

The Children's Home Society of Florida and Subsidiaries

Consolidated Financial Report
June 30, 2024

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Independent Auditor's Report

Audit Committee
The Children's Home Society of Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of The Children's Home Society of Florida and its subsidiaries (the Organization), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, and the changes in their net assets and their 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) and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

RSM US LLP

Orlando, Florida
December 13, 2024

The Children’s Home Society of Florida and Subsidiaries

Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 600,399	\$ 2,397,271
Grant receivables, net	9,953,897	9,526,128
Medicaid receivables, net	183,134	418,061
Prepaid expenses and other assets	1,117,615	1,204,237
Investments	17,437,351	18,821,587
Beneficial interest	30,971,324	28,052,978
Right-of-use lease assets—operating	5,266,758	5,675,100
Property and equipment, net	11,087,554	11,921,799
	<u>11,087,554</u>	<u>11,921,799</u>
Total assets	\$ 76,618,032	\$ 78,017,161
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 2,114,660	\$ 2,050,227
Accrued expenses	4,976,434	4,864,241
Refundable advances	2,943,567	2,003,081
Held in custody for account of others	970,323	1,042,808
Right-of-use lease liabilities—operating	5,378,244	5,721,367
Debt and line of credit	5,335,452	6,434,046
	<u>5,335,452</u>	<u>6,434,046</u>
Total liabilities	21,718,680	22,115,770
Commitments and contingencies (Notes 9 and 10)		
Net assets:		
Without donor restrictions	23,914,688	27,834,961
With donor restrictions	30,984,664	28,066,430
	<u>30,984,664</u>	<u>28,066,430</u>
Total net assets	54,899,352	55,901,391
	<u>54,899,352</u>	<u>55,901,391</u>
Total liabilities and net assets	\$ 76,618,032	\$ 78,017,161
	<u>\$ 76,618,032</u>	<u>\$ 78,017,161</u>

See notes to consolidated financial statements.

The Children's Home Society of Florida and Subsidiaries

Consolidated Statement of Activities
Year Ended June 30, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating public support and revenues:			
Operating public support:			
United Way	\$ 1,122,772	\$ -	\$ 1,122,772
Bequests, contributions and special events	6,048,850	111,578	6,160,428
Contributions of nonfinancial assets	1,597,060	-	1,597,060
Total operating public support	8,768,682	111,578	8,880,260
Revenue from service contracts	73,828,590	-	73,828,590
Adoptive and other service fees	1,098,975	-	1,098,975
Investment income, net	485,804	-	485,804
Loss on sale/disposal of property and equipment	(3,105)	-	(3,105)
Other revenues	282,534	-	282,534
Net assets released from restrictions	1,389,516	(1,389,516)	-
Total operating public support and revenues	85,850,996	(1,277,938)	84,573,058
Operating expenses:			
Program services	74,866,604	-	74,866,604
Supporting services:			
Management and general	12,879,514	-	12,879,514
Fundraising	3,959,036	-	3,959,036
Total supporting services	16,838,550	-	16,838,550
Total operating expenses	91,705,154	-	91,705,154
Change in net assets from operations	(5,854,158)	(1,277,938)	(7,132,096)
Other changes:			
Change in beneficial interest	-	4,196,172	4,196,172
Net realized and unrealized gains on investments	1,933,885	-	1,933,885
Change in other changes	1,933,885	4,196,172	6,130,057
Change in net assets	(3,920,273)	2,918,234	(1,002,039)
Net assets:			
Beginning	27,834,961	28,066,430	55,901,391
Ending	\$ 23,914,688	\$ 30,984,664	\$ 54,899,352

See notes to consolidated financial statements.

The Children's Home Society of Florida and Subsidiaries

**Consolidated Statement of Activities
Year Ended June 30, 2023**

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating public support and revenues:			
Operating public support:			
United Way	\$ 983,886	\$ -	\$ 983,886
Bequests, contributions and special events	6,239,891	384,740	6,624,631
Contributions of nonfinancial assets	1,842,685	-	1,842,685
Total operating public support	9,066,462	384,740	9,451,202
Revenue from service contracts	72,860,491	-	72,860,491
Adoptive and other service fees	636,579	-	636,579
Investment income, net	581,818	-	581,818
Loss on sale/disposal of property and equipment	(284,469)	-	(284,469)
Other revenues	666,016	-	666,016
Net assets released from restrictions	1,678,014	(1,678,014)	-
Total operating public support and revenues	85,204,911	(1,293,274)	83,911,637
Operating expenses:			
Program services	76,233,259	-	76,233,259
Supporting services:			
Management and general	12,569,746	-	12,569,746
Fundraising	3,498,882	-	3,498,882
Total supporting services	16,068,628	-	16,068,628
Total operating expenses	92,301,887	-	92,301,887
Change in net assets from operations	(7,096,976)	(1,293,274)	(8,390,250)
Other changes:			
Change in beneficial interest	-	3,774,014	3,774,014
Net realized and unrealized gains on investments	1,347,559	-	1,347,559
Change in other changes	1,347,559	3,774,014	5,121,573
Change in net assets	(5,749,417)	2,480,740	(3,268,677)
Net assets:			
Beginning	33,584,378	25,585,690	59,170,068
Ending	\$ 27,834,961	\$ 28,066,430	\$ 55,901,391

See notes to consolidated financial statements.

