

**BOYS & GIRLS CLUB OF ABERDEEN AREA
ABERDEEN, SOUTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Boys & Girls Club of Aberdeen Area
Aberdeen, South Dakota

Opinion

We have audited the accompanying financial statements of Boys & Girls Club of Aberdeen Area (a non-profit corporation), which comprise the statements of financial position as of August 31, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Club of Aberdeen Area as of August 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Boys & Girls Club of Aberdeen Area and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys & Girls Club of Aberdeen Area's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Boys & Girls Club of Aberdeen Area's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys & Girls Club of Aberdeen Area'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.



BRADY MARTZ
SIOUX FALLS, SOUTH DAKOTA

December 8, 2025

BOYS & GIRLS CLUB OF ABERDEEN AREA
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2025 AND 2024

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 421,505	\$ 323,028
Promises to give, net	65,600	80,300
Receivables	119,139	107,342
Prepaid expenses	8,763	7,335
Total current assets	615,007	518,005
Property and equipment, net	4,346,775	4,553,224
Other assets		
Endowment	1,057,493	966,961
Investments	528,706	554,695
Promises to give, net	69,939	90,822
Beneficial interest in community foundation	15,096	13,841
Beneficial interest in perpetual trust	122,312	107,930
Total other assets	1,793,546	1,734,249
Total assets	\$ 6,755,328	\$ 6,805,478
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 109,633	\$ 90,725
Sales and payroll taxes payable	30,975	32,433
Accrued expenses	31,762	33,532
Deferred revenue	121,105	106,259
Current portion of long-term liabilities	277,840	82,228
Total current liabilities	571,315	345,177
Long-term liabilities, net	29,666	306,822
Total liabilities	600,981	651,999
Net assets		
Without donor restrictions		
Undesignated	4,376,288	4,395,400
Designated	835,807	870,055
With donor restrictions	942,252	888,024
Total net assets	6,154,347	6,153,479
Total liabilities and net assets	\$ 6,755,328	\$ 6,805,478

SEE NOTES TO THE FINANCIAL STATEMENTS

BOYS & GIRLS CLUB OF ABERDEEN AREA
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

	2025			2024		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Net public support and revenue						
Contributions	\$ 258,127	\$ 12,117	\$ 270,244	\$ 534,297	\$ 105,666	\$ 639,963
Contributions in-kind	43,371	-	43,371	27,295	-	27,295
United Way	96,600	-	96,600	96,600	-	96,600
After school transportation income	164,612	-	164,612	138,577	-	138,577
Food service grant income	174,325	-	174,325	148,680	-	148,680
Special events, net	315,177	-	315,177	298,741	-	298,741
Grants	282,676	-	282,676	282,031	21,000	303,031
Membership dues	98,291	-	98,291	64,914	-	64,914
Other revenue	1,411	-	1,411	3,307	-	3,307
Investment income, net	64,102	42,597	106,699	69,432	45,299	114,731
Change in beneficial interests	1,256	14,382	15,638	1,545	4,616	6,161
Net assets released from restrictions						
Software	14,868	(14,868)	-	-	-	-
Total net public support and revenue	<u>1,514,816</u>	<u>54,228</u>	<u>1,569,044</u>	<u>1,665,419</u>	<u>176,581</u>	<u>1,842,000</u>
Expenses						
Program services	1,259,898	-	1,259,898	1,279,905	-	1,279,905
Supporting services	308,278	-	308,278	291,829	-	291,829
Total expenses	<u>1,568,176</u>	<u>-</u>	<u>1,568,176</u>	<u>1,571,734</u>	<u>-</u>	<u>1,571,734</u>
Change in net assets	(53,360)	54,228	868	93,685	176,581	270,266
Net assets, beginning of year	<u>5,265,455</u>	<u>888,024</u>	<u>6,153,479</u>	<u>5,171,770</u>	<u>711,443</u>	<u>5,883,213</u>
Net assets, end of year	<u>\$5,212,095</u>	<u>\$ 942,252</u>	<u>\$6,154,347</u>	<u>\$5,265,455</u>	<u>\$ 888,024</u>	<u>\$6,153,479</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

