

Financial Statements

December 31, 2025 and 2024

# Boys & Girls Clubs of the Sioux Empire

# Boys & Girls Clubs of the Sioux Empire

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December 31, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

*Eide Bailly LLP*

Sioux Falls, South Dakota  
August 10, 2026

# Boys & Girls Clubs of the Sioux Empire

## Statements of Financial Position

December 31, 2025 and 2024

|                                                                                                               | 2025          | 2024          |
|---------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Assets                                                                                                        |               |               |
| Current Assets                                                                                                |               |               |
| Cash and cash equivalents                                                                                     | \$ 2,377,570  | \$ 2,130,751  |
| Accounts receivable - fees, net of allowance for credit losses<br>of \$1,937 as of December 31, 2025 and 2024 | 6,852         | 68,768        |
| Promises to give                                                                                              | 75,000        | 262,604       |
| Grants receivable                                                                                             | 344,924       | 190,040       |
| Certificates of deposit                                                                                       | 450,000       | 325,000       |
| Prepaid expenses                                                                                              | 53,950        | 41,996        |
| Inventory                                                                                                     | 9,890         | 7,303         |
| Total current assets                                                                                          | 3,318,186     | 3,026,462     |
| Property and Equipment                                                                                        |               |               |
| Land                                                                                                          | 316,000       | 316,000       |
| Furniture and equipment                                                                                       | 1,027,895     | 907,319       |
| Buildings and improvements                                                                                    | 1,447,597     | 1,429,848     |
| Transportation equipment                                                                                      | 408,080       | 470,914       |
| Construction in progress                                                                                      | 58,012        | -             |
|                                                                                                               | 3,257,584     | 3,124,081     |
| Less accumulated depreciation and amortization                                                                | (1,489,923)   | (1,372,808)   |
| Total property and equipment                                                                                  | 1,767,661     | 1,751,273     |
| Other Assets                                                                                                  |               |               |
| Beneficial interest in assets held by community foundation                                                    | 223,857       | 186,220       |
| Promises to give - net of current portion                                                                     | 75,000        | -             |
| Deposits                                                                                                      | 13,691        | 4,615         |
| Operating lease right of use asset                                                                            | 5,788,416     | 6,220,777     |
| Total other assets, net                                                                                       | 6,100,964     | 6,411,612     |
| Total assets                                                                                                  | \$ 11,186,811 | \$ 11,189,347 |

Boys & Girls Clubs of the Sioux Empire  
Statements of Financial Position  
December 31, 2025 and 2024

|                                                   | <u>2025</u>          | <u>2024</u>          |
|---------------------------------------------------|----------------------|----------------------|
| Liabilities and Net Assets                        |                      |                      |
| Current Liabilities                               |                      |                      |
| Current portion of note payable                   | \$ 27,495            | \$ 25,913            |
| Accounts payable                                  | 85,572               | 114,110              |
| Accrued expenses                                  |                      |                      |
| Payroll                                           | 80,724               | 321,097              |
| Vacation                                          | 104,552              | 94,409               |
| Other                                             | 56,271               | 3,062                |
| Interest                                          | 4,760                | 4,760                |
| Refundable advance                                | 49,071               | 27,710               |
| Current portion of operating lease liability      | 318,253              | 344,020              |
| Current portion of finance lease liability        | 20,543               | 20,053               |
| Total current liabilities                         | <u>747,241</u>       | <u>955,134</u>       |
| Long-Term Liabilities                             |                      |                      |
| Note payable, net of current portion              | 554,307              | 581,807              |
| Operating lease liability, net of current portion | 4,224,771            | 4,543,024            |
| Finance lease liability, net of current portion   | 66,883               | 57,130               |
| Total long-term liabilities                       | <u>4,845,961</u>     | <u>5,181,961</u>     |
| Total liabilities                                 | <u>5,593,202</u>     | <u>6,137,095</u>     |
| Net Assets                                        |                      |                      |
| Without donor restrictions                        | 4,527,778            | 4,285,994            |
| With donor restrictions                           | 1,065,831            | 766,258              |
| Total net assets                                  | <u>5,593,609</u>     | <u>5,052,252</u>     |
| Total liabilities and net assets                  | <u>\$ 11,186,811</u> | <u>\$ 11,189,347</u> |

