Those contributions are dependent on the donor agency meeting certain fundraising goals.

The Organization records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. Refundable advances related to special events were approximately \$28,000 and \$25,000 as of December 31, 2024 and 2023, respectively.

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 approximately \$0 and \$146,000 of refundable advances as of December 31, 2024 and 2023. The Organization received cost-reimbursable grants of approximately \$78,000 and \$151,000 that have not been recognized at December 31, 2024 and 2023, respectively, because qualifying expenditures have not yet been incurred.

In-kind Contributions

In-kind contributions include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note 10). The Organization does not sell donated gifts-in-kind. In addition to in-kind contributions, volunteers contribute significant amounts of time to 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.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes and benefits which are allocated on the basis of estimates of time and effort. Information technology is allocated based on the number of computers. Food and supplies are allocated based on program attendance.

Income Taxes

The Organization is organized as South Dakota nonprofit corporation and has been recognized by the IRS as exempt from federal incomes taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifying for the charitable contribution deduction. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. The Organization determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

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

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, no losses have been experienced in any of these accounts. The Organization maintains its 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 account ownership category. At December 31, 2024 and 2023, the Organization had approximately \$1,712,000 and \$1,160,000, respectively, in excess of FDIC-insured limits.

Credit risk associated with accounts receivable, promises to give and grants receivable are limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Organization's mission.

Advertising

The Organization charges advertising and promotion costs to expense as incurred.

Note 2 - Liquidity

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

	2024	2023
Cash and cash equivalents	\$ 2,130,751	\$ 1,305,645
Certificates of deposit	325,000	698,000
Accounts receivable	68,768	14,786
Promises to give	262,604	25,104
Grants receivable	190,040	242,103
Investments	-	250,000
	<u>2,977,163</u>	<u>2,535,638</u>
Less assets unavailable for general expenditures within one year due to donor restrictions	<u>(555,038)</u>	<u>(120,774)</u>
Financial assets available to meet cash needs for general expenditures within one year of December 31	<u><u>\$ 2,422,125</u></u>	<u><u>\$ 2,414,864</u></u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis, and financial assets on hand are adjusted as necessary.

Note 3 - Fair Value of Assets

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset 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, 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 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 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 that can be accessed at the measurement date.

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

Level 3 – Unobservable inputs for the asset. In these situations, inputs are developed using the best information available in the circumstances.

Assets measured at fair value on a recurring basis are as follows as of December 31:

	Quoted Prices in Active Markets (Level 1)	Other Observable (Level 2)	Unobservable Inputs (Level 3)
<u>December 31, 2024</u>			
Beneficial interest in assets held by community foundation	\$ -	\$ -	\$ 186,220
<u>December 31, 2023</u>			
Treasury bills	\$ -	\$ 250,000	\$ -
Beneficial interest in assets held by community foundation	\$ -	\$ -	\$ 172,064

Boys & Girls Clubs of the Sioux Empire

Notes to Financial Statements
December 31, 2024 and 2023

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2024 and 2023:

Balance, December 31, 2022	\$ 151,286
Total gains or losses	
Included in change in net assets, net of fees	<u>20,778</u>
Balance, December 31, 2023	172,064
Total gains or losses	
Included in change in net assets, net of fees	<u>14,156</u>
Balance, December 31, 2024	<u><u>\$ 186,220</u></u>

There were no transfers into or out of Level 3.

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows as of December 31, 2024 and 2023:

	2024	2023
Due within one year	\$ 262,604	\$ 25,104
Due in one to five years	<u>-</u>	<u>25,000</u>
Total pledges receivable	<u><u>\$ 262,604</u></u>	<u><u>\$ 50,104</u></u>

At December 31, 2024 and 2023, two and one donor accounted for 90% and 100%, respectively, of total promises to give and one donor accounted for 13% and 20%, respectively, of contributions.

Note 5 - Note Payable

Note payable consists of a mortgage loan payable to US Bank, NA, payable in monthly installments including interest. The note is secured by the Organization's real estate located at 5015 S. Crossing Place in Sioux Falls. The 4.6% note with monthly installments of \$4,693 matured October 2024. The note was renewed at 5.86% interest with monthly installments of \$5,110 and matures December 2029. Notes payable were \$607,720 and \$628,206 at December 31, 2024 and 2023, respectively.

Future maturities of notes payable are as follows for the years ending December 31:

2025	\$ 25,913
2026	27,495
2027	29,174
2028	30,867
2029	<u>494,271</u>
	<u><u>\$ 607,720</u></u>

Note 6 - Leases

The Organization leases office space, land and photocopiers for certain program locations for various terms under long-term, non-cancelable operating lease and finance lease agreements. The leases expire at various dates through 2039 and provide for renewal options. The Organization included in the determination of the right of use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The Organization entered into an operating lease agreement for the location on the Empower Campus in Sioux Falls with a portion of the lease being prepaid in 2020. The agreement includes an estimated 3% annual increase each subsequent year through maturity. The lease agreement includes options to extend for two additional five-year periods. In addition, the Organization is responsible for costs such as cleaning, maintenance, internet, telephone, and other communication systems.

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 has applied the risk-free rate option to the building and office equipment classes 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 office equipment leases.

