



QUALITY • INTEGRITY • SERVICE • PROFESSIONALISM

December 10, 2025

Board of Directors  
Palmer Home for Children  
Columbus, Mississippi

Enclosed is one copy of the financial statements and independent auditors' report of Palmer Home for Children as of June 30, 2025 and 2024. If you have any questions regarding this report, please do not hesitate to contact us.

Very truly yours,

*T. E. Lott & Company*

**T.E. LOTT & COMPANY**

COLUMBUS

STARKVILLE

TUSCALOOSA

**PALMER HOME FOR CHILDREN**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**JUNE 30, 2025 and 2024**

# PALMER HOME FOR CHILDREN

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report .....	1 - 2
Statements of Financial Position .....	3 - 4
Statements of Activities .....	5 - 6
Statements of Functional Expenses .....	7
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9 - 26

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Palmer Home for Children  
Columbus, Mississippi

### Opinion

We have audited the financial statements of Palmer Home for Children (Palmer Home), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palmer Home for Children 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. 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 Palmer Home, 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 Palmer Home's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' 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 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 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 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 Palmer Home'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 Palmer Home'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  
December 2, 2025

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2025 AND 2024

<i>ASSETS</i>	<u>2025</u>	<u>2024</u>
<i>CURRENT ASSETS</i>		
Cash and cash equivalents	\$ 1,757,578	\$ 1,543,315
Cash - restricted	113,880	251,053
Contributions and accounts receivable, net	50,239	200,485
Prepaid expenses	<u>24,512</u>	<u>42,611</u>
Total current assets	1,946,209	2,037,464
 <i>NONCURRENT ASSETS</i>		
Contributions receivable	22,736	65,733
Cash value of life insurance	57,164	50,774
Right of use assets - operating leases	681,493	903,712
Long-term investments	16,651,778	15,190,880
Land, buildings, and equipment, net of accumulated depreciation	<u>12,988,121</u>	<u>13,431,076</u>
Total noncurrent assets	<u>30,401,292</u>	<u>29,642,175</u>
 Total Assets	 <u>\$ 32,347,501</u>	 <u>\$ 31,679,639</u>

The accompanying notes are an integral part of these statements.

PALMER HOME FOR CHILDREN

4

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2025 AND 2024

*LIABILITIES AND NET ASSETS*

	<u>2025</u>	<u>2024</u>
<b><i>CURRENT LIABILITIES</i></b>		
Accounts payable and accrued liabilities	\$ 223,253	\$ 182,341
Annuity obligations	35,802	44,067
Operating lease liabilities - current portion	242,037	262,701
Accrued compensated absences	<u>65,502</u>	<u>24,632</u>
 Total current liabilities	 566,594	 513,741
 <b><i>NONCURRENT LIABILITIES</i></b>		
Annuity obligations	74,136	111,492
Operating lease liabilities - less current portion	448,909	653,095
Childrens' savings payable	<u>48,874</u>	<u>44,717</u>
	<u>571,919</u>	<u>809,304</u>
 Total liabilities	 1,138,513	 1,323,045
 <b><i>NET ASSETS</i></b>		
Without donor restrictions	18,254,207	18,330,427
With donor restrictions	<u>12,954,781</u>	<u>12,026,167</u>
 Total net assets	 <u>31,208,988</u>	 <u>30,356,594</u>
 Total Liabilities and Net Assets	 <u>\$ 32,347,501</u>	 <u>\$ 31,679,639</u>

The accompanying notes are an integral part of these statements.