# Boys & Girls Clubs of the Sioux Empire

## Statements of Activities

Years Ended December 31, 2025 and 2024

|                                                                                  | 2025                         |                           |              | 2024                         |                           |              |
|----------------------------------------------------------------------------------|------------------------------|---------------------------|--------------|------------------------------|---------------------------|--------------|
|                                                                                  | Without Donor<br>Restriction | With Donor<br>Restriction | Total        | Without Donor<br>Restriction | With Donor<br>Restriction | Total        |
| Revenue, Support and Gains                                                       |                              |                           |              |                              |                           |              |
| Contributions                                                                    | \$ 393,481                   | \$ 406,612                | \$ 800,093   | \$ 358,428                   | \$ 407,759                | \$ 766,187   |
| In-kind contributions                                                            | 346,361                      | -                         | 346,361      | 100,960                      | -                         | 100,960      |
| United Way allocation                                                            | 342,500                      | -                         | 342,500      | 417,000                      | -                         | 417,000      |
| Private grants and foundation                                                    | 189,655                      | 36,408                    | 226,063      | 77,007                       | 71,189                    | 148,196      |
| Federal and state contracts and grants                                           | 356,049                      | -                         | 356,049      | 553,044                      | -                         | 553,044      |
| Program service fees                                                             | 9,058,071                    | -                         | 9,058,071    | 8,015,262                    | -                         | 8,015,262    |
| Gross special event revenue                                                      | 293,599                      | -                         | 293,599      | 296,726                      | -                         | 296,726      |
| Less cost of direct benefit to donors                                            | (89,121)                     | -                         | (89,121)     | (30,665)                     | -                         | (30,665)     |
| Net special event revenue                                                        | 204,478                      | -                         | 204,478      | 266,061                      | -                         | 266,061      |
| Change in value of beneficial interest in<br>assets held by community foundation | -                            | 37,637                    | 37,637       | -                            | 14,156                    | 14,156       |
| Loss on disposal of property                                                     | -                            | -                         | -            | (48,460)                     | -                         | (48,460)     |
| Other income                                                                     | 87,250                       | -                         | 87,250       | 106,295                      | -                         | 106,295      |
| Net assets released from restrictions                                            | 181,084                      | (181,084)                 | -            | 69,684                       | (69,684)                  | -            |
| Total revenue, support and gains                                                 | 11,158,929                   | 299,573                   | 11,458,502   | 9,915,281                    | 423,420                   | 10,338,701   |
| Expenses                                                                         |                              |                           |              |                              |                           |              |
| Program services                                                                 | 8,375,934                    | -                         | 8,375,934    | 7,380,900                    | -                         | 7,380,900    |
| Supporting services                                                              |                              |                           |              |                              |                           |              |
| Management and general                                                           | 2,051,660                    | -                         | 2,051,660    | 2,175,977                    | -                         | 2,175,977    |
| Fundraising                                                                      | 489,551                      | -                         | 489,551      | 459,896                      | -                         | 459,896      |
| Total expenses                                                                   | 10,917,145                   | -                         | 10,917,145   | 10,016,773                   | -                         | 10,016,773   |
| Change in Net Assets                                                             | 241,784                      | 299,573                   | 541,357      | (101,492)                    | 423,420                   | 321,928      |
| Net Assets, Beginning of Year                                                    | 4,285,994                    | 766,258                   | 5,052,252    | 4,387,486                    | 342,838                   | 4,730,324    |
| Net Assets, End of Year                                                          | \$ 4,527,778                 | \$ 1,065,831              | \$ 5,593,609 | \$ 4,285,994                 | \$ 766,258                | \$ 5,052,252 |