BOYS & GIRLS CLUB OF ABERDEEN AREA
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

	2025				2024			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
		Management and General	Fund- raising	Expenses		Management and General	Fund- raising	Expenses
Salaries and wages	\$ 638,363	\$ 91,788	\$ 105,477	\$ 835,628	\$ 584,393	\$ 101,139	\$ 83,002	\$ 768,534
Payroll taxes	47,868	6,883	7,909	62,660	46,330	8,018	6,580	60,928
Employee benefits	23,282	7,922	10,379	41,583	25,162	6,575	9,984	41,721
Total salaries and related expenses	<u>709,513</u>	<u>106,593</u>	<u>123,765</u>	<u>939,871</u>	<u>655,885</u>	<u>115,732</u>	<u>99,566</u>	<u>871,183</u>
Depreciation	208,765	11,105	2,221	222,091	211,441	11,247	2,249	224,937
Occupancy	106,762	5,679	1,136	113,577	103,461	5,503	1,101	110,065
Food supplies	72,290	-	-	72,290	122,478	-	-	122,478
Supplies	79,583	2,386	594	82,563	73,187	2,384	594	76,165
Professional services	2,112	40,128	-	42,240	2,077	39,461	-	41,538
Travel	20,704	-	-	20,704	30,163	-	-	30,163
Conferences and meetings	16,088	2,011	2,011	20,110	15,798	1,975	1,975	19,748
Advertising and promotion	11,304	-	7,536	18,840	9,263	-	6,176	15,439
Repairs and maintenance	15,616	831	166	16,613	31,296	1,665	333	33,293
Interest	9,563	509	102	10,174	16,347	870	174	17,392
Dues	7,499	500	1,000	8,999	7,211	-	500	7,711
Miscellaneous	99	5	-	104	2	-	-	2
T-shirts and retail	-	-	-	-	1,296	324	-	1,620
Total expenses	<u>\$1,259,898</u>	<u>\$ 169,747</u>	<u>\$ 138,531</u>	<u>\$1,568,176</u>	<u>\$1,279,905</u>	<u>\$ 179,161</u>	<u>\$ 112,668</u>	<u>\$1,571,734</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

BOYS & GIRLS CLUB OF ABERDEEN AREA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 868	\$ 270,266
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	222,091	224,937
Interest expense from amortization of debt issuance costs	570	570
Cash restricted for long-term purposes	(28,700)	99,020
Net realized and unrealized (gain) loss on investments	(59,268)	(51,583)
Change in beneficial interests	(18,058)	(6,161)
Reinvested investment income	(46,975)	(62,441)
Effects on operating cash flows due to changes in:		
Receivables	23,786	7,699
Prepaid expenses	(1,428)	(1,845)
Payables	17,450	(105,791)
Accrued expenses	(1,770)	(45,837)
Deferred revenue	14,846	12,948
	123,412	341,782
Cash flows from investing activities:		
Purchase of property and equipment	(15,642)	(4,970)
Purchase of investments	(28,300)	(280,415)
Proceeds from investments	70,000	-
Proceeds from beneficial interest	2,421	-
	26,058	(285,385)
Cash flows from financing activities:		
Principal payments on long-term debt	(82,114)	(105,208)
Cash received for long-term purposes	28,700	(99,020)
	(53,414)	(204,228)
Net change in cash and cash equivalents	98,477	(147,831)
Cash and cash equivalents at beginning of year	323,028	470,859
Cash and cash equivalents at end of year	\$ 421,505	\$ 323,028
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 7,984	\$ 9,883

SEE NOTES TO THE FINANCIAL STATEMENTS

BOYS & GIRLS CLUB OF ABERDEEN AREA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Boys & Girls Club of Aberdeen Area (Club) is a non-profit corporation located in Aberdeen, South Dakota operated by a volunteer board of directors elected by its members. The mission of the Club is to enable all young people to reach their full potential as productive, caring, responsible citizens. This is achieved through promoting health, social, educational, vocational, and character development and providing behavior guidance of youth. The Club generates its revenue through fees for services, public support, and grants.