PALMER HOME FOR CHILDREN

5

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	Net Assets Without Donor Restrictions		Net Assets With Donor Restrictions		Totals	
	2025	2024	2025	2024	2025	2024
<b>PUBLIC SUPPORT</b>						
Churches/church groups	\$ 445,186	\$ 380,195	\$ -	\$ -	\$ 445,186	\$ 380,195
Individuals	1,952,565	2,051,470	-	700	1,952,565	2,052,170
Estates/trusts	738,418	450,652	-	-	738,418	450,652
Foundations	509,526	374,003	-	-	509,526	374,003
Businesses	1,458,916	1,485,865	-	-	1,458,916	1,485,865
Special events, net	461,600	462,004	-	-	461,600	462,004
Gifts in-kind:						
Services	<u>19,000</u>	<u>68,738</u>	<u>-</u>	<u>-</u>	<u>19,000</u>	<u>68,738</u>
Total public support	<b>5,585,211</b>	<b>5,272,927</b>	<b>-</b>	<b>700</b>	<b>5,585,211</b>	<b>5,273,627</b>
<b>OTHER REVENUES (LOSSES)</b>						
Interest and dividends	25,589	22,697	104,614	114,814	130,203	137,511
Unrealized gains	341,132	170,524	1,034,535	586,278	1,375,667	756,802
Gains (losses) on sale of investments and property and equipment, net	16,030	(19,819)	5,625	59,157	21,655	39,338
Other	57,307	89,803	-	-	57,307	89,803
Social Security/Child support	15,182	12,631	-	-	15,182	12,631
Auxiliary (net of related expenses of \$1,382,977)	<u>345,888</u>	<u>222,383</u>	<u>-</u>	<u>-</u>	<u>345,888</u>	<u>222,383</u>
Total other revenues (losses)	<b>801,128</b>	<b>498,219</b>	<b>1,144,774</b>	<b>760,249</b>	<b>1,945,902</b>	<b>1,258,468</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>						
Satisfaction of restrictions	<u>216,160</u>	<u>44,069</u>	<u>(216,160)</u>	<u>(44,069)</u>	<u>-</u>	<u>-</u>
Total support, other revenues, and assets released from restrictions	<b>\$ 6,602,499</b>	<b>\$ 5,815,215</b>	<b>\$ 928,614</b>	<b>\$ 716,880</b>	<b>\$ 7,531,113</b>	<b>\$ 6,532,095</b>

The accompanying notes are an integral part of these statements.

PALMER HOME FOR CHILDREN

6

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	Net Assets Without Donor Restrictions		Net Assets With Donor Restrictions		Totals	
	2025	2024	2025	2024	2025	2024
Total support, other revenues, and assets released from restrictions (brought forward)	\$ 6,602,499	\$ 5,815,215	\$ 928,614	\$ 716,880	\$ 7,531,113	\$ 6,532,095
<b>EXPENSES</b>						
Program services	4,115,831	4,108,791	-	-	4,115,831	4,108,791
Support services:						
Administrative	1,078,130	950,462	-	-	1,078,130	950,462
Fund raising	1,484,758	1,302,460	-	-	1,484,758	1,302,460
Total support services	2,562,888	2,252,922	-	-	2,562,888	2,252,922
Total expenses	6,678,719	6,361,713	-	-	6,678,719	6,361,713
Increase (decrease) in net assets	(76,220)	(546,498)	928,614	716,880	852,394	170,382
Net assets, beginning of year	18,330,427	18,876,925	12,026,167	11,309,287	30,356,594	30,186,212
Net assets, end of year	\$ 18,254,207	\$ 18,330,427	\$ 12,954,781	\$ 12,026,167	\$ 31,208,988	\$ 30,356,594

The accompanying notes are an integral part of these statements.