# Boys & Girls Clubs of the Sioux Empire

## Statements of Functional Expenses Years Ended December 31, 2025 and 2024

|                                                                     | 2025                |                        |                   |                   |                      | 2024                |                        |                   |                   |                      |
|---------------------------------------------------------------------|---------------------|------------------------|-------------------|-------------------|----------------------|---------------------|------------------------|-------------------|-------------------|----------------------|
|                                                                     | Supporting Services |                        |                   | Cost of Direct    |                      | Supporting Services |                        |                   | Cost of Direct    |                      |
|                                                                     | Program Services    | Management and General | Fund-raising      | Benefit to Donors | Total Expenses       | Program Services    | Management and General | Fund-raising      | Benefit to Donors | Total Expenses       |
| Salaries and wages                                                  | \$ 5,541,222        | \$ 1,245,071           | \$ 336,556        | \$ -              | \$ 7,122,849         | \$ 4,853,235        | \$ 1,428,813           | \$ 323,328        | \$ -              | \$ 6,605,376         |
| Payroll taxes and benefits                                          | 740,534             | 383,597                | 25,747            | -                 | 1,149,878            | 661,454             | 316,595                | 24,735            | -                 | 1,002,784            |
| Food and supplies                                                   | 476,742             | 60,290                 | 10,271            | -                 | 547,303              | 456,130             | 36,771                 | 10,332            | -                 | 503,233              |
| Rent                                                                | 515,470             | 54,454                 | 70,758            | -                 | 640,682              | 497,936             | 57,291                 | 39,984            | -                 | 595,211              |
| Repairs and maintenance                                             | 318,627             | -                      | -                 | -                 | 318,627              | 156,833             | -                      | 1,195             | -                 | 158,028              |
| Insurance                                                           | 100,920             | 46,113                 | -                 | -                 | 147,033              | 101,409             | 39,423                 | -                 | -                 | 140,832              |
| Professional fees                                                   | 76,342              | 82,017                 | 11,931            | -                 | 170,290              | 95,953              | 62,352                 | 19,205            | -                 | 177,510              |
| Office expense                                                      | 53,921              | 39,726                 | 889               | -                 | 94,536               | 30,280              | 63,356                 | 422               | -                 | 94,058               |
| Local transportation                                                | 76,641              | 4,281                  | 1                 | -                 | 80,923               | 80,169              | -                      | -                 | -                 | 80,169               |
| Credit card processing fees                                         | 133,620             | 4,227                  | 4,806             | -                 | 142,653              | 107,544             | 6,538                  | 5,180             | -                 | 119,262              |
| Grant supplies                                                      | 19,318              | 9,668                  | -                 | -                 | 28,986               | 49,186              | 175                    | -                 | -                 | 49,361               |
| Utilities and real estate taxes                                     | 18,865              | -                      | -                 | -                 | 18,865               | 8,193               | -                      | -                 | -                 | 8,193                |
| Information technology                                              | -                   | 47,263                 | 11,709            | -                 | 58,972               | 18,018              | 44,140                 | 24,296            | -                 | 86,454               |
| Interest expense                                                    | 35,402              | 3,104                  | -                 | -                 | 38,506               | 26,788              | 668                    | -                 | -                 | 27,456               |
| Advertising and promotion                                           | 31                  | 23,895                 | 713               | -                 | 24,639               | 1,058               | 37,754                 | 977               | -                 | 39,789               |
| Miscellaneous                                                       | 61,408              | -                      | 13,870            | -                 | 75,278               | 40,411              | 22,542                 | 9,822             | -                 | 72,775               |
| Conferences                                                         | 14,818              | 17,649                 | 2,141             | -                 | 34,608               | 6,200               | 20,789                 | 73                | -                 | 27,062               |
| Program activity fees                                               | 17,597              | -                      | -                 | 89,121            | 106,718              | 20,958              | -                      | -                 | 30,665            | 51,623               |
| Total expenses before depreciation and amortization                 | 8,201,478           | 2,021,355              | 489,392           | 89,121            | 10,801,346           | 7,211,755           | 2,137,207              | 459,549           | 30,665            | 9,839,176            |
| Depreciation and amortization                                       | 174,456             | 30,305                 | 159               | -                 | 204,920              | 169,145             | 38,770                 | 347               | -                 | 208,262              |
|                                                                     | 8,375,934           | 2,051,660              | 489,551           | 89,121            | 11,006,266           | 7,380,900           | 2,175,977              | 459,896           | 30,665            | 10,047,438           |
| Less expenses included with revenues on the statement of activities |                     |                        |                   |                   |                      |                     |                        |                   |                   |                      |
| Costs of direct benefits to donors                                  | -                   | -                      | -                 | (89,121)          | (89,121)             | -                   | -                      | -                 | (30,665)          | (30,665)             |
| Total expenses                                                      | <u>\$ 8,375,934</u> | <u>\$ 2,051,660</u>    | <u>\$ 489,551</u> | <u>\$ -</u>       | <u>\$ 10,917,145</u> | <u>\$ 7,380,900</u> | <u>\$ 2,175,977</u>    | <u>\$ 459,896</u> | <u>\$ -</u>       | <u>\$ 10,016,773</u> |