The Children's Home Society of Florida and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended June 30, 2024

	Program Services				Supporting Services			Total Functional Expenses	
	Child and Family Well-Being	Child and Family Development	Behavioral Health Solutions	Community Solutions	Total Program Services	Management and General	Fund Raising		Total Supporting Services
Salaries	\$ 17,483,401	\$ 12,474,728	\$ 7,837,920	\$ 7,957,590	\$ 45,753,639	\$ 7,016,763	\$ 2,085,389	\$ 9,102,152	\$ 54,855,791
Employee benefits	3,135,699	2,210,655	1,366,879	1,373,010	8,086,243	1,322,491	367,688	1,690,179	9,776,422
Payroll taxes and other	1,429,226	1,018,269	637,916	641,454	3,726,865	444,101	155,497	599,598	4,326,463
Total salaries and related expenses	22,048,326	15,703,652	9,842,715	9,972,054	57,566,747	8,783,355	2,608,574	11,391,929	68,958,676
Professional fees	247,886	177,057	151,523	411,734	988,200	1,462,595	169,073	1,631,668	2,619,868
Supplies	88,351	115,759	11,000	113,473	328,583	6,423	7,523	13,946	342,529
Communications	374,823	352,990	527,327	162,629	1,417,769	908,124	290,610	1,198,734	2,616,503
Postage and shipping	20,227	15,797	10,981	6,500	53,505	15,051	15,901	30,952	84,457
Occupancy	1,809,910	1,384,049	382,231	458,205	4,034,395	268,737	8,366	277,103	4,311,498
Rental and maintenance of equipment	175,023	172,014	50,393	89,617	487,047	134,147	9,386	143,533	630,580
Printing and publications	25,371	56,202	3,438	33,671	118,682	48,298	24,141	72,439	191,121
Travel	867,504	563,311	122,770	251,897	1,805,482	112,117	47,546	159,663	1,965,145
Conferences, conventions and meetings	59,096	82,308	12,720	39,612	193,736	15,878	11,380	27,258	220,994
Specific assistance to individuals	985,415	1,434,069	635,904	785,302	3,840,690	2,892	64,747	67,639	3,908,329
Membership dues	46,926	41,808	4,281	9,242	102,257	139,737	18,862	158,599	260,856
Interest	320	-	-	-	320	466,929	712	467,641	467,961
Insurance	599,098	278,608	281,457	138,619	1,297,782	73,937	26,524	100,461	1,398,243
Provision for bad debt	85,953	175,255	198,743	23,033	482,984	782	110,000	110,782	593,766
Contributed goods	371,302	345,060	6,574	302,442	1,025,378	1,761	209,712	211,473	1,236,851
Other	53,810	370,234	40,861	24,591	489,496	(20,869)	331,120	310,251	799,747
Total before depreciation and amortization	27,859,341	21,268,173	12,282,918	12,822,621	74,233,053	12,419,894	3,954,177	16,374,071	90,607,124
Depreciation and amortization	393,829	112,483	69,179	58,060	633,551	459,620	4,859	464,479	1,098,030
Total expenses	\$ 28,253,170	\$ 21,380,656	\$ 12,352,097	\$ 12,880,681	\$ 74,866,604	\$ 12,879,514	\$ 3,959,036	\$ 16,838,550	\$ 91,705,154

See notes to consolidated financial statements.

The Children's Home Society of Florida and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended June 30, 2023

	Program Services					Supporting Services			Total Functional Expenses
	Child and Family Well-Being	Child and Family Development	Behavioral Health Solutions	Community Solutions	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 19,068,125	\$ 12,010,607	\$ 8,571,260	\$ 6,599,059	\$ 46,249,051	\$ 6,856,924	\$ 1,897,059	\$ 8,753,983	\$ 55,003,034
Employee benefits	3,096,089	1,950,404	1,361,615	1,056,219	7,464,327	1,199,364	323,334	1,522,698	8,987,025
Payroll taxes and other	1,591,754	993,565	714,322	544,892	3,844,533	428,246	141,998	570,244	4,414,777
Total salaries and related expenses	23,755,968	14,954,576	10,647,197	8,200,170	57,557,911	8,484,534	2,362,391	10,846,925	68,404,836
Professional fees	392,887	142,169	488,149	457,373	1,480,578	1,061,900	132,549	1,194,449	2,675,027
Supplies	102,401	127,219	14,364	101,306	345,290	11,243	7,459	18,702	363,992
Communications	485,543	399,341	505,441	144,036	1,534,361	960,554	126,222	1,086,776	2,621,137
Postage and shipping	16,378	14,593	9,918	5,258	46,147	13,310	19,774	33,084	79,231
Occupancy	1,487,699	1,423,051	245,889	504,510	3,661,149	351,195	19,673	370,868	4,032,017
Rental and maintenance of equipment	179,815	180,719	115,090	43,991	519,615	80,848	11,980	92,828	612,443
Printing and publications	10,587	29,276	2,477	37,021	79,361	63,974	32,246	96,220	175,581
Travel	969,509	609,325	103,902	186,870	1,869,606	114,494	48,404	162,898	2,032,504
Conferences, conventions and meetings	33,778	69,854	28,991	46,895	179,518	62,112	14,344	76,456	255,974
Specific assistance to individuals	1,263,547	1,358,691	617,396	619,745	3,859,379	14,127	59,552	73,679	3,933,058
Membership dues	40,866	58,409	236	3,551	103,062	65,912	34,693	100,605	203,667
Interest	523	-	-	-	523	385,332	-	385,332	385,855
Insurance	643,660	282,682	337,388	111,966	1,375,696	75,707	24,704	100,411	1,476,107
Provision for bad debt	1,439,818	60,861	256,706	9,305	1,766,690	3,044	-	3,044	1,769,734
Contributed goods	334,199	433,367	2,737	282,921	1,053,224	6,744	338,804	345,548	1,398,772
Other	75,878	58,411	50,140	36,594	221,023	213,388	261,259	474,647	695,670
Total before depreciation and amortization	31,233,056	20,202,544	13,426,021	10,791,512	75,653,133	11,968,418	3,494,054	15,462,472	91,115,605
Depreciation and amortization	337,586	119,980	68,362	54,198	580,126	601,328	4,828	606,156	1,186,282
Total expenses	\$ 31,570,642	\$ 20,322,524	\$ 13,494,383	\$ 10,845,710	\$ 76,233,259	\$ 12,569,746	\$ 3,498,882	\$ 16,068,628	\$ 92,301,887

