

November 19, 2024

Board of Directors
Palmer Home for Children and
Mississippi Sheriffs' Boys and Girls Ranch, Inc.
Columbus, Mississippi

Enclosed is one copy of the combined financial statements and independent auditors' report of Palmer Home for Children and Mississippi Sheriffs' Boys and Girls Ranch, Inc., as of June 30, 2024 and 2023. If you have any questions regarding this report, please do not hesitate to contact us.

Very truly yours,

T. E. Lott & Company

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**PALMER HOME FOR CHILDREN AND
MISSISSIPPI SHERIFFS' BOYS AND GIRLS RANCH, INC.**

COMBINED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2024 AND 2023

**PALMER HOME FOR CHILDREN AND
MISSISSIPPI SHERIFFS' BOYS AND GIRLS RANCH, INC.**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Palmer Home for Children and
Mississippi Sheriffs' Boys and Girls Ranch, Inc.
Columbus, Mississippi

Opinion

We have audited the accompanying combined financial statements of Palmer Home for Children (Home) and Mississippi Sheriffs' Boys and Girls Ranch, Inc. (Ranch) (both not-for-profit organizations), which comprise the combined statements of financial position as of June 30, 2024 and 2023, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Palmer Home for Children and Mississippi Sheriffs' Boys and Girls Ranch, Inc. 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Home and Ranch, 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 combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Home and Ranch's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted 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 combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 Home and Ranch'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Home and Ranch'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.

T. E. LOTT & COMPANY

Columbus, Mississippi
November 5, 2024

**PALMER HOME FOR CHILDREN AND
MISSISSIPPI SHERIFFS' BOYS AND GIRLS RANCH, INC.**

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COMBINED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

ASSETS

	<u>2024</u>	<u>2023</u>
<i>CURRENT ASSETS</i>		
Cash and cash equivalents	\$ 1,543,315	\$ 1,689,326
Cash - restricted	251,053	122,911
Contributions and accounts receivable, net	200,485	216,190
Prepaid expenses	<u>42,611</u>	<u>17,392</u>
Total current assets	2,037,464	2,045,819
 <i>NONCURRENT ASSETS</i>		
Contributions receivable	65,733	260,473
Cash value of life insurance	50,774	42,317
Right of use assets - operating leases	903,712	941,561
Long-term investments	15,190,880	14,372,091
Land, buildings, and equipment, net of accumulated depreciation	<u>13,431,076</u>	<u>13,926,315</u>
Total noncurrent assets	<u>29,642,175</u>	<u>29,542,757</u>
 Total Assets	 <u>\$ 31,679,639</u>	 <u>\$ 31,588,576</u>

The accompanying notes are an integral part of these statements.

**PALMER HOME FOR CHILDREN AND
MISSISSIPPI SHERIFFS' BOYS AND GIRLS RANCH, INC.**

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COMBINED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

LIABILITIES AND NET ASSETS

	<u>2024</u>	<u>2023</u>
<i>CURRENT LIABILITIES</i>		
Accounts payable and accrued liabilities	\$ 182,343	\$ 193,427
Annuity obligations	39,552	44,067
Operating lease liabilities - current portion	242,037	262,701
Accrued compensated absences	<u>24,630</u>	<u>24,630</u>
Total current liabilities	488,562	524,825
<i>NONCURRENT LIABILITIES</i>		
Annuity obligations	116,007	138,821
Operating lease liabilities - less current portion	673,759	681,304
Childrens' savings payable	<u>44,717</u>	<u>57,414</u>
Total liabilities	<u>1,323,045</u>	1,402,364
<i>NET ASSETS</i>		
Without donor restrictions	18,330,427	18,876,925
With donor restrictions	<u>12,026,167</u>	<u>11,309,287</u>
Total net assets	<u>30,356,594</u>	<u>30,186,212</u>
Total Liabilities and Net Assets	<u>\$ 31,679,639</u>	<u>\$ 31,588,576</u>

The accompanying notes are an integral part of these statements.

