

The Children's Home Society of Florida and Subsidiaries

Consolidated Financial Report
June 30, 2025

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Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	23-24

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, 2025 and 2024, 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, 2025 and 2024, 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 22, 2025, 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 22, 2025

The Children's Home Society of Florida and Subsidiaries

Consolidated Statements of Financial Position
June 30, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	\$ 1,910,810	\$ 600,399
Grant receivables, net	11,369,754	9,953,897
Medicaid receivables, net	118,357	183,134
Prepaid expenses and other assets	1,140,880	1,117,615
Investments	16,146,093	17,437,351
Beneficial interest	33,589,953	30,971,324
Right-of-use lease assets—operating	4,111,457	5,266,758
Property and equipment, net	6,905,344	11,087,554
	<u>6,905,344</u>	<u>11,087,554</u>
Total assets	\$ 75,292,648	\$ 76,618,032
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 2,164,061	\$ 2,114,660
Accrued expenses	5,101,808	4,976,434
Refundable advances	2,750,272	2,943,567
Held in custody for account of others	941,890	970,323
Right-of-use lease liabilities—operating	4,196,379	5,378,244
Debt and line of credit	-	5,335,452
	<u>-</u>	<u>5,335,452</u>
Total liabilities	15,154,410	21,718,680
Commitments and contingencies (Notes 9 and 10)		
Net assets:		
Without donor restrictions	26,546,035	23,914,688
With donor restrictions	33,592,203	30,984,664
	<u>33,592,203</u>	<u>30,984,664</u>
Total net assets	60,138,238	54,899,352
	<u>60,138,238</u>	<u>54,899,352</u>
Total liabilities and net assets	\$ 75,292,648	\$ 76,618,032
	<u>\$ 75,292,648</u>	<u>\$ 76,618,032</u>

See notes to consolidated financial statements.

The Children's Home Society of Florida and Subsidiaries

Consolidated Statement of Activities
Year Ended June 30, 2025

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating public support and revenues:			
Operating public support:			
United Way	\$ 1,839,089	\$ -	\$ 1,839,089
Bequests, contributions and special events	8,157,584	60,993	8,218,577
Contributions of nonfinancial assets	4,457,188	-	4,457,188
Total operating public support	14,453,861	60,993	14,514,854
Revenue from service contracts	76,960,622	-	76,960,622
Adoptive and other service fees	145,578	-	145,578
Investment income, net	595,028	-	595,028
Gain on sale/disposal of property and equipment	156,176	-	156,176
Other revenues	457,429	-	457,429
Net assets released from restrictions	1,220,727	(1,220,727)	-
Total operating public support and revenues	93,989,421	(1,159,734)	92,829,687
Operating expenses:			
Program services	76,177,617	-	76,177,617
Supporting services:			
Management and general	12,477,184	-	12,477,184
Fundraising	4,010,656	-	4,010,656
Total supporting services	16,487,840	-	16,487,840
Total operating expenses	92,665,457	-	92,665,457
Change in net assets from operations	1,323,964	(1,159,734)	164,230
Other changes:			
Change in beneficial interest	-	3,767,273	3,767,273
Net realized and unrealized gains on investments	1,307,383	-	1,307,383
Change in other changes	1,307,383	3,767,273	5,074,656
Change in net assets	2,631,347	2,607,539	5,238,886
Net assets:			
Beginning	23,914,688	30,984,664	54,899,352
Ending	\$ 26,546,035	\$ 33,592,203	\$ 60,138,238

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 Functional Expenses Year Ended June 30, 2025