Basis of Accounting

Financial statement preparation follows the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Club is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The Club has adopted the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America in which revenues are recorded when earned and expenses when incurred.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Club considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents does not include cash equivalent funds in the mutual fund investments. The Club had no cash equivalents as of August 31, 2025 and 2024.

Promises to Give

Unconditional promises to give are recognized as revenue in the period received and as assets or decreases in liabilities or expenses, depending on the form of the benefits received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend are substantially met. Promises to give expected to be collected within one year are recorded at net realizable value. Promises to give expected to be collected in future years are recorded at the present value of expected future cash flows. Discounts on those amounts are computed using a present value technique incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.

Property and Equipment

Property and equipment is recorded at cost or, if donated, at its estimated fair market value at the time of the gift. Such donations are reported as support without donor restrictions 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 support with donor restrictions. Unless the donor has stipulated how long donated assets must be maintained, the Club reports expirations of donor restrictions

BOYS & GIRLS CLUB OF ABERDEEN AREA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

when the donated or acquired assets are placed in service; at that time, the assets are reclassified from net assets with donor restrictions to net assets without donor restrictions. Additions, renewals, and betterments greater than or equal to \$1,000 with a useful life greater than one year are capitalized. Purchases under this threshold or that do not extend the useful life are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the related assets for book purposes. The estimated useful lives of the depreciable assets are as follows:

	Years
Buildings and improvements	5 - 40
Equipment	3 - 5
Vehicles	5

Investments

Investments are carried at fair value. Fair values are generally based on quoted market prices or appraised value. Realized and unrealized gains and losses are reflected in the accompanying statements of activities and changes in net assets as investment income.

Fair Value Measurements

The Club has determined the fair value of certain assets and liabilities in accordance with the provisions of FASB ASC 820, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles.

FASB ASC 820 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 between market participants on the measurement date. FASB ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. FASB ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Beneficial Interests

Beneficial Interest in Charitable Trust Held by Others

The Club has been named as a beneficiary of a charitable trust held and administered by an independent trustee. The trust was created independently by a donor and is administered by outside agents designated by the donor. Therefore, the Club has neither possession nor control over the assets of the trust. At the date the Club receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statement of activities and changes in net assets, and a beneficial interest in charitable trust held by others is recorded in the statement of financial position at fair value based on the Club's interest in the trust plan assets as of the date of the statement of financial position.

BOYS & GIRLS CLUB OF ABERDEEN AREA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

Beneficial Interest in Perpetual Trust

The Club has been named as an irrevocable beneficiary of a perpetual trust held and administered by an independent trustee. Perpetual trusts provide for the distribution of a specified percentage of the net income of the trust to the Club; however, the Club will never receive the assets of the trust. At the date the Club receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statement of activities and changes in net assets, and a beneficial interest in perpetual trust is recorded in the statement of financial position at the fair value of the underlying trust assets. Thereafter, the beneficial interest in the trust is reported at the fair value of the trust assets in the statement of financial position, with trust distributions and changes in fair value recognized in the statement of activities and changes in net assets. Distributions from the perpetual trust do not have donor restrictions.

Beneficial Interest in Community Foundation

The Club receives funds through the South Dakota Community Foundation (SDCF) from a fund owned and administered by SDCF for the Club as the designated beneficiary of distributions from the fund. The Foundation makes available for distribution up to 5% of the 16-quarter trailing average balance of the fund to the Club each year. These distributions are subject to SDCF's power to modify or remove any restriction or condition on the distribution of funds if, in its discretion, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the communities served. SDCF has not exercised such power since its establishment.