**PALMER HOME FOR CHILDREN AND
MISSISSIPPI SHERIFFS' BOYS AND GIRLS RANCH, INC.**

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**COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	Net Assets Without Donor		Net Assets With Donor		Totals	
	Restrictions		Restrictions			
	2024	2023	2024	2023	2024	2023
<i>PUBLIC SUPPORT</i>						
Churches/church groups	\$ 380,195	\$ 371,276	\$ -	\$ -	\$ 380,195	\$ 371,276
Individuals	2,051,470	1,983,125	700	1,703	2,052,170	1,984,828
Estates/trusts	450,652	394,860	-	-	450,652	394,860
Foundations	374,003	580,487	-	-	374,003	580,487
Businesses	1,485,865	1,450,966	-	-	1,485,865	1,450,966
Special events, net	462,004	544,002	-	-	462,004	544,002
Gifts in-kind:						
Services	<u>368,429</u>	<u>363,951</u>	<u>-</u>	<u>-</u>	<u>368,429</u>	<u>363,951</u>
Total public support	5,572,618	5,688,667	700	1,703	5,573,318	5,690,370
<i>OTHER REVENUES (LOSSES)</i>						
Interest and dividends	22,697	28,799	114,814	63,419	137,511	92,218
Unrealized gains	170,524	206,201	586,278	751,468	756,802	957,669
Gains (losses) on sale of investments and property and equipment, net	(19,819)	189,807	59,157	8,917	39,338	198,724
Other	89,803	140,417	-	-	89,803	140,417
Social Security/Child support	12,631	20,727	-	-	12,631	20,727
Auxiliary (net of related expenses of \$1,461,380)	<u>222,383</u>	<u>63,422</u>	<u>-</u>	<u>-</u>	<u>222,383</u>	<u>63,422</u>
Total other revenues (losses)	498,219	649,373	760,249	823,804	1,258,468	1,473,177
<i>NET ASSETS RELEASED FROM RESTRICTIONS</i>						
Satisfaction of restrictions	<u>44,069</u>	<u>343,961</u>	<u>(44,069)</u>	<u>(343,961)</u>	<u>-</u>	<u>-</u>
Total support, other revenues, and assets released from restrictions	\$ 6,114,906	\$ 6,682,001	\$ 716,880	\$ 481,546	\$ 6,831,786	\$ 7,163,547

The accompanying notes are an integral part of these statements.

**PALMER HOME FOR CHILDREN AND
MISSISSIPPI SHERIFFS' BOYS AND GIRLS RANCH, INC.**

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**COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	Net Assets Without Donor Restrictions		Net Assets With Donor Restrictions		Totals	
	2024	2023	2024	2023	2024	2023
Total support, other revenues, and assets released from restrictions (brought forward)	\$ 6,114,906	\$ 6,682,001	\$ 716,880	\$ 481,546	\$ 6,831,786	\$ 7,163,547
EXPENSES						
Program services	4,408,482	4,205,157	-	-	4,408,482	4,205,157
Support services:						
Administrative	950,462	1,019,798	-	-	950,462	1,019,798
Fund raising	1,302,460	1,230,691	-	-	1,302,460	1,230,691
Total support services	2,252,922	2,250,489	-	-	2,252,922	2,250,489
Total expenses	6,661,404	6,455,646	-	-	6,661,404	6,455,646
Increase (decrease) in net assets	(546,498)	226,355	716,880	481,546	170,382	707,901
Net assets, beginning of year	18,876,925	18,650,570	11,309,287	10,827,741	30,186,212	29,478,311
Net assets, end of year	\$ 18,330,427	\$ 18,876,925	\$ 12,026,167	\$ 11,309,287	\$ 30,356,594	\$ 30,186,212

The accompanying notes are an integral part of these statements.