	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	\$ 17,002,021	\$ 13,236,782	\$ 5,633,045	\$ 9,138,572	\$ 45,010,420	\$ 6,890,286	\$ 2,274,862	\$ 9,165,148	\$ 54,175,568
Employee benefits	2,682,293	2,008,536	862,019	1,372,287	6,925,135	1,129,860	335,509	1,465,369	8,390,504
Payroll taxes and other	1,410,359	1,078,817	453,603	739,148	3,681,927	503,018	172,053	675,071	4,356,998
Total salaries and related expenses	21,094,673	16,324,135	6,948,667	11,250,007	55,617,482	8,523,164	2,782,424	11,305,588	66,923,070
Professional fees	194,260	140,261	111,398	487,331	933,250	1,169,218	159,485	1,328,703	2,261,953
Supplies	55,364	126,025	19,990	170,401	371,780	6,664	12,475	19,139	390,919
Communications	310,519	362,403	548,896	214,905	1,436,723	1,440,850	187,257	1,628,107	3,064,830
Postage and shipping	14,927	17,541	7,965	7,842	48,275	13,837	18,590	32,427	80,702
Occupancy	1,444,950	1,314,719	417,470	3,245,480	6,422,619	425,402	25,954	451,356	6,873,975
Rental and maintenance of equipment	221,281	200,222	51,773	135,347	608,623	57,299	36,614	93,913	702,536
Printing and publications	5,178	37,188	3,758	30,658	76,782	51,969	22,228	74,197	150,979
Travel	856,041	504,343	106,691	265,359	1,732,434	123,946	85,267	209,213	1,941,647
Conferences, conventions and meetings	41,305	112,182	58,070	94,327	305,884	16,805	16,632	33,437	339,321
Specific assistance to individuals	794,191	1,842,371	492,717	1,166,926	4,296,205	7,640	24,894	32,534	4,328,739
Membership dues	42,956	23,982	1,786	6,191	74,915	54,986	8,578	63,564	138,479
Interest	-	-	-	-	-	94,732	-	94,732	94,732
Insurance	977,534	423,662	316,068	252,221	1,969,485	118,367	44,831	163,198	2,132,683
Provision for bad debt (recovery)	68,904	46,285	75,247	1,406	191,842	27,515	(8,708)	18,807	210,649
Contributed goods	360,213	380,184	15,452	291,649	1,047,498	29,251	301,537	330,788	1,378,286
Other	124,847	329,049	30,513	51,475	535,884	(40,236)	289,893	249,657	785,541
Total before depreciation and amortization	26,607,143	22,184,552	9,206,461	17,671,525	75,669,681	12,121,409	4,007,951	16,129,360	91,799,041
Depreciation and amortization	314,571	92,584	42,073	58,708	507,936	355,775	2,705	358,480	866,416
Total expenses	\$ 26,921,714	\$ 22,277,136	\$ 9,248,534	\$ 17,730,233	\$ 76,177,617	\$ 12,477,184	\$ 4,010,656	\$ 16,487,840	\$ 92,665,457

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 Statements of Cash Flows Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 5,238,886	\$ (1,002,039)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	866,416	1,098,030
Net realized and unrealized gains on investments	(1,307,383)	(1,933,885)
Change in beneficial interest	(3,767,273)	(4,196,172)
(Gain) loss on sale/disposal of property and equipment	(156,176)	3,105
Provision for doubtful accounts/credit losses	210,649	593,766
Forgiveness of debt	(740,822)	-
Changes in operating assets and liabilities:		
Grant receivables	(1,599,011)	(849,364)
Medicaid receivables	37,282	62,756
Prepaid expenses and other assets	(23,265)	86,622
Right-of-use lease assets—operating	1,699,725	1,556,865
Accounts payable	49,401	64,433
Accrued expenses	125,374	112,193
Refundable advances	(193,295)	940,486
Right-of-use lease liabilities—operating	(1,726,289)	(1,491,646)
Net cash used in operating activities	(1,285,781)	(4,954,850)
Cash flows from investing activities:		
Distributions from The Children's Home Society of Florida Foundation, Inc.	1,148,644	1,277,826
Purchases of property and equipment	(205,943)	(339,375)
Proceeds from sale of property and equipment	3,649,480	-
Proceeds from sale of investments	9,127,542	7,350,506
Purchases of investments	(6,528,901)	(4,032,385)
Net cash provided by investing activities	7,190,822	4,256,572
Cash flows from financing activities:		
Principal payments on debt and line of credit	(4,594,630)	(1,098,594)
Net cash used in financing activities	(4,594,630)	(1,098,594)
Net increase (decrease) in cash and cash equivalents	1,310,411	(1,796,872)
Cash and cash equivalents:		
Beginning	600,399	2,397,271
Ending	\$ 1,910,810	\$ 600,399
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 94,732	\$ 467,961
Supplemental disclosure of cash flow information related to leases:		
Right-of-use lease assets obtained in exchange for operating lease obligations	\$ 544,424	\$ 1,148,523

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 \$1,609,997 and \$1,713,713 at June 30, 2025 and 2024, 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 \$175,871 and \$148,376 at June 30, 2025 and 2024, respectively, 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, 2025 and 2024.

Beneficial interest: The beneficial interest represents CHS' beneficial interest in the net assets of The Children's Home Society of Florida Foundation, Inc. (the 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, 2025 and 2024, and at July 1, 2023. Receivables from exchange transactions were \$118,357 and \$183,134 at June 30, 2025 and 2024, respectively, and \$418,061 at July 1, 2023. Revenue from service contracts related to exchange transactions was \$1,889,236 and \$3,378,204 for the years ended June 30, 2025 and 2024, 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 were \$2,750,272 and \$2,943,567 at June 30, 2025 and 2024, respectively. Receivables from nonexchange transactions were \$11,369,754 and \$9,953,897 at June 30, 2025 and 2024, respectively. Revenue from service contracts related to nonexchange transactions was \$75,071,386 and \$70,450,386 for the years ended June 30, 2025 and 2024, respectively.