See notes to consolidated financial statements.

The Children's Home Society of Florida and Subsidiaries

Consolidated Statements of Cash Flows Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ (1,002,039)	\$ (3,268,677)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,098,030	1,186,282
Net realized and unrealized gains on investments	(1,933,885)	(1,347,559)
Change in beneficial interest	(4,196,172)	(3,774,014)
Loss on sale/disposal of property and equipment	3,105	284,469
Provision for doubtful accounts/credit losses	593,766	1,769,734
Forgiveness of debt	-	(120,000)
Changes in operating assets and liabilities:		
Grant receivables	(849,364)	(277,671)
Medicaid receivables	62,756	(142,470)
Prepaid expenses and other assets	86,622	(278,202)
Pension asset	-	855,802
Right-of-use lease assets—operating	1,556,865	1,553,422
Accounts payable	64,433	91,429
Accrued expenses	112,193	(519,796)
Refundable advances	940,486	105,798
Right-of-use lease liabilities—operating	(1,491,646)	(1,507,155)
Net cash used in operating activities	(4,954,850)	(5,388,608)
Cash flows from investing activities:		
Distributions from The Children's Home Society of Florida Foundation, Inc.	1,277,826	1,278,049
Purchases of property and equipment	(339,375)	(941,961)
Proceeds from sale of property and equipment	-	2,333,299
Proceeds from sale of investments	7,350,506	6,373,600
Purchases of investments	(4,032,385)	(6,956,241)
Net cash provided by investing activities	4,256,572	2,086,746
Cash flows from financing activities:		
Principal payments on debt and line of credit	(1,098,594)	(648,138)
Net cash used in financing activities	(1,098,594)	(648,138)
Net decrease in cash and cash equivalents	(1,796,872)	(3,950,000)
Cash and cash equivalents:		
Beginning	2,397,271	6,347,271
Ending	\$ 600,399	\$ 2,397,271
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 467,961	\$ 401,158
Supplemental disclosure of cash flow information related to leases:		
Right-of-use lease assets obtained in exchange for operating lease obligations	\$ 1,148,523	\$ 7,228,522

See notes to consolidated financial statements.

The Children's Home Society of Florida and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: The Children's Home Society of Florida and Subsidiaries (collectively, CHS or the Organization) is a nonprofit organization, which provides effective solutions to build and support healthy families for Florida's children.

CHS' major program services are as follows:

Child and family well-being (breaking cycles of child abuse and neglect): CHS serves children who have been abused and neglected with a goal to find a permanent solution (reunification, adoption or permanent living situation with a relative), so that the child lives in a safe nurturing environment. These services include case management, shelter, foster/adoptive home recruitment and retention, in home support services, family preservation services, child protection teams, children in need of services and families in need of services (CINS/FINS) programs for runaway and homeless youth, family and sibling visitation services, group home services, reunification, adoption and transitional living services. CHS has developed and implemented innovative solutions (i.e., CaseAIM) to reduce lengths of stay for children in care, improve the quality of care and child welfare outcomes of safety, permanency and well-being.

Child and family development (improving developmental well-being and academic readiness of children ages 0-5): CHS serves children, their caregivers and pregnant women, through a variety of early intervention and early education services: Healthy Families, Early Steps, Early Head Start, Healthy Start and Bridges. CHS promotes healthy bonding, attachment and development through the implementation of evidence-based curricula in home visiting and center-based settings. CHS' early childhood solutions are effective in helping children achieve school readiness by age five, a key indicator in their future academic success.

Behavioral health solutions (improving health and well-being of children and families): CHS serves children, families and adults who are diagnosed with behavioral disorders and are in need of counseling, psychiatric care and case management services. CHS provides trauma-focused therapy to improve the resiliency of children and adults exposed to trauma. CHS' behavioral health solutions promote access, quality and outcome. Services are accessible at the convenience of CHS' clients (in home, school, community settings and via telehealth). Behavioral health services operate with the goal of showing improved functioning in the children and adults served and reducing their risk for inpatient and crisis stabilization services.