# Boys & Girls Clubs of the Sioux Empire

## Statements of Cash Flows

Years Ended December 31, 2025 and 2024

|                                                                                     | 2025         | 2024         |
|-------------------------------------------------------------------------------------|--------------|--------------|
| Operating Activities                                                                |              |              |
| Change in net assets                                                                | \$ 541,357   | \$ 321,928   |
| Adjustments to reconcile change in net assets to net cash from operating activities |              |              |
| Depreciation and amortization                                                       | 204,920      | 208,262      |
| Loss on disposal of property and equipment                                          | -            | 48,460       |
| Contribution of property and equipment                                              | (105,746)    | (100,000)    |
| Change in beneficial interest in assets                                             | (37,637)     | (14,156)     |
| Decrease (increase) in                                                              |              |              |
| Accounts receivable                                                                 | 61,916       | (53,982)     |
| Grants receivable                                                                   | (154,884)    | 52,063       |
| Promises to give                                                                    | 112,604      | (212,500)    |
| Inventory, prepaid expenses and deposits                                            | (23,617)     | (12,411)     |
| Accounts payable                                                                    | (28,538)     | 24,629       |
| Accrued expenses and refundable advance                                             | (155,660)    | (81,348)     |
| Operating lease assets and liabilities                                              | 87,573       | 89,671       |
| Net Cash from Operating Activities                                                  | 502,288      | 270,616      |
| Investing Activities                                                                |              |              |
| Proceeds from certificates of deposit                                               | 325,000      | 698,000      |
| Purchase of certificates of deposit                                                 | (450,000)    | (325,000)    |
| Proceeds from sale of property and equipment                                        | -            | 7,250        |
| Proceeds from the sale of investments                                               | -            | 250,000      |
| Purchase of property and equipment                                                  | (80,625)     | (29,239)     |
| Net Cash (used for) from Investing Activities                                       | (205,625)    | 601,011      |
| Financing Activities                                                                |              |              |
| Principal payments on notes payable                                                 | (25,918)     | (20,486)     |
| Principal payments on finance lease                                                 | (23,926)     | (26,035)     |
| Net Cash used for Financing Activities                                              | (49,844)     | (46,521)     |
| Change in Cash and Cash Equivalents                                                 | 246,819      | 825,106      |
| Cash and Cash Equivalents, Beginning                                                | 2,130,751    | 1,305,645    |
| Cash and Cash Equivalents, Ending                                                   | \$ 2,377,570 | \$ 2,130,751 |
| Supplemental Disclosure to Statements of Cash Flows                                 |              |              |
| Cash paid during the year for interest                                              | \$ 38,506    | \$ 27,456    |
| Supplemental Disclosure of Non-cash Investing and Financing Activity                |              |              |
| Equipment financed through finance lease arrangement                                | \$ 35,328    | \$ 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, 2024 was \$14,786.

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, 2025 and 2024 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).

During the year ended December 31, 2025, the Organization elected the practical expedient to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. Accordingly, the allowance for credit losses was \$1,937 for December 31, 2025 and 2024.