The Organization has conditional promises to give from grantors of approximately \$8,822,000 and \$10,869,000 as of June 30, 2025 and 2024, 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, 2022.

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.

Recent accounting pronouncements: The Financial Accounting Standards Board has issued certain new or modifications to, or interpretations of, existing accounting guidance. CHS has considered the new pronouncements and does not believe that any other new or modified guidance will have a material impact on CHS' reported consolidated financial position or activities in the near term.

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.

Subsequent events: CHS has evaluated subsequent events through December 22, 2025, 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, 2025 and 2024:

	2025	2024
Restricted for specified purposes:		
Beneficial interest in the net assets of The Children's Home Society of Florida Foundation, Inc.	\$ 24,458,510	\$ 21,871,418
Other	2,250	13,340
	<u>24,460,760</u>	<u>21,884,758</u>
Restricted in perpetuity:		
Beneficial interest in the net assets of The Children's Home Society of Florida Foundation, Inc.	9,131,443	9,099,906
	<u>9,131,443</u>	<u>9,099,906</u>
	<u>\$ 33,592,203</u>	<u>\$ 30,984,664</u>

As of June 30, 2025 and 2024, net assets of \$1,220,727 and \$1,389,516, 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, 2025 and 2024:

	2025	2024
Community based care contracts	\$ 3,310,518	\$ 4,270,439
Other contracts	6,340,210	4,616,107
Government contracts	3,329,023	2,781,064
	<u>12,979,751</u>	<u>11,667,610</u>
Less allowance for doubtful accounts	(1,609,997)	(1,713,713)
	<u>\$ 11,369,754</u>	<u>\$ 9,953,897</u>

Note 4. Investments

The fair value of investments at June 30, 2025 and 2024, consists of the following:

	2025	2024
Mutual funds:		
Large blend fund	\$ 5,784,685	\$ 5,660,286
Intermediate core-plus bond fund	2,247,063	2,765,553
Large growth fund	1,036,408	1,188,922
Large value fund	979,409	1,098,681
Fixed income fund	972,850	1,038,888
Foreign large blend fund	385,430	862,103
Small blend fund	553,152	615,007
Mid-cap blend fund	570,831	607,944
Diversified emerging market fund	311,261	523,104
Long-short equity fund	418,456	399,727
Foreign large value fund	394,508	353,351
Foreign large growth fund	377,459	347,063
Systematic trend fund	223,546	273,167
Convertibles fund	248,942	237,603
Preferred stock fund	242,726	236,070
Relative value arbitrage fund	272,623	234,083
Miscellaneous fixed income fund	196,922	195,368
Foreign small/mid growth fund	196,416	172,416
Infrastructure fund	315,003	157,082
Short-term bond fund	168,944	-
Real estate investment trust	249,459	470,933
	<u>\$ 16,146,093</u>	<u>\$ 17,437,351</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, 2025 and 2024:

	2025	2024
Land	\$ 208,921	\$ 534,729
Buildings and improvements	7,835,790	14,286,344
Furniture and equipment	12,373,961	13,280,965
Leasehold improvements	1,640,639	1,680,357
	<u>22,059,311</u>	<u>29,782,395</u>
Less accumulated depreciation and amortization	(15,153,967)	(18,694,841)
	<u>\$ 6,905,344</u>	<u>\$ 11,087,554</u>

Depreciation and amortization expense of property and equipment for the years ended June 30, 2025 and 2024, was approximately \$866,000 and \$1,098,000 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, 2025 and 2024:

	2025			Total
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
Investments:				
Mutual funds:				
Large blend fund	\$ 5,784,685	\$ -	\$ -	\$ 5,784,685
Intermediate core-plus bond fund	2,247,063	-	-	2,247,063
Large growth fund	1,036,408	-	-	1,036,408
Large value fund	979,409	-	-	979,409
Fixed income fund	972,850	-	-	972,850
Foreign large blend fund	385,430	-	-	385,430
Small blend fund	553,152	-	-	553,152
Mid-cap blend fund	570,831	-	-	570,831
Diversified emerging market fund	311,261	-	-	311,261
Long-short equity fund	418,456	-	-	418,456
Foreign large value fund	394,508	-	-	394,508
Foreign large growth fund	377,459	-	-	377,459
Systematic trend fund	223,546	-	-	223,546
Convertibles fund	248,942	-	-	248,942
Preferred stock fund	242,726	-	-	242,726
Relative value arbitrage fund	272,623	-	-	272,623
Miscellaneous fixed income fund	196,922	-	-	196,922
Foreign small/mid growth fund	196,416	-	-	196,416
Infrastructure fund	315,003	-	-	315,003
Short-term bond fund	168,944	-	-	168,944
Total investments in fair value hierarchy	15,896,634	-	-	15,896,634
Real estate investment trust measured at net asset value (a)	-	-	-	249,459
Total investments at fair value	<u>\$ 15,896,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,146,093</u>