SDCF also holds a fund that designates the Club as one of the beneficiaries of distributions from this fund. SDCF distributes up to 5% of the 16-quarter trailing average balance of the fund to the beneficiaries each year. These distributions are subject to SDCF's power to modify or remove any restrictions or condition on the distribution of funds if, in its discretion, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the communities served. SDCF has not exercised such power since its establishment. No amounts have been recorded in these financial statements as the Club is not the sole designated beneficiary, cannot access the assets, and all distributions and portion distributed to each beneficiary are at the discretion of the SDCF.

Deferred Revenue

Deferred revenue consists of funds that were received prior to the period in which commensurate value is provided.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which is a reasonable estimate of the effective interest method. Debt issuance costs are included within long-term liabilities in the statements of financial position. Amortization of debt issuance costs is included in interest expense in the accompanying financial statements.

BOYS & GIRLS CLUB OF ABERDEEN AREA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

Net Assets

The Club's net assets and changes therein are classified and reported as follows:

Without Donor Restrictions - Undesignated

Net assets that are not subject to donor-imposed restrictions or law over which the Club's board of directors has discretionary control.

Without Donor Restrictions - Designated

The governing board has designated from net assets without donor restrictions net assets for operating reserves, debt service, and scholarships.

With Donor Restrictions

Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Restricted and Unrestricted Revenue and Support

The Club recognizes revenue in accordance with the Financial Accounting Standards Board (FASB) Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC) and FASB Topic 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in the ASC. Topic 606 requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Topic 958 provides clarification on whether revenue from contracts is from an exchange transaction or a contribution or grant.

Generally, the Club considers each contract a separate performance obligation unless otherwise determined at the inception of the contract. The transaction price of each service is based on its stated standalone price. Revenue from after school transportation income, membership dues, and payments under cost-reimbursable grants are recognized in the period in which they are earned. The revenue associated with these contracts represents approximately 28%, and 19% of net public support and revenue for the years ended August 31, 2025 and 2024, respectively.

Unconditional promises to give are recognized as revenue in the period the promise is made. Conditional promises to give are recorded as revenue when the conditions are substantially met.

Contributions are recorded as support without donor restrictions or support with donor restrictions, depending on the existence or nature of any donor restrictions. Support 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 support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

BOYS & GIRLS CLUB OF ABERDEEN AREA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

Donated Materials, Inventory, Property and Equipment, and Services

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. The Club does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. For the years ended August 31, 2025 and 2024, expenses related to professional services recorded for advertising were \$15,840 and \$9,590, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited. Expenses are allocated as follows:

Allocated on time and effort — salaries and wages, payroll taxes, and employee benefits

Allocated on usage — professional services, supplies, occupancy, repairs and maintenance, advertising and promotion, conferences and meetings, dues, interest, depreciation, t-shirts and retail, miscellaneous

Advertising and Promotion

The Club expenses advertising and promotion costs as incurred.

Employee Benefits

The Club allows certain employees paid time off in proportion to years of service; certain paid time off is allowed to be carried over from the prior year. Paid time off is not compensated for upon termination of employment.

Leases

Effective September 1, 2022, the Club adopted FASB ASC 842, *Leases*. The Club determines if an arrangement contains a lease at inception based on whether the Club has the right to control the asset during the contract period and other facts and circumstances.

BOYS & GIRLS CLUB OF ABERDEEN AREA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Club obtains substantially all of the economic benefits from and have the ability to direct the use of the asset. Operating and finance lease right-of-use ("ROU") assets and liabilities for leases with an initial lease term of more than 12 months, or that contain an option to purchase that the Club is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the Club uses its incremental borrowing rate based on the information available at the lease commencement date. The incremental borrowing rate reflects the interest rate the Club would have to pay to borrow funds on a collateralized basis over a similar term.

The Club has elected the practical expedient to account for lease agreements with lease and non-lease components together as a single lease component for (specific which classes or all) underlying classes of assets.