PALMER HOME FOR CHILDREN

STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	Net Assets Without Donor Restrictions		Net Assets With Donor Restrictions		Totals	
	2025	2024	2025	2024	2025	2024
<b>PROGRAM SERVICES</b>						
Salaries	\$ 1,552,008	\$ 1,530,250	\$ -	\$ -	\$ 1,552,008	\$ 1,530,250
Payroll related	198,645	197,771	-	-	198,645	197,771
Healthcare - staff	216,964	198,819	-	-	216,964	198,819
Education	65,633	33,549	-	-	65,633	33,549
Food	230,331	205,804	-	-	230,331	205,804
Healthcare - child	66,417	80,747	-	-	66,417	80,747
Clothing	35,402	26,229	-	-	35,402	26,229
Transportation	280,726	327,463	-	-	280,726	327,463
Housing	245,128	225,570	-	-	245,128	225,570
General child welfare	652,603	655,836	-	-	652,603	655,836
General child welfare in-kind	19,000	68,738	-	-	19,000	68,738
Depreciation and amortization	552,974	558,015	-	-	552,974	558,015
Total program services	4,115,831	4,108,791	-	-	4,115,831	4,108,791
<b>SUPPORT SERVICES</b>						
Administrative:						
Salaries	444,550	423,455	-	-	444,550	423,455
Payroll related	67,764	71,673	-	-	67,764	71,673
Healthcare - staff	41,101	25,385	-	-	41,101	25,385
Equipment	12,771	9,865	-	-	12,771	9,865
General insurance	24,596	13,673	-	-	24,596	13,673
Other	9,858	18,876	-	-	9,858	18,876
Travel and meals	20,840	19,356	-	-	20,840	19,356
Depreciation and amortization	1,286	2,071	-	-	1,286	2,071
Professional and other fees	455,364	366,108	-	-	455,364	366,108
Total administrative	1,078,130	950,462	-	-	1,078,130	950,462
Fund raising:						
Salaries	920,607	753,707	-	-	920,607	753,707
Payroll-related	136,181	112,230	-	-	136,181	112,230
Healthcare - staff	85,432	85,493	-	-	85,432	85,493
Marketing	71,604	52,829	-	-	71,604	52,829
Travel and meals	32,844	23,717	-	-	32,844	23,717
Equipment	19,340	19,629	-	-	19,340	19,629
General insurance	33,951	41,944	-	-	33,951	41,944
Other	153,358	186,642	-	-	153,358	186,642
Professional and other fees	31,441	26,269	-	-	31,441	26,269
Total fund raising	1,484,758	1,302,460	-	-	1,484,758	1,302,460
Total support services	2,562,888	2,252,922	-	-	2,562,888	2,252,922
Total expenses	\$ 6,678,719	\$ 6,361,713	\$ -	\$ -	\$ 6,678,719	\$ 6,361,713

The accompanying notes are an integral part of these statements.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES</i></b>		
Change in net assets	\$ 852,394	\$ 170,382
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	554,260	560,086
Decrease in receivables	193,243	210,445
Increase (decrease) in prepaid expenses	18,099	(25,219)
Increase in cash value of life insurance	(6,390)	(8,457)
Contribution of investment securities	(156,878)	(142,714)
Unrealized gains on long-term investments	(1,375,667)	(756,802)
Increase (decrease) in accounts payable and accrued liabilities	40,912	(11,084)
Decrease in annuity obligations	(45,621)	(27,329)
Gain on sale of investments	(27,310)	(59,158)
Loss on sale of property and equipment	5,655	19,818
Increase (decrease) in children's savings payable	4,157	(12,697)
Net cash provided by (used in) operating activities	<u>56,854</u>	<u>(82,729)</u>
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>		
Purchase of investments	(1,163,825)	(1,692,892)
Purchase of land, buildings, and equipment	(137,475)	(100,791)
Proceeds from sale of investments	1,316,036	1,858,543
Proceeds from sale of property and equipment	<u>5,500</u>	<u>-</u>
Net cash provided by investing activities	<u>20,236</u>	<u>64,860</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	77,090	(17,869)
Cash, cash equivalents and restricted cash, beginning of year	<u>1,794,368</u>	<u>1,812,237</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 1,871,458</u>	<u>\$ 1,794,368</u>
<b><i>Supplemental disclosures of cash flow information:</i></b>		
Non-cash activities:		
Right of use assets and lease liabilities	\$ -	\$ 255,077

The accompanying notes are an integral part of these statements.