**PALMER HOME FOR CHILDREN AND
MISSISSIPPI SHERIFFS' BOYS AND GIRLS RANCH, INC.**

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COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	Net Assets Without Donor Restrictions		Net Assets With Restrictions		Totals	
	2024	2023	2024	2023	2024	2023
<i>PROGRAM SERVICES</i>						
Salaries	\$ 1,530,250	\$ 1,398,673	\$ -	\$ -	\$ 1,530,250	\$ 1,398,673
Payroll related	197,771	225,274	-	-	197,771	225,274
Healthcare - staff	198,819	229,792	-	-	198,819	229,792
Education	33,549	47,476	-	-	33,549	47,476
Food	205,804	211,977	-	-	205,804	211,977
Healthcare - child	80,747	92,004	-	-	80,747	92,004
Clothing	26,229	32,834	-	-	26,229	32,834
Transportation	327,463	304,262	-	-	327,463	304,262
Housing	225,570	289,559	-	-	225,570	289,559
General child welfare	723,219	716,066	-	-	723,219	716,066
General child welfare in-kind	301,046	299,692	-	-	301,046	299,692
Depreciation and amortization	558,015	357,548	-	-	558,015	357,548
Total program services	4,408,482	4,205,157	-	-	4,408,482	4,205,157
<i>SUPPORT SERVICES</i>						
Administrative:						
Salaries	423,455	425,997	-	-	423,455	425,997
Payroll related	71,673	82,252	-	-	71,673	82,252
Healthcare - staff	25,385	34,991	-	-	25,385	34,991
Equipment	9,865	13,062	-	-	9,865	13,062
General insurance	13,673	15,476	-	-	13,673	15,476
Other	18,876	75,911	-	-	18,876	75,911
Travel and meals	19,356	24,979	-	-	19,356	24,979
Depreciation and amortization	2,071	3,059	-	-	2,071	3,059
Professional and other fees	366,108	344,071	-	-	366,108	344,071
Total administrative	950,462	1,019,798	-	-	950,462	1,019,798
Fund raising:						
Salaries	753,707	708,980	-	-	753,707	708,980
Payroll-related	112,230	109,495	-	-	112,230	109,495
Healthcare - staff	85,493	81,316	-	-	85,493	81,316
Marketing	52,829	77,058	-	-	52,829	77,058
Travel and meals	23,717	23,411	-	-	23,717	23,411
Equipment	19,629	24,371	-	-	19,629	24,371
General insurance	41,944	35,292	-	-	41,944	35,292
Other	186,642	165,473	-	-	186,642	165,473
Professional and other fees	26,269	5,295	-	-	26,269	5,295
Total fund raising	1,302,460	1,230,691	-	-	1,302,460	1,230,691
Total support services	2,252,922	2,250,489	-	-	2,252,922	2,250,489
Total expenses	\$ 6,661,404	\$ 6,455,646	\$ -	\$ -	\$ 6,661,404	\$ 6,455,646

The accompanying notes are an integral part of these statements.

**PALMER HOME FOR CHILDREN AND
MISSISSIPPI SHERIFFS' BOYS AND GIRLS RANCH, INC.**

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COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Change in net assets	\$ 170,382	\$ 707,901
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	560,086	361,447
Decrease in receivables	210,445	440,270
Increase in prepaid expenses	(25,219)	(2,655)
Increase in cash value of life insurance	(8,457)	(5,569)
Contribution of investment securities	(142,714)	(58,954)
Unrealized gains on long-term investments	(756,802)	(957,669)
Increase (decrease) in accounts payable and accrued liabilities	(11,084)	84,348
Decrease in annuity obligations	(27,329)	(9,625)
Gain on sale of investments	(59,158)	(10,161)
(Gain) loss on sale of property and equipment	19,818	(188,696)
Increase (decrease) in children's savings payable	(12,697)	8,762
Net cash provided by (used in) operating activities	(82,729)	369,399
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Purchase of investments	(1,692,892)	(632,493)
Purchase of land, buildings, and equipment	(100,791)	(217,048)
Proceeds from sale of investments	1,858,543	182,510
Proceeds from sale of property and equipment	-	195,896
Net cash provided by (used in) investing activities	64,860	(471,135)
Net decrease in cash, cash equivalents and restricted cash	(17,869)	(101,736)
Cash, cash equivalents and restricted cash, beginning of year	1,812,237	1,913,973
Cash, cash equivalents and restricted cash, end of year	\$ 1,794,368	\$ 1,812,237
<i>Supplemental disclosures of cash flow information:</i>		
Non-cash activities:		
Right of use assets and lease liabilities	255,077	1,159,960

The accompanying notes are an integral part of these statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