The Club has elected to not recognize ROU assets and lease liabilities for short-term leases. Short-term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Club is reasonably certain to exercise. The Club continues to record rent expense for short-term leases on a straight-line basis over the lease term. The Club has elected the practical expedient for common control leases which allows it to use the written terms of the agreement to determine whether a lease exists, and how to classify and account for the lease.

The depreciable life of assets and leasehold improvements for leases among unrelated parties are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

Income Tax Status

The Club is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Club's policy is to evaluate the likelihood that uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support with the Internal Revenue Code and Regulations, Revenue Rulings, court decisions, and other evaluations.

Risks and Uncertainties

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such change could materially affect the net assets of the Club.

Reclassifications

Some reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

BOYS & GIRLS CLUB OF ABERDEEN AREA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

NOTE 2 CONCENTRATIONS

Cash and Cash Equivalents

Cash and cash equivalents are exposed to concentrations of credit risk. The Club maintains cash and cash equivalents in bank deposit accounts which, at times, may be in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. The Club has not experienced any losses in these accounts, and management believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Public Support, Revenue, Promises to Give, and Receivables

The Club's promises to give are concentrated in the Aberdeen, South Dakota region.

During a given year, individual contributions or grants or total contributions or grants from specific donors or grantors may represent a substantial portion of net public support and revenue. The Club had one major grantor that comprised approximately 10% of public support and revenue and 11% of outstanding promises to give and receivables as of and for the year ended August 31, 2025. This grantor comprised approximately 10% of public support and revenue and 16% of outstanding promises to give and receivables as of and for the year ended August 31, 2024.

Investments

Investments are exposed to concentrations of credit risk. The Club maintains investments in accounts which, at times, may be in excess of the Securities Investor Protection Corporation (SIPC) limit of \$500,000 (including a \$250,000 limit for cash). SIPC protects investment accounts in the event of broker-dealer failure. The insurance does not protect against market losses on investments.

NOTE 3 PROMISES TO GIVE

Donors to the Club have made unconditional promises to give that are measured at fair value. Promises to give are as follows as of August 31:

	2025	2024
Due within one year	\$ 65,600	\$ 85,300
Due in one to five years	71,500	108,500
Total promises to give	137,100	193,800
Less: allowance for uncollectibles	-	(20,000)
Less: discount to present value at 1.31%	(1,561)	(2,678)
Net promises to give	<u>\$ 135,539</u>	<u>\$ 171,122</u>

BOYS & GIRLS CLUB OF ABERDEEN AREA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

Promises to give can be broken out as follows as of August 31:

	2025	2024
Endowment promises to give, net	\$ 68,610	\$ 96,468
Other promises to give, net	66,929	74,654
Net promises to give	\$ 135,539	\$ 171,122

The Club has received conditional promises to give totaling \$105,000 and \$255,000 as of August 31, 2025 and 2024, respectively, which are recognized as revenue only when the condition on which they depend are substantially met and the promises become unconditional.

During fiscal year 2016, the City of Aberdeen passed a resolution in which, to the extent authorized by law and based on current budgetary projects and funding availability, the city anticipates allocating \$100,000 on an annual basis to the Club for the building campaign for a period of ten years beginning in 2016 through 2025. This is considered a conditional promise to give, and the remaining conditional promise to give is included in the total conditional promises to give in the previous paragraph.

During fiscal year 2022, a generous donor pledged \$450,000 to the Club. This is to be paid in \$150,000 increments from 2022 through 2024. In order to receive payments, the Club is required to accomplish certain activities, such as installing a plaque, planting trees, and hosting an annual celebration. This is considered a conditional promise to give; all conditions have been satisfied and full contributions received as of August 31, 2024.

NOTE 4 RECEIVABLES

Receivables consist of the following as of August 31:

	2025	2024	September 1, 2023
Grants receivable	\$ 106,324	\$ 105,613	\$ 97,487
Other receivables	12,815	1,729	-
Total receivables	\$ 119,139	\$ 107,342	\$ 97,487

The Club had no credit losses or expected credit losses during the years ended August 31, 2025 and 2024, relating to these receivables.