**PALMER HOME FOR CHILDREN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 and 2024**

9

***DESCRIPTION OF ORGANIZATION***

Palmer Home for Children is a not-for-profit organization located in Lake Cormorant, Mississippi. The entity's 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. Palmer 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.

Palmer Home is 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.

In April 2024, the members of the Board of Directors of Palmer Home adopted a resolution dissolving the Mississippi Sheriffs' Boys and Girls Ranch, Inc. (Ranch). At that time all properties owned by the Ranch were relinquished to Lowndes County, Mississippi. All assets and liabilities of the Ranch have been removed from these financial statements as of June 30, 2024. Palmer Home and the Ranch presented combined financial statements for the year ended June 30, 2024.

***NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

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

***1. Basis of Presentation***

The financial statements of Palmer Home 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 Palmer Home to report information regarding their financial position and activities according to the following net asset classifications:

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 and 2024

**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 Palmer Home. 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 Palmer Home 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**

Palmer Home 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.

**PALMER HOME FOR CHILDREN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 and 2024**

11

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**3. Cash and Cash Equivalents**

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

**4. Investments**

Palmer Home carries 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 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 Palmer Home'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 Palmer Home 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 FINANCIAL STATEMENTS

JUNE 30, 2025 and 2024

*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, Palmer Home reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Palmer Home reclassifies temporarily restricted net assets to unrestricted net assets at that time.

All land, buildings and equipment recorded as of July 1, 1993, when Palmer 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 Palmer Home (since July 1, 1993) 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 Palmer Home 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. Subsequent Events**

Management has evaluated subsequent events on these financial statements through December 2, 2025, the date the financial statements were available to be issued, and is not aware of any material subsequent events.

**PALMER HOME FOR CHILDREN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 and 2024**

13

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**8. Revenue From Contracts With Customers**

Palmer Home follows ASC 606 – *Revenue from Contracts with Customers*. Palmer Home recognizes 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, 2025 and 2024, Palmer Home had revenue from contracts with customers in the amount of \$1,728,865 and \$1,683,763, respectively. There are no contract receivables for the years ended June 30, 2025 and 2024.

**9. Right of Use Assets and Lease Liabilities**

Palmer Home recognizes operating lease right of use assets and related lease liabilities for leases other than those considered to be short-term. Palmer Home does 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.

**10. Adoption of Accounting Standards Update**

*Accounting Standards Update 2020-07*

On July 1, 2023, Palmer Home 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.

**11. Income Tax Status**

Palmer Home follows the guidance contained in FASB ASC Topic 740, *Accounting for Uncertainty in Income Taxes*. As of June 30, 2025, Palmer Home had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Palmer Home files an annual Form 990 with the Internal Revenue Service.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 and 2024

**NOTE B - INVESTMENTS**

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

	<u>2025</u>		<u>2024</u>	
	<u>Adjusted Cost</u>	<u>Market Value</u>	<u>Adjusted Cost</u>	<u>Market Value</u>
<i>Level I</i>				
<i>Ameriprise Financial:</i>				
Charitable remainder trusts	\$ 914,706	\$ 966,992	\$ 874,794	\$ 878,446
<i>Duncan Williams</i>	542,114	560,049	488,583	522,128
<i>Gerber/Taylor</i>	3,843,511	4,060,518	3,123,731	3,131,546
<i>Other</i> <sup>(1)</sup>				
<i>Create, Inc.</i>	27,605	30,600	25,671	27,248
<i>Gerber/Taylor</i>	<u>9,948,175</u>	<u>11,033,619</u>	<u>9,921,299</u>	<u>10,631,512</u>
Total Investments	<u>\$15,276,111</u>	<u>\$16,651,778</u>	<u>\$14,434,078</u>	<u>\$15,190,880</u>

<sup>(1)</sup> 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.