The Children's Home Society of Florida and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Fair Value Measurements (Continued)

	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	16,966,418	-	-	16,966,418
Real estate investment trust measured at net asset value (a)	-	-	-	470,933
Total investments at fair value	\$ 16,966,418	\$ -	\$ -	\$ 17,437,351

- (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, 2025 and 2024:

	June 30, 2025			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Real estate investment trust	\$ 249,459	\$ -	Daily	90 days

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

Note 7. Accrued Expenses

Accrued expenses consisted of the following at June 30, 2025 and 2024:

	2025	2024
Accrued salaries and benefits	\$ 2,669,911	\$ 2,352,638
Accrued vacation	1,787,204	1,929,849
Other	644,693	693,947
	<u>\$ 5,101,808</u>	<u>\$ 4,976,434</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, 2025 and 2024:

	2025	2024
CHS has a \$5,000,000 revolving line of credit with a bank bearing interest at the Secured Overnight Financing Rate, adjusted monthly, plus 1.70% (7.08% at June 30, 2025). Interest on the line of credit is payable monthly and matures on March 31, 2026. The line of credit is collateralized by substantially all assets of CHS.	\$ -	\$ 4,594,630
Note payable to the city of Jacksonville, Florida, to finance construction of transitional housing for youths aging out of foster care. The note was non-interest bearing, matured in March 2025, and was forgiven. 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 June 30, 2025, CHS recognized a contribution in the consolidated statements of activities equal to the outstanding debt balance. The note was collateralized by property in Jacksonville, Florida.	-	740,822
	<u>\$ -</u>	<u>\$ 5,335,452</u>

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.

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, 2025 and 2024:

	2025	2024
Operating lease cost	\$ 1,572,349	\$ 1,742,607
Variable/short-term lease cost	431,410	783,309
Total lease cost	<u>\$ 2,003,759</u>	<u>\$ 2,525,916</u>
	2025	2024
Weighted-average remaining lease term:		
Operating leases	5.09 years	5.45 years
Weighted-average discount rate:		
Operating leases	3.00%	2.86%

The Children's Home Society of Florida and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Leases (Continued)

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, 2025, is as follows:

Years ending June 30:	
2026	\$ 1,288,170
2027	954,417
2028	585,777
2029	498,503
2030	416,549
Thereafter	794,388
Total minimum payments required	<u>4,537,804</u>
Less amounts representing interest	<u>(341,425)</u>
Present value of minimum lease payments	<u><u>\$ 4,196,379</u></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 \$600,000 and \$610,000 at June 30, 2025 and 2024, respectively, and are 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.

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.

The Children's Home Society of Florida and Subsidiaries

Notes to Consolidated Financial Statements

Note 11. Liquidity and Availability of Resources

As of June 30, 2025 and 2024, 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, 2025 and 2024:

	2025	2024
Financial assets, at year-end		
Cash and cash equivalents	\$ 1,910,810	\$ 600,399
Grant receivables, net	11,369,754	9,953,897
Medicaid receivables, net	118,357	183,134
Investments	16,146,093	17,437,351
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donors with purpose restrictions	(2,250)	(13,340)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 29,542,764</u>	<u>\$ 28,161,441</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 \$1,070,000 and \$1,082,000 for the years ended June 30, 2025 and 2024, 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, 2025 and 2024.

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:

	<u>2025</u>	<u>2024</u>
Contributed goods	\$ 1,378,286	\$ 1,236,851
Contributed classroom space	3,078,902	360,209
	<u>\$ 4,457,188</u>	<u>\$ 1,597,060</u>

Contributed goods were 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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Beneficial interest in the net assets of The Children's Home Society of Florida Foundation, Inc., reported on the equity method	<u>\$ 33,589,953</u>	<u>\$ 30,971,324</u>

At June 30, 2025 and 2024, CHS' beneficial interest in the net assets of The Children's Home Society of Florida Foundation, Inc. (Foundation) was \$33,589,953 and \$30,971,324, 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 \$3,735,736 and \$4,193,372, net of distributions to CHS of \$1,148,644 and \$1,277,826, for the years ended June 30, 2025 and 2024, 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 \$31,537 and \$2,800 for the years ended June 30, 2025 and 2024, 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, 2025, 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 22, 2025.

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 22, 2025