Community solutions (promoting safe communities and schools): CHS serves communities and collaborates with multiple partners to create solutions which support entire communities, such as youth employment, neighborhood engagement in educations (Bridges) and Community Partnership Schools. In these schools and services, CHS and partners work to remove barriers to learning (hunger, homelessness, illness), promote opportunities through enrichment activities during and after school, promote youth development and provide a solid foundation for academic instruction. In Community Partnership Schools, community leaders, parents, teachers and students have a voice in a shared governance model with a shared vision, goals and outcomes for the school and surrounding neighborhood. The goals of these schools and services include increased graduation rates, improved school attendance, reduced disciplinary actions in schools and increased health and safety in the school and surrounding neighborhoods.

The Children's Home Society of Florida and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

A summary of CHS' significant accounting policies follows:

Principles of consolidation: The consolidated financial statements of CHS include the accounts of CHS and its wholly owned subsidiaries. CHS' wholly owned subsidiaries are as follows:

Centennial Holdings (Treasure Coast), LLC	ECIL Capital, LLC
Centennial Holdings (Buckner), LLC	

All intercompany balances have been eliminated in consolidation.

Basis of presentation: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

A nonprofit organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, net assets of CHS and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations but may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization, passage of time, or permanently maintained by the Organization. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Consolidated statements of activities: CHS has an intermediate measure of operating results that classifies certain activities not included in operations as other changes. Other changes include change in beneficial interest and net realized and unrealized gains on investments.

Cash and cash equivalents: For purposes of reporting on the consolidated statements of cash flows, CHS considers demand accounts and money market accounts to be cash and money market funds to be cash equivalents. CHS maintains cash and cash equivalents with various major financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC). From time to time, balances may exceed amounts insured by the FDIC.

Grant receivables: Grant receivables are stated at net realizable value. CHS uses the allowance method to determine uncollectible receivables. The allowance is established based upon management's analysis of specific accounts and other economic factors. In the opinion of management, the allowance for doubtful accounts of \$1,713,713 and \$1,599,415 at June 30, 2024 and 2023, respectively, reflects management's best estimate of uncollectible accounts.

Medicaid receivables: Medicaid receivables are stated at net realizable value. Allowance for credit losses is estimated using the allowance method based upon historical experience, management's analysis of specific accounts, the existing economic conditions in the industry and reasonable and supportable forecasts of future economic conditions. In the opinion of management, the allowance for credit losses of \$148,376 at June 30, 2024 and 2023, reflects management's best estimate of uncollectible accounts.

The Children's Home Society of Florida and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Investments and investment income: Investments are reported at fair value (see Note 6). Investment income reported in the accompanying consolidated statements of activities includes interest and dividend income, net of investment expenses. Investments and realized and unrealized gains and losses are reported within net assets without donor restrictions unless its use is restricted by explicit donor stipulations.

Property and equipment: Property and equipment is capitalized at cost when purchased or at fair value at the date of gift, if contributed. Depreciation is computed on the straight-line method of accounting over the estimated useful lives of the assets. The lives of the various assets range from three to 40 years. The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts, and any gains or losses from disposition are credited or charged to income. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost of leasehold improvements on leased office space is capitalized and amortized using the straight-line method of accounting over the term of the lease, or the useful life of the improvement, whichever is shorter.

Impairment of long-lived assets: The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to future net cash flows expected to be generated by the asset or asset group. If such assets or asset groups are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets or asset groups exceeds the fair value of the assets or asset groups. Assets or asset groups to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment of its long-lived assets or asset groups has been recognized during the years ended June 30, 2024 and 2023.

Beneficial interest: The beneficial interest represents CHS' beneficial interest in the net assets of The Children's Home Society of Florida Foundation, Inc. (Foundation). In accordance with guidance related to accounting for contributions held by an organization for the benefit of another organization, CHS recognizes its interest in the net assets of the Foundation in its consolidated financial statements under the equity method. Distributions from the Foundation are reported as a reduction in the beneficial interest and the change in residual value of net assets with donor restrictions of the Foundation are reported as a change in beneficial interest in the consolidated statements of activities.

Operating public support and donor-imposed restrictions: Unconditional promises to give are recognized as contributions in the period received at their fair value. Conditional contributions or intentions to give, that is those with both a measurable performance or other barrier and a right of return or release, are not recognized until they become unconditional, that is, at the time when the conditions on which they depend on are substantially met. Contributions other than cash are recorded at their estimated fair value on the date received.

Unconditional contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions support depending on the existence or nature of any donor-imposed restrictions. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified into net assets without donor restrictions and are reported in the accompanying consolidated statements of activities as net assets released from restrictions.

The Children's Home Society of Florida and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Contributed goods and classroom space are reflected in the accompanying consolidated financial statements at their estimated fair value at date of receipt. Contributed services are recognized and recorded at their estimated fair value only to the extent they create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. CHS records contributed goods, classroom space and services as contributions of nonfinancial assets support and expenses in the accompanying consolidated statements of activities and consolidated statements of functional expenses.