Palmer Home's investments as shown above had unrealized gains of \$1,375,667 and \$756,802 at June 30, 2025 and 2024, respectively.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 and 2024

**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 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, 2025 and 2024, consisted of the following:

	<u>2025</u>	<u>2024</u>
Amounts due in less than one year	\$ 55,900	\$ 206,000
Amounts due in one to five years	20,000	71,000
Amounts due in more than five years	<u>-</u>	<u>-</u>
Total	75,900	277,000
Discount to net present value at 3.25%	<u>(3,769)</u>	<u>(11,751)</u>
Contributions receivable	<u>\$ 72,131</u>	<u>\$ 265,249</u>

Net contributions receivable as of July 1, 2023, amounted to \$468,473.

**NOTE E - LAND, BUILDINGS, AND EQUIPMENT**

Land, buildings, and equipment at June 30, 2025 and 2024, consisted of the following:

	<u>2025</u>	<u>2024</u>
Land	\$ 1,473,265	\$ 1,461,609
Buildings	15,879,183	15,842,758
Equipment and automobiles	<u>846,990</u>	<u>959,742</u>
	18,199,438	18,264,109
Less accumulated depreciation	<u>5,211,317</u>	<u>4,833,033</u>
	<u>\$12,988,121</u>	<u>\$13,431,076</u>

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 and 2024

**NOTE F - GIFTS IN KIND**

Palmer Home for Children 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, 2025 and 2024, the fair value of donated services is included in gifts-in-kind in the statements of activities. All donated services received by Palmer Home for each of the years ended June 30, 2025 and 2024, were considered without donor restrictions and able to be used by Palmer Home 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 statements of activities are composed of the following:

	<u>2025</u>	<u>2024</u>
Childrens' clothing, food, and welfare	\$ 19,000	\$ 68,739
Auction and fundraiser items (included in special events, net)	<u>311,988</u>	<u>299,690</u>
	<u>\$ 330,988</u>	<u>\$ 368,429</u>

**NOTE G - UNRESTRICTED NET ASSETS, OPERATING**

Unrestricted net assets available for operating purposes at June 30, 2025 and 2024, consisted of the following:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 1,757,578	\$ 1,543,315
Accounts receivable	844	970
Prepaid items	24,512	42,611
Right of use assets	681,493	903,712
Cash value of life insurance	57,164	50,774
Long-term investments	1,357,686	1,340,001
Accounts payable and accrued liabilities	(223,253)	(182,341)
Accrued compensated absences	(65,502)	(24,632)
Operating lease obligations	<u>(690,946)</u>	<u>(915,796)</u>
	<u>\$ 2,899,576</u>	<u>\$ 2,758,614</u>

It is the policy of Palmer Home 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, 2025, no amount was due to restricted funds from unrestricted funds.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 and 2024

**NOTE H - UNRESTRICTED NET ASSETS, BOARD DESIGNATED**

Unrestricted net assets, which the Board has designated at June 30, 2025 and 2024, consisted of the following:

	<u>2025</u>	<u>2024</u>
Long-term investments	\$ 2,376,298	\$ 2,150,525
Land	<u>381,400</u>	<u>381,400</u>
	<u>\$ 2,757,698</u>	<u>\$ 2,531,925</u>

**NOTE I - UNRESTRICTED, PERMANENT NET ASSETS**

Permanent net assets at June 30, 2025 and 2024, consisted of the following:

	<u>2025</u>	<u>2024</u>
Computer software	\$ 41,003	\$ 96,503
Land	1,082,076	1,070,419
Buildings	15,879,183	15,842,760
Equipment and automobiles	<u>846,989</u>	<u>959,742</u>
	17,849,251	17,969,424
Less: Accumulated depreciation	(5,211,317)	(4,833,033)
Accumulated amortization	<u>(41,003)</u>	<u>(96,503)</u>
	<u>\$12,596,931</u>	<u>\$13,039,888</u>