DESCRIPTION OF ORGANIZATIONS

Palmer Home for Children (Home) and Mississippi Sheriffs' Boys and Girls Ranch, Inc. (Ranch) (the Organizations) are both not-for-profit organizations located in Columbus, Mississippi. Both entities' principal programs include residential care, foster home care, counseling individuals and families, and adoption of children in selected individual cases. The Whole Child Initiative, Palmer Home's approach to care, emphasizes child development by focusing on four components: physical development, emotional healing, educational support, and spiritual growth. They also conduct a program of public information and awareness, encouraging Christian family values and presenting other issues of importance to the general public at large. The Home also oversees a ministry of Christian caregivers who provide temporary, and sometimes long-term, care for children of mothers who are incarcerated or unable to care for their children; this ministry is referred to as Jonah's Journey.

The Home and Ranch are exempt from income tax under Section 501(c)(3) of the U. S. Internal Revenue Code and comparable state laws, and contributions to them are tax deductible within the limitations prescribed by the Code.

On April 26, 2005, the members of the Boards of Directors of the Home and Ranch adopted resolutions transferring control of the Ranch to the members of the Board of Directors of the Home. The purpose of the transfer was to further advance the mission of the Ranch, enabling it to achieve its founding vision while further enhancing the program offerings of the Home. Accordingly, in connection with the transfer, the parties agreed to combine the accounts of the Ranch with the Home as of January 1, 2006.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed and described below are presented to enhance the usefulness of the combined financial statements to the reader.

1. Basis of Presentation

The financial statements of the Home and Ranch have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the Guide). (ASC) 958-205 was effective January 1, 2018, and requires the Home and Ranch to report information regarding their financial position and activities according to the following net asset classifications:

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Basis of Presentation (Continued)

Net assets without donor restrictions (unrestricted): Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organizations. These net assets may be used at the discretion of management and the Board of Directors.

Net assets with donor restrictions (restricted): Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Home and Ranch or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

2. Contributions

The Organization follows the guidance contained in ASC Subtopic 958-605, *Not-for-Profit Entities, Revenue Recognition*. In accordance with ASC Subtopic 958-605, contributions received are recorded as without donor restrictions and with donor restrictions support depending on the existence and/or nature of any donor restrictions.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. A contribution that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction, referred to herein as a temporary restriction, is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Home and Ranch consider all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Investments

The Home and Ranch carry investments in common stock and mutual funds with readily determinable fair values and all investments in equity securities at fair value based on quoted prices in active markets. Unrealized gains and losses are included in the Combined Statements of Activities as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Investments received by gift are stated at market value as of the date the gift is received. The cost of investments sold is determined by the specific identification method.

It is the Home and Ranch's policy that all interest, dividends and realized gains from investments that are not otherwise restricted for use by donor-imposed restrictions are available for use in the operations of the Home and Ranch at the discretion of the Board of Directors.

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy, which requires an entity to maximize the use of observable inputs when measuring fair value.

The guidance describes three levels of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 - Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

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

See Note B for the investment classification detail.

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Land, Buildings, and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Home and Ranch report expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Home and Ranch reclassify temporarily restricted net assets to unrestricted net assets at that time.

All land, buildings, and equipment recorded as of July 1, 1993, when the Home adopted the policy of capitalization, were recorded based on the use value method as established by a professional appraiser. Estimated total accumulated depreciation was applied against total buildings and equipment for prior years' depreciation.

All other land, buildings, and equipment purchased by the Home (since July 1, 1993) and Ranch are recorded at cost. Buildings and improvements are being depreciated over estimated useful lives of 20-30 years, while equipment and automobiles are being depreciated over estimated useful lives of 5-10 years. All buildings and equipment are being depreciated using the straight-line method.

6. Donations of Materials and Services

Only those donated materials and services that the Home and Ranch normally would have purchased are recorded in the financial statements at their estimated value on the date of receipt. Materials and services are recorded as gifts in-kind in the revenues section and expensed or capitalized, accordingly.

7. Combination Policy

The accompanying combined financial statements include the accounts of Palmer Home for Children and Mississippi Sheriffs' Boys and Girls Ranch, Inc., both of which are under common control. Inter-entity transactions and balances have been eliminated in the combination.