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, 2025 and 2024, 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, 2025 and 2024.

**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 judgment 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, 2025 and 2024, contributions of approximately \$220,000 and \$562,000, 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 provided to donors, with the remaining proceeds recognized as contribution revenue. Amounts received in advance of the special event are recorded as refundable advances and are not recognized as revenue until the special event occurs and the related performance obligations are satisfied. Refundable advances related to special events were approximately \$49,000 and \$28,000 as of December 31, 2025 and 2024, 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. Related to grants, there were \$0 of refundable advances as of December 31, 2025 and 2024. The Organization received cost-reimbursable grants of approximately \$0 and \$78,000 that have not been recognized at December 31, 2025 and 2024, 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 a South Dakota nonprofit corporation and has been recognized by the IRS as exempt from federal income 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, 2025 and 2024, the Organization had approximately \$2,083,000 and \$1,712,000, 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.

**Subsequent Events**

The Organization has evaluated subsequent events through August 10, 2026, the date the financial statements were available to be issued.

**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:

|                                                                                                          | 2025                       | 2024                       |
|----------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| Cash and cash equivalents                                                                                | \$ 2,377,570               | \$ 2,130,751               |
| Certificates of deposit                                                                                  | 450,000                    | 325,000                    |
| Accounts receivable                                                                                      | 6,852                      | 68,768                     |
| Promises to give                                                                                         | 75,000                     | 262,604                    |
| Grants receivable                                                                                        | 344,924                    | 190,040                    |
|                                                                                                          | <u>3,254,346</u>           | <u>2,977,163</u>           |
| Less assets unavailable for general expenditures within<br>one year due to donor restrictions            | <u>(841,974)</u>           | <u>(555,038)</u>           |
| Financial assets available to meet cash needs for general<br>expenditures within one year of December 31 | <u><u>\$ 2,412,372</u></u> | <u><u>\$ 2,422,125</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.

The fair value of beneficial interest in assets held by the community foundation is based on the fair value of fund investments as reported by the community foundation. These are considered Level 3 measurements.

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

|                                                               | Quoted Prices in<br>Active Markets<br>(Level 1) | Other<br>Observable<br>(Level 2) | Unobservable<br>Inputs<br>(Level 3) |
|---------------------------------------------------------------|-------------------------------------------------|----------------------------------|-------------------------------------|
| <u>December 31, 2025</u>                                      |                                                 |                                  |                                     |
| Beneficial interest in assets held by<br>community foundation | <u>\$ -</u>                                     | <u>\$ -</u>                      | <u>\$ 223,857</u>                   |
| <u>December 31, 2024</u>                                      |                                                 |                                  |                                     |
| Beneficial interest in assets held by<br>community foundation | <u>\$ -</u>                                     | <u>\$ -</u>                      | <u>\$ 186,220</u>                   |

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, 2025 and 2024:

|                                               |                          |
|-----------------------------------------------|--------------------------|
| 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                    | 186,220                  |
| Total gains or losses                         |                          |
| Included in change in net assets, net of fees | <u>37,637</u>            |
| Balance, December 31, 2025                    | <u><u>\$ 223,857</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, 2025 and 2024:

|                          | 2025                     | 2024                     |
|--------------------------|--------------------------|--------------------------|
| Due within one year      | \$ 75,000                | \$ 262,604               |
| Due in one to five years | <u>75,000</u>            | <u>-</u>                 |
| Total promises to give   | <u><u>\$ 150,000</u></u> | <u><u>\$ 262,604</u></u> |

At December 31, 2025 and 2024, four and two donors accounted for 100% and 90%, respectively, of total promises to give. For the years ended December 31, 2025 and 2024, one donor accounted for 15% and 13%, 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 \$581,802 and \$607,720 at December 31, 2025 and 2024, respectively.