Revenue from service contracts: Revenue from service contracts is considered exchange transactions if each party receives and sacrifices commensurate value. Funds from these exchange transactions are not considered contributions. CHS' revenue from service contracts with customers consists of Medicaid revenues. CHS' service contracts have a single performance obligation. The transaction price is the amount of consideration to which CHS expects to be entitled in exchange for transferring services to the customer. Revenue is recorded based on transaction price, which is a fixed consideration. Performance obligations are satisfied at a point in time, at which point revenue is recognized. Funds received in advance and not yet earned are recorded as deferred revenue. There was no deferred revenue at June 30, 2024 and 2023, and at July 1, 2022. Receivables from exchange transactions was \$183,134 and \$418,061 at June 30, 2024 and 2023, respectively, and \$275,591 at July 1, 2022. Revenue from service contracts related to exchange transactions was \$3,378,204 and \$4,498,729 for the years ended June 30, 2024 and 2023, respectively.

The revenue stream noted above does not include significant financing components as the performance obligations are typically satisfied within a year of receipt of payment. Economic downturns can affect the level of revenue or can have a positive impact on cash flow in good economic times.

Revenue from service contracts not considered exchange transactions are recognized as revenue when the funds are utilized by CHS to carry out the activity stipulated by the service contract, thereby satisfying imposed barriers and/or rights of return. The services contracts can be terminated by the grantor or refunding can be required under certain circumstances coupled with other performance and/or control barriers. For these reasons, these service contract agreements are considered conditional. Accordingly, amounts received, but not recognized as revenue, are classified in the consolidated statements of financial position as refundable advances and was \$2,943,567 and \$2,003,081 at June 30, 2024 and 2023, respectively. Receivables from nonexchange transactions was \$9,953,897 and \$9,526,128 at June 30, 2024 and 2023, respectively. Revenue from service contracts related to nonexchange transactions was \$70,450,386 and \$68,361,762 for the years ended June 30, 2024 and 2023, respectively.

The Organization has conditional promises to give from grantors of approximately \$10,869,000 and \$7,500,000 as of June 30, 2024 and 2023, respectively. Future payments are contingent upon the Organization carrying out certain activities (meeting grant-imposed barriers) stipulated by the grant or contract.

Adoptive and other service fees: Revenue from adoptive and other service fees are recognized when services are provided.

Functional expenses: The cost of providing various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Salaries and other expenses that are associated with a specific program are charged directly to that program. Salaries and other expenses that benefit more than one program are allocated to the various programs based on the relative benefit provided. Occupancy costs are allocated to the various programs based on square footage occupied by each program.

The Children's Home Society of Florida and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Use of estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes: CHS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Statutes. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying consolidated financial statements.

In addition, management assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying consolidated financial statements. CHS files tax returns in the U.S. federal jurisdiction. Generally, CHS is no longer subject to U.S. federal income tax examinations by taxing authorities for years before June 30, 2021.

Leases: The Organization has several leases for office space, equipment and vehicles from unrelated parties under operating lease agreements. The Organization determines if an arrangement is a lease at the inception of a contract. Lease assets and lease liabilities are recognized based on the present value of the lease payments over the lease term at the commencement date. To determine the present value of lease payments, the Organization made an accounting policy election available to nonpublic companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date. Operating lease expense is recognized on a straight-line basis over the lease term.

Right-of-use (ROU) lease assets—operating represent the Organization's right to use an underlying asset during the lease term and ROU lease liabilities—operating represent the Organization's obligation to make lease payments arising from the lease. ROU lease assets—operating and ROU lease liabilities—operating are reflected in the consolidated statements of financial position (see Note 9).

Leases with a lease term of 12 months or less at commencement are not recorded in the consolidated statements of financial position.

The Organization's office space lease agreements require payments for lease and non-lease components and has elected to exclude the non-lease components for these operating leases. The non-lease components typically represent additional payments by the Organization, which are variable in nature and recorded in variable lease expense in the period incurred.

Recently adopted accounting pronouncement: In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost. The ASU requires financial assets measured at amortized cost (Medicaid receivables) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the consolidated statements of activities as the amounts expected to be collected change. The Organization adopted ASU 2016-13 effective July 1, 2023. The adoption of ASU 2016-13 did not have a material impact on the consolidated financial statements.

The Children's Home Society of Florida and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Fair value measurements: CHS follows accounting standards relating to fair value measurements which defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards relating to fair value measurements establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels are defined as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The fair value of mutual funds is valued based on the quoted market price of the fund with readily determinable fair values based on daily redemption values.

Reclassifications: Certain amounts in the 2023 consolidated financial statements have been reclassified in order to conform with the 2024 presentation. These reclassifications had no effect on previously reported results of operations or cash flows.

Subsequent events: CHS has evaluated subsequent events through December 13, 2024, the date on which the consolidated financial statements were available to be issued.