8. Subsequent Events

Management has evaluated subsequent events on these financial statements through November 5, 2024, the date the financial statements were available to be issued, and is not aware of any material subsequent events.

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Revenue From Contracts With Customers

The Organization follows ASC 606 – *Revenue from Contracts with Customers*. The Organizations recognize revenue from the thrift stores as auxiliary income on the statements of activities. Thrift store revenue is recognized at the point in time that the goods are transferred to the customer. For the years ended June 30, 2024 and 2023, the Organizations had revenue from contracts with customers in the amount of \$1,683,763 and \$1,723,988, respectively. There are no contract receivables for the years ended June 30, 2024 and 2023.

10. Right of Use Assets and Lease Liabilities

The Organizations recognize operating lease right of use assets and related lease liabilities for leases other than those considered to be short-term. The Organizations do not recognize short-term operating leases on the statement of financial position. A short-term operating lease has an original term of 12 months or less and does not have a purchase option that is likely to be exercised. Accordingly, an operating right of use asset of \$1,159,764 and lease liability of \$1,159,960 were recognized as of July 1, 2022. See Note U for current status.

11. Adoption of Accounting Standards Update

Accounting Standards Update 2020-07

On July 1, 2023, the Organizations adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirement around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received.

12. Income Tax Status

The Organization follows the guidance contained in FASB ASC Topic 740, *Accounting for Uncertainty in Income Taxes*. As of June 30, 2024, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization files an annual Form 990 with the Internal Revenue Service.

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE B - INVESTMENTS

Investments are presented in the financial statements at fair market value. The breakdown of the various investments was as follows:

	2024		2023	
	Adjusted Cost	Market Value	Adjusted Cost	Market Value
<i>Level I</i>				
<i>Ameriprise Financial:</i>				
Charitable remainder trusts	\$ 874,794	\$ 878,446	\$ 742,268	\$ 789,209
<i>Duncan Williams</i>	488,583	522,128	465,483	481,797
<i>Gerber/Taylor</i>	3,123,731	3,131,546	2,508,189	2,666,296
<i>Other</i> ⁽¹⁾				
<i>Create, Inc.</i>	25,671	27,248	24,130	25,365
<i>Gerber/Taylor</i>	9,921,299	10,631,512	9,674,352	10,409,424
Total Investments	\$14,434,078	\$15,190,880	\$13,414,422	\$14,372,091

⁽¹⁾ Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The Home's and Ranch's investments as shown above had unrealized gains of \$756,802 and \$957,669 at June 30, 2024 and 2023, respectively.

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NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE C - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE D - CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2024 and 2023, consisted of the following:

	2024	2023
Amounts due in less than one year	\$ 206,000	\$ 208,000
Amounts due in one to five years	71,000	276,000
Amounts due in more than five years	-	-
Total	277,000	484,000
Discount to net present value at 3.25%	(11,751)	(15,527)
Contributions receivable	\$ 265,249	\$ 468,473

Net contributions receivable as of July 1, 2022, amounted to \$601,308.

NOTE E - LAND, BUILDINGS, AND EQUIPMENT

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

	2024	2023
Land	\$ 1,461,609	\$ 1,436,288
Buildings	15,842,758	16,470,792
Equipment and automobiles	959,742	1,137,051
	18,264,109	19,044,131
Less accumulated depreciation	4,833,033	5,117,816
	\$13,431,076	\$13,926,315

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE F - GIFTS IN KIND

Palmer Home for Children and Mississippi Sheriff's Boys and Girls Ranch Inc. records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials and equipment are reflected as donations at their estimated values on the date of receipt. Donated services are valued at the volunteer's normal hourly rate. For the years ended June 30, 2024 and 2023, the fair value of donated services is included in gifts-in-kind in the statements of activities. All donated services received by the Organization for each of the years ended June 30, 2024 and 2023, were considered without donor restrictions and able to be used by the Organization as determined by the Board of Directors and management. Fair value of advertising and marketing is measured using prices of similar items or services.