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

|      |                          |
|------|--------------------------|
| 2026 | \$ 27,495                |
| 2027 | 29,174                   |
| 2028 | 30,867                   |
| 2029 | <u>494,266</u>           |
|      | <u><u>\$ 581,802</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, 2025 and 2024

Total right-of-use assets and lease liabilities at December 31, 2025 and 2024 was as follows:

|                                  |                          | 2025                | 2024                |
|----------------------------------|--------------------------|---------------------|---------------------|
| Lease Assets                     | Classification           |                     |                     |
| Operating right-of-use assets    | Other assets             | \$ 5,788,416        | \$ 6,220,777        |
| Finance right-of-use assets      | Property and equipment   | 106,966             | 104,894             |
| Finance right-of-use assets      | Accumulated Amortization | (20,045)            | (27,090)            |
| Total leased right-of-use assets |                          | <u>\$ 5,875,337</u> | <u>\$ 6,298,581</u> |
| Lease Liabilities                | Classification           |                     |                     |
| Current                          |                          |                     |                     |
| Operating lease liabilities      | Current liabilities      | \$ 318,253          | \$ 344,020          |
| Finance lease liabilities        | Current liabilities      | 20,543              | 20,053              |
| Noncurrent                       |                          |                     |                     |
| Operating lease liabilities      | Long-term liabilities    | 4,224,771           | 4,543,024           |
| Finance lease liabilities        | Long-term liabilities    | 66,883              | 57,130              |
| Total lease liabilities          |                          | <u>\$ 4,630,450</u> | <u>\$ 4,964,227</u> |

Total lease costs for the year ended December 31, 2025 and 2024 was as follows:

|                                     | 2025       | 2024       |
|-------------------------------------|------------|------------|
| Operating lease cost                | \$ 522,314 | \$ 522,314 |
| Finance lease cost                  |            |            |
| Interest expense                    | 2,961      | 611        |
| Amortization of right-of-use assets | 25,820     | 25,281     |

The following table summarizes the supplemental cash flow information for the year ended December 31, 2025 and 2024:

|                                                                        | 2025       | 2024       |
|------------------------------------------------------------------------|------------|------------|
| Cash paid for amounts included in the measurement of lease liabilities |            |            |
| Operating cash flows from operating leases                             | \$ 433,974 | \$ 432,642 |
| Operating cash flows from finance leases                               | 2,961      | 611        |
| Financing cash flows from finance leases                               | 23,926     | 26,035     |
| Right-of-use assets obtained in exchange for lease liabilities         |            |            |
| Finance leases                                                         | \$ 35,328  | \$ 71,638  |

# Boys & Girls Clubs of the Sioux Empire

Notes to Financial Statements

December 31, 2025 and 2024

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

|                                                 | 2025  | 2024  |
|-------------------------------------------------|-------|-------|
| Weighted-average remaining lease term in years: |       |       |
| Operating leases                                | 13.91 | 14.74 |
| Finance leases                                  | 4.10  | 4.21  |
| Weighted-average discount rate:                 |       |       |
| Operating leases                                | 1.90% | 1.93% |
| Finance leases                                  | 3.86% | 3.39% |

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of December 31, 2025:

|                                    | Operating           | Finance          |
|------------------------------------|---------------------|------------------|
| 2026                               | \$ 400,338          | \$ 23,487        |
| 2027                               | 366,030             | 23,487           |
| 2028                               | 366,030             | 23,487           |
| 2029                               | 366,030             | 19,550           |
| 2030                               | 366,030             | 4,515            |
| Thereafter                         | 3,294,270           | -                |
| Total lease payments               | 5,158,728           | 94,526           |
| Less interest                      | (615,704)           | (7,100)          |
| Present value of lease liabilities | <u>\$ 4,543,024</u> | <u>\$ 87,426</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 a portion of their salary, subject to Internal Revenue Service limits. The Organization contributes a matching dollar-for-dollar of employee contributions to a maximum of 3%. In addition, the plan allows for the Organization to make discretionary contributions based on the participant's salary.