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NOTE 5 INVESTMENTS

Investments, stated at market value, are classified in the accompanying statements of financial position as other assets and consist of the following as of August 31:

	<u>2025</u>	<u>2024</u>
Mutual funds		
Cash equivalent funds	\$ 169,080	\$ 222,726
Equity funds	148,874	119,111
Fixed income funds	152,422	155,529
Exchange traded funds	<u>58,330</u>	<u>57,329</u>
	<u>528,706</u>	<u>554,695</u>
Endowment		
Cash equivalent funds	631,732	571,294
Equity funds	109,737	74,226
Fixed income funds	224,572	231,558
Exchange traded funds	<u>91,452</u>	<u>89,883</u>
	<u>1,057,493</u>	<u>966,961</u>
 Total investments	 <u>\$1,586,199</u>	 <u>\$1,521,656</u>

Investment income from the Club's investments is composed of the following for the years ended August 31:

	<u>2025</u>	<u>2024</u>
Interest and dividend income	\$ 64,729	\$ 64,903
Realized gain (loss) on investments	133	(3,083)
Unrealized gain (loss) on investments	59,135	54,666
Less: fees associated with investments	<u>(17,298)</u>	<u>(1,755)</u>
 Net investment income	 <u>\$ 106,699</u>	 <u>\$ 114,731</u>

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NOTE 6 PROPERTY AND EQUIPMENT

Cost and accumulated depreciation for property and equipment are summarized as follows as of August 31:

	2025	2024
Land	\$ 100,000	\$ 100,000
Building and improvements	5,281,585	5,265,943
Equipment	600,540	609,350
Vehicles	373,031	373,031
	6,355,156	6,348,324
Less: accumulated depreciation	(2,008,381)	(1,795,100)
Net property and equipment	\$4,346,775	\$4,553,224

Depreciation expense totaled \$222,091 and \$224,937 for the years ended August 31, 2025 and 2024, respectively.

NOTE 7 BENEFICIAL INTERESTS

The aggregate current market value of the contributions, plus income and less distributions and fees of the beneficial interest of community foundation was \$15,096 and \$13,841 as of August 31, 2025 and 2024, respectively, and is reflected in the Club's assets as a beneficial interest in assets held by community foundation. \$351 and \$371 became available for distribution during the years ended August 31, 2025 and 2024, respectively, and the net accumulated amounts available for spending as of August 31, 2025 and 2024, were \$1,573 and \$1,222, respectively, in the fund and are included in beneficial interest in community foundation on the statements of financial position.

NOTE 8 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	2025	2024
Mutual funds		
Equity funds	\$ 148,874	\$ 119,111
Fixed income funds	152,422	155,529
Exchange traded funds	58,330	57,329
Endowment		
Equity funds	109,737	74,226
Fixed income funds	224,572	231,558
Exchange traded funds	91,452	89,883
Beneficial interest in perpetual trust	122,312	107,930
Beneficial interest in community foundation	15,096	13,841
	\$ 922,795	\$ 849,407

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The related fair values of these assets are determined as follows:

	2025			Total
	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Mutual funds				
Equity funds	\$ 148,874	\$ -	\$ -	\$ 148,874
Fixed income funds	152,422	-	-	152,422
Exchange traded funds	58,330	-	-	58,330
Endowment				
Equity funds	109,737	-	-	109,737
Fixed income funds	224,572	-	-	224,572
Exchange traded funds	91,452	-	-	91,452
Beneficial interest in perpetual trust	-	-	122,312	122,312
Beneficial interest in community foundation	-	-	15,096	15,096
	<u>\$ 785,387</u>	<u>\$ -</u>	<u>\$ 137,408</u>	<u>\$ 922,795</u>
	2024			
	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Mutual funds				
Equity funds	\$ 119,111	\$ -	\$ -	\$ 119,111
Fixed income funds	155,529	-	-	155,529
Exchange traded funds	57,329	-	-	57,329
Endowment				
Equity funds	74,226	-	-	74,226
Fixed income funds	231,558	-	-	231,558
Exchange traded funds	89,883	-	-	89,883
Beneficial interest in perpetual trust	-	-	107,930	107,930
Beneficial interest in community foundation	-	-	13,841	13,841
	<u>\$ 727,636</u>	<u>\$ -</u>	<u>\$ 121,771</u>	<u>\$ 849,407</u>