Gifts-in-kind contributions included in the statement of activities are composed of the following:

	2024	2023
Childrens' clothing, food, and welfare	\$ 68,739	\$ 64,250
Auction and fundraiser items	299,690	299,701
	\$ 368,429	\$ 363,951

NOTE G - UNRESTRICTED NET ASSETS, OPERATING

Unrestricted net assets available for operating purposes at June 30, 2024 and 2023, consisted of the following:

	2024	2023
Cash and cash equivalents	\$ 1,543,315	\$ 1,689,326
Accounts receivable	970	8,190
Prepaid items	42,611	17,392
Right of use assets	903,712	941,561
Cash value of life insurance	50,774	42,317
Long-term investments	1,340,001	1,407,512
Accounts payable and accrued liabilities	(182,343)	(193,427)
Accrued compensated absences	(24,630)	(24,630)
Operating lease obligations	(915,796)	(944,005)
	\$ 2,758,614	\$ 2,944,236

It is the policy of the Home and Ranch to combine the cash of unrestricted and restricted funds in several bank accounts. During the year, the unrestricted operating fund expended cash for operating purposes from the temporarily restricted funds. At June 30, 2024, no amount was due to restricted funds from unrestricted funds.

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NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE H - UNRESTRICTED NET ASSETS, BOARD DESIGNATED

Unrestricted net assets, which the Board has designated at June 30, 2024 and 2023, consisted of the following:

	2024	2023
Long-term investments	\$ 2,150,525	\$ 2,016,162
Land	<u>381,400</u>	<u>381,400</u>
	<u>\$ 2,531,925</u>	<u>\$ 2,397,562</u>

NOTE I - UNRESTRICTED, PERMANENT NET ASSETS

Permanent net assets at June 30, 2024 and 2023, consisted of the following:

	2024	2023
Computer software	\$ 96,503	\$ 96,503
Land	1,070,419	1,045,098
Buildings	15,842,760	16,470,792
Equipment and automobiles	<u>959,742</u>	<u>1,137,051</u>
	17,969,424	18,749,444
Less: Accumulated depreciation	(4,833,033)	(5,117,816)
Accumulated amortization	<u>(96,503)</u>	<u>(96,503)</u>
	<u>\$13,039,888</u>	<u>\$13,535,125</u>

NOTE J - DONOR TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2024 and 2023, consisted of the following:

	2024	2023
Cash	\$ 251,051	\$ 122,911
Contributions receivable	265,248	468,473
Investments	878,446	789,207
Annuity obligations	(155,559)	(182,888)
Children's savings	<u>(44,717)</u>	<u>(57,414)</u>
	<u>\$ 1,194,469</u>	<u>\$ 1,140,289</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE K - DONOR PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are principally scholarship endowment and general endowment monies and consisted of the following at June 30, 2024 and 2023:

	2024	2023
Long-term investments:		
General Endowment:		
Ashford	\$ 407,785	\$ 382,307
Brock	3,809,188	3,581,132
Furr	468,361	439,098
Church	70,189	65,804
Hailey	139,255	130,555
Huff	150,275	140,886
McAllister	208,137	195,133
Overcash and general	20,007	18,757
Radescich	183,478	172,015
Radescich - general	210,129	197,000
Winters	421,544	395,206
Wagoner	434,580	407,428
Knox	602,885	565,218
McElroy	50,986	47,801
Sunderwirth	20,595	19,309
Francis	49,410	46,323
Faulkner	155,825	146,089
Community Foundations	27,248	25,365
	\$ 7,429,877	\$ 6,975,426

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NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE K - DONOR PERMANENTLY RESTRICTED NET ASSETS (Continued)

	2024	2023
Scholarship Endowment:		
Ballard	\$ 826,207	\$ 778,879
Barrar	216,144	202,640
Barton	51,965	48,718
Beaufait	61,723	57,867
Bennett	181,758	170,401
Cockerham	13,416	12,578
Colwick	173,556	162,713
Farnham	15,012	14,074
Hutchinson	280,403	262,883
Kinard	36,042	33,790
McPhail	208,019	195,022
Revell	585,097	548,541
Ruby Life	24,867	23,314
Stringer	404,580	379,302
Via	5,439	5,099
Yancey	<u>317,593</u>	<u>297,751</u>
	<u>3,401,821</u>	<u>3,193,572</u>
	<u>\$10,831,698</u>	<u>\$10,168,998</u>

The assets are permanently restricted by the donors; therefore, no principal may be expended. Earnings from these assets may only be used for designated purposes.