**NOTE J - DONOR TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2025 and 2024, consisted of the following:

	<u>2025</u>	<u>2024</u>
Cash	\$ 113,880	\$ 251,053
Contributions receivable	72,131	265,249
Investments	966,992	878,443
Annuity obligations	(109,938)	(155,559)
Children's savings	<u>(48,874)</u>	<u>(44,717)</u>
	<u>\$ 994,191</u>	<u>\$ 1,194,469</u>

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 and 2024

**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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Long-term investments:		
General Endowment:		
Ashford	\$ 450,304	\$ 407,785
Brock	4,205,345	3,809,188
Furr	517,196	468,361
Church	77,508	70,189
Hailey	153,775	139,255
Huff	165,944	150,275
McAllister	229,839	208,137
Overcash and general	22,093	20,007
Radescich	202,609	183,478
Radescich - general	232,039	210,129
Winters	465,497	421,544
Wagoner	479,893	434,580
Knox	665,747	602,885
McElroy	56,302	50,986
Sunderwirth	22,743	20,595
Francis	54,562	49,410
Faulkner	172,072	155,825
Community Foundations	30,600	27,248
	<u>\$ 8,204,068</u>	<u>\$ 7,429,877</u>

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 and 2024

**NOTE K - DONOR PERMANENTLY RESTRICTED NET ASSETS** (Continued)

	<u>2025</u>	<u>2024</u>
Scholarship Endowment:		
Ballard	\$ 912,354	\$ 826,207
Barrar	238,681	216,144
Barton	57,383	51,965
Beaufait	68,159	61,723
Bennett	200,709	181,758
Cockerham	14,815	13,416
Colwick	191,653	173,556
Farnham	16,577	15,012
Hutchinson	309,640	280,403
Kinard	39,800	36,042
McPhail	229,709	208,019
Revell	646,105	585,097
Ruby Life	27,460	24,867
Stringer	446,765	404,580
Via	6,006	5,439
Yancey	<u>350,708</u>	<u>317,593</u>
	<u>3,756,524</u>	<u>3,401,821</u>
	<u>\$11,960,592</u>	<u>\$10,831,698</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**

Palmer Home maintains its cash balances in several financial institutions located in the Southeast which, at times, may exceed federally insured limits. At June 30, 2025, Palmer Home had cash deposits at one institution, which exceeded the FDIC insurance limit by \$1,489,171. Palmer Home has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**NOTE M - USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS**

Management of Palmer Home 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 FINANCIAL STATEMENTS

JUNE 30, 2025 and 2024

***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***

Palmer Home sponsors 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, 2025 and 2024, the amount of retirement expense was \$87,537 and \$79,766, respectively.

***NOTE P - OPERATING LEASES***

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

***NOTE Q - DONOR RESTRICTED ENDOWMENT FUND NET ASSETS***

Palmer 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 FINANCIAL STATEMENTS

JUNE 30, 2025 and 2024

**NOTE Q - DONOR RESTRICTED ENDOWMENT FUND NET ASSETS** (Continued)***Interpretation of Relevant Law***

In November 2009, Palmer Home 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, Palmer Home still maintains its accounting practices under UMIFA. Accordingly, Palmer Home classifies 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 Palmer Home in a manner consistent with the standard prescribed by the UMIFA. Palmer Home considers 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 Palmer Home 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 Palmer Home and (7) other resources of Palmer Home.

Endowment Net Asset Composition by Fund Type as of June 30, 2025 and 2024:

	<u>Permanently Restricted</u>	<u>Total</u>
<b><i>June 30, 2025:</i></b>		
<b>Donor-restricted endowment funds</b>	<b><u>\$11,960,592</u></b>	<b><u>\$11,960,592</u></b>
<i>June 30, 2024:</i>		
Donor-restricted endowment funds	<u>\$10,831,698</u>	<u>\$10,831,698</u>

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 and 2024

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

Changes in endowment net assets for the years ended June 30, 2025 and 2024:

	<u>Permanently Restricted</u>	<u>Total</u>
<b>June 30, 2025:</b>		
Endowment net assets, beginning of year	\$ 10,831,698	\$ 10,831,698
Investment income (net of fees)	91,006	91,006
Unrealized appreciation	1,037,888	1,037,888
Contributions	-	-
Expenditures	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 11,960,592</u>	<u>\$ 11,960,592</u>

**June 30, 2024:**

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>

Description of assets classified as Permanently Restricted Net Assets:

	<u>2025</u>	<u>2024</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>\$ 11,960,592</u>	<u>\$ 10,831,698</u>
Total endowment funds classified as Permanently Restricted Net Assets	<u>\$ 11,960,592</u>	<u>\$ 10,831,698</u>

**Spending Policy**

Palmer Home has 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 FINANCIAL STATEMENTS

JUNE 30, 2025 and 2024

**NOTE Q - DONOR RESTRICTED ENDOWMENT FUND NET ASSETS** (Continued)***Return Objectives and Risk Parameters***

Palmer Home has 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 Palmer Home 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 generate a total return that exceeds the current spending limit of 4% plus the rate of inflation as measured by the Consumer Price Index.

***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate of return objectives, Palmer Home relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. Palmer Home targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its 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. Palmer Home, at June 30, 2025, had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Palmer Home files an annual Form 990 with the Internal Revenue Service, and its tax returns for the year 2021 and subsequent years remain subject to examination by tax authorities.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 and 2024

**NOTE S - LIQUIDITY AND AVAILABLE RESOURCES**

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

Statement of financial position accounts:	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 1,871,458	\$ 1,794,368
Investments	16,651,778	15,190,880
Pledges and accounts receivable, net	50,239	266,218
Prepaid expenses	24,512	42,611
Cash value of life insurance	57,164	50,774
Less restricted cash	(113,880)	(251,053)
Less restricted contributions receivable	(47,918)	(265,249)
Less restricted investments	<u>(12,909,018)</u>	<u>(11,710,144)</u>
	<u>\$ 5,584,335</u>	<u>\$ 5,118,405</u>

Palmer Home'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.

Palmer Home'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 Palmer Home'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, Palmer Home invests 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	\$ 1,757,578
Restricted cash included in assets restricted to investment in land, buildings, and equipment	<u>113,880</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 1,871,458</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 FINANCIAL STATEMENTS

JUNE 30, 2025 and 2024

**NOTE U - LEASES**

On July 1, 2022, Palmer Home 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.

Palmer Home enters into leases in the normal course of business. Total lease expense for the years ended June 30, 2025 and 2024, was \$271,232 and \$306,381, respectively. The lease expense and relevant information regarding right of use assets for the years ended June 30, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Statement of activities accounts:		
Lease expense	\$ 271,232	\$ 306,381
Statement of financial position accounts:		
Operating right of use assets	681,493	903,712
Operating lease liabilities	690,946	915,796
Right of use assets acquired by issuance of operating lease liabilities	-	255,077
Weighted average discount rate	4.92%	4.94%
Weighted average term remaining in years	3.8	4.5
Lease cost:		
Operating lease cost	260,350	250,100
Short-term lease cost	10,882	56,281
	<u>\$ 271,232</u>	<u>\$ 306,381</u>

Future minimum operating lease payments and reconciliation to the statement of financial position at June 30, 2025, are as follows:

<u>Year</u>	<u>Amount</u>
2026	\$ 210,392
2027	198,311
2028	181,625
2029	84,460
2030	60,000
Thereafter	15,000
Total future lease payments	749,788
Less: discount on cash flows	<u>(58,842)</u>
Total operating lease liability	<u>\$ 690,946</u>

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2025 and 2024**

***NOTE V - LITIGATION***

Palmer Home for Children is currently defending a lawsuit from Disability Rights Mississippi regarding access to Palmer Home's files and facilities. Management believes that the outcome will be favorable and that there will be a minimal financial impact on Palmer Home.