Note 2. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2024 and 2023:

	2024	2023
Restricted for specified purposes:		
Beneficial interest in the net assets of The Children's Home Society of Florida Foundation, Inc.	\$ 21,871,418	\$ 18,955,872
Other	13,340	13,452
	<u>21,884,758</u>	<u>18,969,324</u>
Restricted in perpetuity:		
Beneficial interest in the net assets of The Children's Home Society of Florida Foundation, Inc.	9,099,906	9,097,106
	<u>9,099,906</u>	<u>9,097,106</u>
	<u>\$ 30,984,664</u>	<u>\$ 28,066,430</u>

As of June 30, 2024 and 2023, net assets of \$1,389,516 and \$1,678,014, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes.

The Children's Home Society of Florida and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Grant Receivables

Grant receivables consisted of the following at June 30, 2024 and 2023:

	2024	2023
Community based care contracts	\$ 4,270,439	\$ 4,387,743
Other contracts	4,616,107	3,969,301
Government contracts	2,781,064	2,768,499
	<u>11,667,610</u>	<u>11,125,543</u>
Less allowance for doubtful accounts	(1,713,713)	(1,599,415)
	<u>\$ 9,953,897</u>	<u>\$ 9,526,128</u>

Note 4. Investments

The fair value of investments at June 30, 2024 and 2023, consists of the following:

	2024	2023
Mutual funds:		
Large blend fund	\$ 5,660,286	\$ 6,472,727
Intermediate core-plus bond fund	2,765,553	2,953,234
Large growth fund	1,188,922	1,916,243
Large value fund	1,098,681	409,185
Fixed income fund	1,038,888	1,091,879
Foreign large blend fund	862,103	620,257
Small blend fund	615,007	1,573,853
Mid-cap blend fund	607,944	465,420
Diversified emerging market fund	523,104	-
Long-short equity fund	399,727	378,004
Foreign large value fund	353,351	-
Foreign large growth fund	347,063	423,685
Systematic trend fund	273,167	366,041
Convertibles fund	237,603	275,011
Preferred stock fund	236,070	267,762
Relative value arbitrage fund	234,083	223,073
Miscellaneous fixed income fund	195,368	229,335
Foreign small/mid growth fund	172,416	218,483
Infrastructure fund	157,082	253,953
Multistrategy fund	-	75,881
Real estate investment trust	470,933	607,561
	<u>\$ 17,437,351</u>	<u>\$ 18,821,587</u>

The Children's Home Society of Florida and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Property and Equipment

Property and equipment consisted of the following at June 30, 2024 and 2023:

	2024	2023
Land	\$ 534,729	\$ 534,729
Buildings and improvements	14,286,344	14,290,759
Furniture and equipment	13,280,965	13,248,622
Leasehold improvements	1,680,357	1,424,525
	<u>29,782,395</u>	<u>29,498,635</u>
Less accumulated depreciation and amortization	(18,694,841)	(17,576,836)
	<u>\$ 11,087,554</u>	<u>\$ 11,921,799</u>

Depreciation and amortization expense of property and equipment for the years ended June 30, 2024 and 2023, was approximately \$1,098,000 and \$1,186,000, respectively.

Note 6. Fair Value Measurements

The following tables represent CHS' financial assets measured at fair value on a recurring basis by level within the hierarchy at June 30, 2024 and 2023:

	2024			
	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Investments:				
Mutual funds:				
Large blend fund	\$ 5,660,286	\$ -	\$ -	\$ 5,660,286
Intermediate core-plus bond fund	2,765,553	-	-	2,765,553
Large growth fund	1,188,922	-	-	1,188,922
Large value fund	1,098,681	-	-	1,098,681
Fixed income fund	1,038,888	-	-	1,038,888
Foreign large blend fund	862,103	-	-	862,103
Small blend fund	615,007	-	-	615,007
Mid-cap blend fund	607,944	-	-	607,944
Diversified emerging market fund	523,104	-	-	523,104
Long-short equity fund	399,727	-	-	399,727
Foreign large value fund	353,351	-	-	353,351
Foreign large growth fund	347,063	-	-	347,063
Systematic trend fund	273,167	-	-	273,167
Convertibles fund	237,603	-	-	237,603
Preferred stock fund	236,070	-	-	236,070
Relative value arbitrage fund	234,083	-	-	234,083
Miscellaneous fixed income fund	195,368	-	-	195,368
Foreign small/mid growth fund	172,416	-	-	172,416
Infrastructure fund	157,082	-	-	157,082
Total investments in fair value hierarchy	<u>16,966,418</u>	<u>-</u>	<u>-</u>	<u>16,966,418</u>
Real estate investment trust measured at net asset value (a)	-	-	-	470,933
Total investments at fair value	<u>\$ 16,966,418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,437,351</u>

The Children's Home Society of Florida and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Fair Value Measurements (Continued)

	2023			
	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Investments:				
Mutual funds:				
Large blend fund	\$ 6,472,727	\$ -	\$ -	\$ 6,472,727
Intermediate core-plus bond fund	2,953,234	-	-	2,953,234
Large growth fund	1,916,243	-	-	1,916,243
Small blend fund	1,573,853	-	-	1,573,853
Fixed income fund	1,091,879	-	-	1,091,879
Foreign large blend fund	620,257	-	-	620,257
Mid-cap blend fund	465,420	-	-	465,420
Foreign large growth fund	423,685	-	-	423,685
Large value fund	409,185	-	-	409,185
Long-short equity fund	378,004	-	-	378,004
Systematic trend fund	366,041	-	-	366,041
Convertibles fund	275,011	-	-	275,011
Preferred stock fund	267,762	-	-	267,762
Infrastructure fund	253,953	-	-	253,953
Miscellaneous fixed income fund	229,335	-	-	229,335
Relative value arbitrage fund	223,073	-	-	223,073
Foreign small/mid growth fund	218,483	-	-	218,483
Multistrategy fund	75,881	-	-	75,881
Total investments in fair value hierarchy	18,214,026	-	-	18,214,026
Real estate investment trust measured at net asset value (a)	-	-	-	607,561
Total investments at fair value	\$ 18,214,026	\$ -	\$ -	\$ 18,821,587