NOTE L - CONCENTRATION OF CREDIT RISK

The Home and Ranch maintain their cash balances in several financial institutions located in the Southeast which, at times, may exceed federally insured limits. At June 30, 2024, the Home and Ranch had cash deposits at one institution, which exceeded the FDIC insurance limit by \$1,275,098. The Home and Ranch have not experienced any losses in such accounts and believe they are not exposed to any significant credit risk on cash and cash equivalents.

NOTE M - USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

Management of the Home and Ranch uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that management uses.

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE N - CLASSIFICATION OF EXPENSES

In accordance with ASC Subtopic 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*, the statements of activities report expenses as decreases in unrestricted net assets.

Net assets previously recorded as restricted are released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. Accordingly, these expenses are then classified as unrestricted.

NOTE O - RETIREMENT PLAN

The Home and Ranch sponsor a retirement plan that covers all employees with a minimum of six months employment and 1,000 hours. Contributions to the plan are based on a dollar-for-dollar match up to 7% of compensation. Contributions are made on a monthly basis. For the years ended June 30, 2024 and 2023, the amount of retirement expense was \$79,766 and \$74,388, respectively.

NOTE P - OPERATING LEASES

The Home leases real estate used in its thrift store operations under operating leases expiring in various years through 2026. Also, the Home leases automobiles under leases that expire in 2024.

NOTE Q - DONOR RESTRICTED ENDOWMENT FUND NET ASSETS

The Home's endowments consist of individual funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE Q - DONOR RESTRICTED ENDOWMENT FUND NET ASSETS (Continued)

Interpretation of Relevant Law

In November 2009, the Home and Ranch adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as its rule for managing its endowment funds. The UPMIFA, which replaces the earlier Uniform Management of Institutional Funds Act (UMIFA), mirrors the Uniform Prudent Investor Act, and adopts a common standard of prudence as the primary test for endowment fund investment management. Specifically, the UPMIFA requires that managers “shall manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.” In keeping with the new management standard, the UPMIFA revises the rules for endowment spending, specifically eliminating the former requirement that managers not spend below the historic dollar value of the fund (the fair market value as of the date of the gift plus the fair market value of any subsequent additions to the fund). However, for classification purposes, the Home still maintains its accounting practices under UMIFA. Accordingly, the Home and Ranch classify as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organizations in a manner consistent with the standard prescribed by the UMIFA. The Home and Ranch consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund (2) the purposes of the Organizations and the donor-restricted endowment fund (3) the general economic conditions (4) the possible effect of inflation and deflation (5) the expected return from income and the appreciation of investments (6) the investment policies of the Organizations and (7) other resources of the Home and Ranch.

Endowment Net Asset Composition by Fund Type as of June 30, 2024 and 2023:

	Permanently Restricted	Total
<i>June 30, 2024:</i>		
Donor-restricted endowment funds	<u>\$10,831,698</u>	<u>\$10,831,698</u>
<i>June 30, 2023:</i>		
Donor-restricted endowment funds	<u>\$10,168,998</u>	<u>\$10,168,998</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE Q - DONOR RESTRICTED ENDOWMENT FUND NET ASSETS (Continued)

Changes in endowment net assets for the years ended June 30, 2024 and 2023:

	<u>Permanently Restricted</u>	<u>Total</u>
<i>June 30, 2024:</i>		
Endowment net assets, beginning of year	\$ 10,168,998	\$ 10,168,998
Investment income (net of fees)	78,192	78,192
Unrealized appreciation	584,508	584,508
Contributions	-	-
Expenditures	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 10,831,698</u>	<u>\$ 10,831,698</u>
<i>June 30, 2023:</i>		
Endowment net assets, beginning of year	\$ 9,428,611	\$ 9,428,611
Investment income (net of fees)	34,624	34,624
Unrealized appreciation	705,763	705,703
Contributions	-	-
Expenditures	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 10,168,998</u>	<u>\$ 10,168,998</u>

Description of assets classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets:

	<u>2024</u>	<u>2023</u>
<i>Permanently Restricted Net Assets</i>		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>\$ 10,831,698</u>	<u>\$ 10,168,998</u>
Total endowment funds classified as Permanently Restricted Net Assets	<u>\$ 10,831,698</u>	<u>\$ 10,168,998</u>

Spending Policy

The Home and Ranch have a policy of appropriating available amounts for distribution up to the reasonable percentage yield on investments as approved by the Board, consistent with individual fund performance.