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Changes in Level 3 assets are as follows:

	2025	2024
Beneficial interest in perpetual trust, beginning of year	\$ 107,930	\$ 103,314
Distributions	(2,421)	-
Change in fair value	16,803	4,616
Beneficial interest in perpetual trust, end of year	\$ 122,312	\$ 107,930
Beneficial interest in community foundation, beginning of year	\$ 13,841	\$ 12,296
Change in fair value	1,255	1,545
Beneficial interest in community foundation, end of year	\$ 15,096	\$ 13,841

The fair values of mutual funds and the endowment are determined by reference to quoted market prices. Unobservable inputs are those that reflect the Club's own assumptions about the assumptions that market participants would use in pricing the asset or liability based on the best information available. The fair values of beneficial interests in perpetual trusts are determined using present value techniques and risk adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. The majority of the pooled investments in the perpetual trust and at the community foundation are level 1 investments.

NOTE 9 LIQUIDITY

Financial assets available to meet cash needs for general expenditures within one year of August 31 for the Club are calculated as follows:

	2025	2024
Cash and cash equivalents	\$ 421,505	\$ 323,028
Investments	528,706	554,695
Endowment	1,057,493	966,961
Promises to give, current portion	65,600	80,300
Receivables	119,139	107,342
	2,192,443	2,032,326
Less: assets unavailable for general expenditures within one year due to:		
Board designation	(835,807)	(870,055)
Donor restrictions	(819,940)	(780,094)
	(1,655,747)	(1,650,149)
Financial assets available to meet cash needs for general expenditures within a year of August 31	\$ 536,696	\$ 382,177

As part of the Club's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis, and financial assets on hand are adjusted as necessary. Assets designated by the board are

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not considered financial assets available to meet cash needs for general expenditures, but, through board action, these assets can be released for general expenditures.

NOTE 10 DEFERRED REVENUE

Deferred revenue consists of the following as of August 31:

	2025	2024	September 1, 2023
Contract liabilities - customer deposits	\$ 108,205	\$ 90,819	\$ 78,311
Grant awards received but not yet earned	9,400	11,940	15,000
Event sponsorships received but not yet earned	3,500	3,500	-
	<u>\$ 121,105</u>	<u>\$ 106,259</u>	<u>\$ 93,311</u>

NOTE 11 LONG-TERM LIABILITIES

Long-term liabilities consists of the following as of August 31:

	2025	2024
Note payable to a bank; due in monthly installments of \$5,008, including interest at 2.85%; with a ballon payment of remaining principal and interest due at maturity; matures April 2026; secured by real estate.	\$ 247,840	\$ 299,954
Note payable to Northern Electric Cooperative; due in monthly installments of \$2,500; matures August 2027; secured by real estate.	60,000	90,000
Total long-term debt	307,840	389,954
Less: unamortized loan fees	(334)	(904)
Less: current portion of long-term debt	<u>(277,840)</u>	<u>(82,228)</u>
Net long-term debt	<u>\$ 29,666</u>	<u>\$ 306,822</u>

Maturities of long-term debt are as follows:

Year Ending August 31,	Amount
2026	\$ 277,840
2027	30,000
Total	<u>\$ 307,840</u>

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NOTE 12 NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent resources over which the Club's board of directors has discretionary control. The board of directors has designated amounts as follows as of August 31:

	2025	2024
Designated for operating reserves	\$ 457,099	\$ 486,833
Designated for endowment	333,660	314,124
Designated for debt service	45,048	45,048
Designated for scholarships	-	24,050
	\$ 835,807	\$ 870,055