- (a) Certain investments that are measured at net asset value (NAV) per share practical expedient or its equivalent have not been classified in the fair value hierarchy. The fair value amounts presented in this table are reported for the purpose of reconciling the fair value hierarchy to the investments reported in the consolidated statements of financial position.

The real estate investment trust consists of an investment in ARA Core Property Fund, LP (the Fund) which is a Delaware limited partnership that invests primarily in core institutional-quality industrial, multi-family, office and retail properties located throughout the United States, and is diversified by product type, geographic region and economic exposure in order to mitigate investment risk. The Fund is an open-end diversified core real estate commingled fund whose primary objective is to provide returns that are attractive relative to other asset classes with stable income and the potential for market appreciation. The fair value is determined using the NAV per share as a practical expedient, as provided by the investment manager. CHS receives audited financial statements annually and quarterly unaudited performance reports.

The Children’s Home Society of Florida and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Fair Value Measurements (Continued)

The following tables set forth additional disclosures of CHS’ investments whose fair value is estimated using net asset value per share (or its equivalents) as of June 30, 2024 and 2023:

	June 30, 2024			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Real estate investment trust	<u>\$ 470,933</u>	<u>\$ -</u>	Daily	90 days

	June 30, 2023			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Real estate investment trust	<u>\$ 607,561</u>	<u>\$ -</u>	Daily	90 days

Note 7. Accrued Expenses

Accrued expenses consisted of the following at June 30, 2024 and 2023:

	2024	2023
Accrued salaries and benefits	\$ 2,352,638	\$ 2,364,932
Accrued vacation	1,929,849	1,946,996
Other	693,947	552,313
	<u>\$ 4,976,434</u>	<u>\$ 4,864,241</u>

The Children’s Home Society of Florida and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Debt and Line of Credit

Debt and line of credit consisted of the following at June 30, 2024 and 2023:

	2024	2023
CHS has a \$5,000,000 revolving line of credit with a bank bearing interest at the Secured Overnight Financing Rate, adjusted monthly, plus 1.75% (7.13% at June 30, 2024). Interest on the line of credit is payable monthly and matures on March 31, 2025. The line of credit is collateralized by substantially all assets of CHS.	\$ 4,594,630	\$ 5,444,436
Note payable to the city of Jacksonville, Florida, to finance construction of transitional housing for youths aging out of foster care. The note is non-interest bearing and matures in March 2025. As described in the note agreement, if there is no uncured event of default upon the maturity date, then the outstanding balance will be forgiven and cancelled by the city of Jacksonville. At the time of debt forgiveness, CHS will recognize a gain in the consolidated statements of activities equal to the outstanding debt balance. The note is collateralized by property in Jacksonville, Florida.	740,822	740,822
Note payable to the Florida Housing Finance Corporation to finance construction of transitional housing for youths aging out of foster care. The note was non-interest bearing and was repaid in March 2024. The note was collateralized by property in Jacksonville, Florida.	-	248,788
	<u>\$ 5,335,452</u>	<u>\$ 6,434,046</u>

Maturities of debt as of June 30, 2024, are as follows:

Year ending June 30:	
2025	<u>\$ 5,335,452</u>

Under the terms of the line of credit agreement, CHS is required to maintain certain financial covenants relating to a fixed charge coverage ratio and minimum unrestricted liquidity coverage. In June 2024, the line of credit agreement was amended, whereby, the fixed charge coverage ratio will not be evaluated until the quarter ending December 31, 2024, and thereafter. As of June 30, 2024, CHS was in compliance with the minimum unrestricted liquidity coverage.

Note 9. Leases

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. Under Topic 842, a contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization has several leases for office space, equipment and vehicles from unrelated parties under operating lease agreements. The Organization’s leases do not contain any material restrictive covenants.

The Children's Home Society of Florida and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Leases (Continued)

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the years ended June 30, 2024 and 2023:

	2024	2023
Operating lease cost	\$ 1,742,607	\$ 1,737,138
Variable/short-term lease cost	783,309	465,084
Total lease cost	<u>\$ 2,525,916</u>	<u>\$ 2,202,222</u>
	2024	2023
Weighted-average remaining lease term:		
Operating leases	5.45 years	6.06 years
Weighted-average discount rate:		
Operating leases	2.86%	2.88%

Future undiscounted cash flows for each of the next five years and thereafter, and reconciliation to the lease liabilities recognized on the consolidated statements of financial position as of June 30, 2024, is as follows:

Years ending June 30:		
2025		\$ 1,478,944
2026		1,166,939
2027		834,550
2028		552,243
2029		498,502
Thereafter		<u>1,310,060</u>
Total minimum payments required		5,841,238
Less amounts representing interest		<u>(462,994)</u>
Present value of minimum lease payments		<u>\$ 5,378,244</u>

Note 10. Commitments and Contingencies

CHS has a partial self-insurance plan that provides medical and other healthcare benefits to certain employees and covered dependents. CHS mitigates risk through a stop loss insurance policy, covering costs above \$275,000 per plan, per individual per plan year, through a commercial excess coverage policy. Undiscounted estimated reserves for claims incurred but not yet reported totaled approximately \$610,000 and \$644,000 at June 30, 2024 and 2023, respectively, and is included in accrued expenses in the accompanying consolidated statements of financial position.