Employer contributions and administrative fees were \$67,708 and \$58,849 for the years ended December 31, 2025 and 2024, 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.

|                                                                                                            | 2025                       | 2024                     |
|------------------------------------------------------------------------------------------------------------|----------------------------|--------------------------|
| Subject to expenditure for specified purpose                                                               |                            |                          |
| George McGovern                                                                                            | \$ 601,881                 | \$ 206,740               |
| Scholarship                                                                                                | 20,295                     | 16,895                   |
| Future chefs                                                                                               | 9,079                      | 9,079                    |
| ELA supplies                                                                                               | 1,291                      | 1,291                    |
| Workforce development                                                                                      | 29,008                     | 52,000                   |
| Technology                                                                                                 | 12,503                     | 12,451                   |
| STEM                                                                                                       | 2,306                      | 9,291                    |
| Other                                                                                                      | 15,611                     | 9,687                    |
| Promises to give, the proceeds from which<br>have been restricted by donors for                            |                            |                          |
| George McGovern                                                                                            | 150,000                    | 227,604                  |
| ELA supplies                                                                                               | -                          | 10,000                   |
|                                                                                                            | <u>841,974</u>             | <u>555,038</u>           |
| Subject to the passage of time                                                                             |                            |                          |
| Promises to give that are not restricted by donors,<br>but which are unavailable for expenditure until due | <u>-</u>                   | <u>25,000</u>            |
| Perpetual in nature, not subject to spending policy or appropriation                                       |                            |                          |
| Beneficial interest in assets held by community foundation                                                 | <u>223,857</u>             | <u>186,220</u>           |
|                                                                                                            | <u><u>\$ 1,065,831</u></u> | <u><u>\$ 766,258</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, 2025 and 2024:

|                                              | 2025                     | 2024                    |
|----------------------------------------------|--------------------------|-------------------------|
| Expiration of time restrictions              | \$ 25,000                | \$ 25,000               |
| Subject to expenditure for specified purpose |                          |                         |
| George McGovern                              | 80,993                   | -                       |
| Scholarship                                  | -                        | 5,250                   |
| ELA supplies                                 | 10,000                   | 30,709                  |
| Workforce development                        | 52,000                   | -                       |
| Technology                                   | 4,948                    |                         |
| STEM                                         | -                        | 894                     |
| Other                                        | 8,143                    | 7,831                   |
|                                              | <u><u>\$ 181,084</u></u> | <u><u>\$ 69,684</u></u> |

**Note 10 - In-kind Contributions**

For the years ended December 31, 2025 and 2024, in-kind contributions recognized within the statements of activities included the following:

|                                            | 2025              | 2024              |
|--------------------------------------------|-------------------|-------------------|
| McGovern equipment and supplies            | \$ 241,922        | \$ -              |
| Events and stewarding                      | 66,954            | -                 |
| Maintenance and repairs                    | 26,737            | -                 |
| Noncash grants and corporate contributions | 10,748            | -                 |
| Playground turf                            | -                 | 100,000           |
| Technology services                        | -                 | 960               |
|                                            | <u>\$ 346,361</u> | <u>\$ 100,960</u> |

During the year ended December 31, 2025, the Organization received equipment and supplies relating to the George McGovern Middle School site. The contribution was valued using an invoice directly from the company that provided the equipment and supplies. The Organization uses the equipment and supplies for program services and are recognized at fair value based on current rates.

During the year ended December 31, 2025, contributed events and stewarding expenses included stewarding costs, auction items, and raffle prizes valued at current rates for similar services and were used in fundraising services.

During the year ended December 31, 2025, maintenance and repairs services were provided for a painting project at its 57<sup>th</sup> Street location. These services were utilized to maintain and update the building and are used in program services and were valued at current rates for similar services.

During the year ended December 31, 2025, the Organization received a donation relating to noncash grants to supply books to educators and safety resources and are used in program services. Those items were valued at current rates for similar goods.

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.

During the year ended December 31, 2024, contributed technology services were 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, 2025 and 2024 were without donor restrictions.

**Note 11 - Commitments and Contingencies**

In August of 2025, the Organization entered a new office building lease with an expected commencement date of March 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. As of December 31, 2025, approximately \$56,000 remained outstanding under the contract.