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE Q - ENDOWMENT FUND NET ASSETS (Continued)

Return Objectives and Risk Parameters

The Home and Ranch have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by their endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organizations must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S & P 500 index, while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy their long-term rate of return objectives, the Home and Ranch rely on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The Home and Ranch target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve their long-term return objectives with prudent risk constraints.

NOTE R - INCOME TAX STATUS

ASC Topic 740, *Income Taxes*, provides guidance on financial statement recognition and measurement of tax positions taken, or expected to be taken, in tax returns. ASC Topic 740 requires an evaluation of tax positions to determine if the tax positions will more likely than not be sustainable upon examination by the appropriate tax authority. The Organizations, at June 30, 2024, had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Each of the Organizations files an annual Form 990 with the Internal Revenue Service, and their tax returns for the year 2020 and subsequent years remain subject to examination by tax authorities.

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE S - LIQUIDITY AND AVAILABLE RESOURCES

Home and Ranch's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Statement of financial position accounts:	2024	2023
Cash and cash equivalents	\$ 1,794,368	\$ 1,812,237
Investments	15,190,880	14,372,091
Pledges and accounts receivable, net	266,218	461,331
Prepaid expenses	42,611	17,392
Cash value of life insurance	50,774	42,317
Less restricted cash	(251,053)	(122,911)
Less restricted contributions receivable	(265,249)	(453,141)
Less restricted investments	<u>(11,710,144)</u>	<u>(10,958,207)</u>
	<u>\$ 5,118,405</u>	<u>\$ 5,171,109</u>

Home and Ranch's financial assets have been reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date and amounts set aside for long-term investing in endowments.

Home and Ranch's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure.

As part of Home and Ranch's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, Home and Ranch invest cash in excess of daily requirements in short-term investments.

NOTE T - CASH RECONCILIATION

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

Cash and cash equivalents	\$ 1,543,315
Restricted cash included in assets restricted to investment in land, buildings, and equipment	<u>251,053</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 1,794,368</u>

Assets restricted to investment in land, buildings, and equipment on the statement of financial position include restricted cash received with a donor-imposed restriction that limits use of that cash to long-term purposes.

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE U - LEASES

On July 1, 2022, the Company applied ASC Topic 842 *Leases* which required the recognition of certain operating leases on the statement of financial position as lease operating right of use assets and related operating lease liabilities. See Note A – Summary of Significant Accounting Policies.

The Company enters into leases in the normal course of business. Total lease expense for the year ended June 30, 2024 and 2023, was \$306,381 and \$394,742, respectively. The lease expense and relevant information regarding right of use assets for the year ended June 30, 2024 and 2023, are as follows:

	2024	2023
Statement of activities accounts:		
Lease expense	\$ 306,381	\$ 394,742
Statement of financial position accounts:		
Operating right of use assets	903,712	941,561
Operating lease liabilities	915,796	944,005
Right of use assets acquired by issuance of operating lease liabilities	255,077	1,159,960
Weighted average discount rate	4.94%	3.76%
Weighted average term remaining in years	4.5	6.2
Lease cost:		
Operating lease cost	250,100	265,731
Short-term lease cost	56,281	129,011
	\$ 306,381	\$ 394,742

Future minimum operating lease payments and reconciliation to the statement of financial position at June 30, 2024, are as follows:

Year	Amount
2025	\$ 242,038
2026	231,335
2027	198,312
2028	181,625
2029	84,460
Thereafter	75,000
Total future lease payments	1,012,770
Less: discount on cash flows	(96,974)
Total operating lease liability	\$ 915,796