CHS receives certain service contract revenues from public agencies, which are recorded on an accrual basis at the net realizable amounts estimated to be received. Revenues from public agencies are subject to periodic audit and retroactive adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the year the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations. Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Children's Home Society of Florida and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Commitments and Contingencies (Continued)

CHS is engaged in various legal proceedings incidental to its normal business activities. Such proceedings primarily consist of alleged discriminatory labor practices and alleged negligent professional services. While the results of this litigation cannot be predicted with certainty, CHS believes that the final outcome of all litigation will not have a material adverse effect on CHS' consolidated financial position or results of operations.

Note 11. Liquidity and Availability of Resources

As of June 30, 2024 and 2023, the following reflects CHS' financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30, 2024 and 2023:

	2024	2023
Financial assets, at year-end		
Cash and cash equivalents	\$ 600,399	\$ 2,397,271
Grant receivables, net	9,953,897	9,526,128
Medicaid receivables, net	183,134	418,061
Investments	17,437,351	18,821,587
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donors with purpose restrictions	(13,340)	(13,452)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 28,161,441</u>	<u>\$ 31,149,595</u>

CHS has a policy of maintaining access to financial assets sufficient to support a minimum of 60 days of operating expenses through a combination of cash, cash equivalents, investments and a \$5,000,000 revolving line of credit (see Note 8).

Note 12. Retirement Plans

CHS has a 403(b) thrift plan for eligible employees. Employees may make voluntary contributions up to the federal limits. For eligible employees employed by CHS for less than 10 years, CHS makes matching contributions equal to 50% of employee contributions up to 10% of included compensation. For eligible employees employed by CHS for 10 years or more, CHS makes matching contributions equal to 75% of employee contributions up to 10% of included compensation. Employer contributions vest at 100% after three years of service. Employer contributions were approximately \$1,082,000 and \$971,000 for the years ended June 30, 2024 and 2023, respectively.

CHS also has a 457(b) thrift plan for eligible employees. Eligible employees may make voluntary contributions from accumulated vacation pay in excess of 240 hours before deferral, but limited each plan year to deferral contributions equal to no more than 80 hours of accumulated vacation pay. CHS makes nonelective contributions annually to the plan. Employer contributions are 100% vested upon contribution. There were no employer contributions during the years ended June 30, 2024 and 2023.

The Children's Home Society of Florida and Subsidiaries

Notes to Consolidated Financial Statements

Note 13. Contributions of Nonfinancial Assets

Contributions of nonfinancial assets included in the consolidated statements of activities and functional expenses and the corresponding expenses are as follows:

	2024	2023
Contributed goods	\$ 1,236,851	\$ 1,398,772
Contributed classroom space	360,209	443,913
	<u>\$ 1,597,060</u>	<u>\$ 1,842,685</u>

Contributed goods was utilized in the following program and supporting services: child and family well-being, child and family development, behavioral health solutions, community solutions, management and general, and fundraising. CHS estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States. The Organization utilizes donated goods for their mission and does not monetize or sell the goods.

Contributed classroom space was utilized in the community solutions program. CHS estimated the fair value on the basis of estimates of third-party appraisals.

Note 14. Beneficial Interest

Beneficial interest consisted of the following at June 30, 2024 and 2023:

	2024	2023
Beneficial interest in the net assets of The Children's Home Society of Florida Foundation, Inc., reported on the equity method	<u>\$ 30,971,324</u>	<u>\$ 28,052,978</u>

At June 30, 2024 and 2023, CHS' beneficial interest in the net assets of The Children's Home Society of Florida Foundation, Inc. (Foundation) was \$30,971,324 and \$28,052,978, respectively, which is included in the accompanying consolidated statements of financial position. The net assets with donor restrictions—restricted for specified purposes, change in beneficial interest in the net assets of the Foundation was \$4,193,372 and \$3,765,131, net of distributions to CHS of \$1,277,826 and \$1,278,049, for the years ended June 30, 2024 and 2023, respectively, which is included in the accompanying consolidated statements of activities. The net assets with donor restrictions—restricted in perpetuity change in beneficial interest in the net assets of the Foundation was \$2,800 and \$8,883 for the years ended June 30, 2024 and 2023, respectively, which is included in the accompanying consolidated statements of activities.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Audit Committee
The Children's Home Society of Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of The Children's Home Society of Florida and its subsidiaries (the Organization), which comprise the Organization's consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements), and have issued our report thereon dated December 13, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Orlando, Florida
December 13, 2024