Net Assets With Donor Restrictions

Net assets with donor restrictions are for the following purposes and periods as of August 31:

	2025	2024
Time/purpose restricted contributions		
Accumulated gains (losses) on endowment fund	\$ 66,906	\$ 24,309
Vehicle purchase	10,000	-
Software	6,132	21,000
Perpetual in nature		
Endowment	736,902	734,785
Beneficial interest in perpetual trust	122,312	107,930
	\$ 942,252	\$ 888,024

NOTE 13 ENDOWMENT NET ASSETS COMPOSITION BY TYPE OF FUND

The Club's endowment consists of the endowment with Schwan Financial Group as of August 31, 2025 and 2024. The fund was established for donors to hold investments in a pooled investment fund to yield more favorable investment returns. The endowment funds consist of board designated and donor-restricted endowment funds. The investment and spending policies, as well as the rate of return strategies, of these endowments are determined by the Club. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of the Club has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Club classifies as net assets with donor

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restrictions perpetual in nature (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 net assets with donor restrictions perpetual in nature is classified as net assets with time/purpose donor restrictions until those amounts are appropriated for expenditure by the Club in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Club 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 the Club and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Club
- (7) The investment policies of the Club

The change in endowment net assets are as follows for the years ended August 31:

	2025			
	Without Donor Restrictions	With Donor Restrictions		Total
		Time/Purpose Restrictions	Restricted in Perpetuity	
Endowment net assets				
September 1, 2024	\$ 314,124	\$ 24,309	\$ 734,785	\$ 1,073,218
Purchases	-	-	28,300	28,300
Change in outstanding promises to give, net	-	-	(26,183)	(26,183)
Investment return, net	19,536	42,597	-	62,133
Endowment net assets				
August 31, 2025	<u>\$ 333,660</u>	<u>\$ 66,906</u>	<u>\$ 736,902</u>	<u>\$ 1,137,468</u>
	2024			
	Without Donor Restrictions	With Donor Restrictions		Total
		Time/Purpose Restrictions	Restricted in Perpetuity	
Endowment net assets				
September 1, 2023	\$ 292,763	\$ (20,990)	\$ 629,119	\$ 900,892
Purchases	-	-	107,700	107,700
Change in outstanding promises to give, net	-	-	(2,034)	(2,034)
Investment return, net	21,361	45,299	-	66,660
Endowment net assets				
August 31, 2024	<u>\$ 314,124</u>	<u>\$ 24,309</u>	<u>\$ 734,785</u>	<u>\$ 1,073,218</u>

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Return Objectives and Risk Parameters

The Club has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Club must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that achieve a reasonable total investment return within quality guidelines. The Club expects its endowment fund, over time, to provide an average rate of return of approximately 5%. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Club relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Club targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Club has a policy of appropriating for distribution each year an amount that is determined on an as-needed basis subject to the approval of the board of directors.

NOTE 14 RETIREMENT PLAN

The Club has a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) covering all eligible employees. The plan includes salary deferral provisions, and the Club will match 100% of employee contributions up to 3%. Retirement expense for the years ended August 31, 2025 and 2024, was \$14,475 and \$14,362, respectively.

NOTE 15 INCOME TAXES

It is the opinion of management that the Club has no uncertain tax positions that would be subject to change upon examination. The federal return of the Club is subject to examination by the IRS, generally for three years after it was filed.

NOTE 16 RELATED-PARTY TRANSACTIONS

The Club entered into the following transactions with board members and entities with which board members are affiliated during the years ended August 31:

	<u>2025</u>	<u>2024</u>
Promises to give	\$ 102,800	\$ 147,700
Contributions and special event revenue	97,375	207,532

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NOTE 17 ADVERTISING

Advertising and promotion expense charged to operations for the years ended August 31, 2025 and 2024, was \$18,840 and \$15,439, respectively.

NOTE 18 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Club's year end. Subsequent events were evaluated through December 8, 2025, the date the financial statements were available to be issued.