Boys & Girls Clubs of the Sioux Empire

Notes to Financial Statements

December 31, 2024 and 2023

Total right-of-use assets and lease liabilities at December 31, 2024 and 2023 was as follows:

		2024	2023
<u>Lease Assets</u>	<u>Classification</u>		
Operating right-of-use assets	Other assets	\$ 6,220,777	\$ 6,644,821
Finance right-of-use assets	Property and equipment	104,894	112,539
Finance right-of-use assets	Accumulated Amortization	(27,090)	(76,423)
		<u>\$ 6,298,581</u>	<u>\$ 6,680,937</u>
<u>Lease Liabilities</u>	<u>Classification</u>		
Current			
Operating lease liabilities	Current liabilities	\$ 344,020	\$ 334,372
Finance lease liabilities	Current liabilities	20,053	22,621
Noncurrent			
Operating lease liabilities	Long-term liabilities	4,543,024	4,887,045
Finance lease liabilities	Long-term liabilities	57,130	12,927
		<u>\$ 4,964,227</u>	<u>\$ 5,256,965</u>

Total lease costs for the year ended December 31, 2024 and 2023 was as follows:

	2024	2023
Operating lease cost	\$ 522,314	\$ 511,961
Finance lease cost		
Interest expense	611	170
Amortization of right-of-use assets	25,281	22,508

The following table summarizes the supplemental cash flow information for the year ended December 31, 2024 and 2023:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 432,642	\$ 421,749
Operating cash flows from finance leases	611	170
Financing cash flows from finance leases	26,035	22,539
Right-of-use assets obtained in exchange for lease liabilities		
Operating leases	\$ -	\$ 188,956
Finance leases	71,638	-

Boys & Girls Clubs of the Sioux Empire

Notes to Financial Statements

December 31, 2024 and 2023

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

	2024	2023
Weighted-average remaining lease term in years:		
Operating leases	14.74	15.60
Finance leases	4.21	1.75
Weighted-average discount rate:		
Operating leases	1.93%	1.95%
Finance leases	3.39%	0.37%

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of December 31, 2024:

	Operating	Finance
2025	\$ 433,974	\$ 22,460
2026	400,338	17,985
2027	366,030	15,747
2028	366,030	15,747
2029	366,030	11,810
Thereafter	3,660,300	-
Total lease payments	5,592,702	83,749
Less interest	(705,658)	(6,566)
Present value of lease liabilities	<u>\$ 4,887,044</u>	<u>\$ 77,183</u>

Note 7 - Retirement Plan

The Organization maintains a qualified cash or deferred compensation plan under Section 401(k) of the Internal Revenue Code. Under the plan, eligible employees may elect to defer up to ten percent (10%) of their salary, subject to Internal Revenue Service limits. The Organization contributes a matching fifty percent (50%) of employee contributions to a maximum of 2.5%. In addition, the plan allows for the Organization to make discretionary contributions based on the participant's salary.

Employer contributions and administrative fees were \$58,849 and \$40,519 for the years ended December 31, 2024 and 2023, respectively.

Note 8 - Support from Governmental Units

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

Note 9 - Net Assets With Donor Restrictions

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

	2024	2023
Subject to expenditure for specified purpose		
Scholarship	\$ 16,895	\$ 22,145
George McGovern	434,344	-
Future chefs	9,079	9,079
ELA supplies	11,291	32,000
Workforce development	52,000	39,220
Technology	12,451	2,249
E-sports	303	5,989
STEM	8,988	-
Other	9,687	10,092
	<u>555,038</u>	<u>120,774</u>
Subject to the passage of time		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	<u>25,000</u>	<u>50,000</u>
Perpetual in nature, not subject to spending policy or appropriation		
Beneficial interest in assets held by community foundation	<u>186,220</u>	<u>172,064</u>
	<u><u>\$ 766,258</u></u>	<u><u>\$ 342,838</u></u>

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 December 31, 2024 and 2023:

	2024	2023
Expiration of time restrictions	\$ 25,000	\$ -
Subject to expenditure for specified purpose		
Scholarship	5,250	68,411
Future chefs	-	792
ELA supplies	30,709	-
Technology	-	14,702
E-sports	5,686	-
STEM	894	-
Facility repairs	-	3,846
Other	2,145	4,819
	<u><u>\$ 69,684</u></u>	<u><u>\$ 92,570</u></u>

Note 10 - In-kind Contributions

For the years ended December 31, 2024 and 2023, in-kind contributions recognized within the statements of activities included the following:

	2024	2023
Playground turf	\$ 100,000	\$ -
Technology services	960	3,840
	<u>\$ 100,960</u>	<u>\$ 3,840</u>

During the year ended December 31, 2024, the Organization received a donation relating to playground turf. The contribution was valued using an invoice directly from the construction company that provided the playground turf. The Organization uses the playground turf for program services.

For the years ended December 31, 2024 and 2023, contributed technology services are provided for 16 lab computers at \$320 per month. The services include managing servers, workstations, offsite data storage, and malware protection. Contributed technology services are used for program services and are recognized at fair value based on current rates for similar technology services. Three months of these were provided for the year ended December 31, 2024.

All gifts-in-kind received during the years ended December 31, 2024 and 2023 were unrestricted.

Note 11 - Subsequent Events

The Organization has evaluated subsequent events through August 28, 2025, the date the financial statements were available to be issued.

Subsequent to year end, the Organization entered into an out-of-school-time program agreement with the Sioux Falls School District. The Organization will operate a full-services club at the school to serve youth between the ages of 6 and 18 years of age at the newly constructed George McGovern Middle School site.

In March of 2025, the Organization terminated an existing copier and printer lease and entered into a new five-year agreement. The lease calls for monthly rental payments of \$645 plus service, supplies, and taxes.

In August of 2025, the Organization entered a new office building lease with an expected commencement date of January 2026. The lease agreement provides for an initial term of 10-years with the right to extend the lease for two additional five-year terms. The lease calls for monthly rental payments of \$8,883 for the first two years, with a subsequent 3% annual escalation. The lease requires the Organization to pay real estate taxes, insurance, and repairs. In addition, the landlord entered into a construction agreement to build-out the office space resulting in an estimated \$110,000 of the improvement cost to be assumed by the Organization.