



RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.

COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
MAY 31, 2018

RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rapid City Club for Boys, Inc. and Rapid City Club for Boys Foundation, Inc.
Rapid City, South Dakota

Report on the Financial Statements

We have audited the accompanying combined financial statements of **RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.** (the Organization), which comprise the combined statement of financial position as of May 31, 2018, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of **RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.** as of May 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Rapid City Club for Boys, Inc. and Rapid City Club for Boys Foundation, Inc.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining financial statements on pages 20 through 25 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.



KETEL THORSTENSON, LLP
Certified Public Accountants

December 5, 2018

RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.

**COMBINED STATEMENT OF FINANCIAL POSITION
MAY 31, 2018**

ASSETS

Current Assets

Cash and Cash Equivalents (Note 5)	\$	404,304
Grant and Other Receivables		116,543
Promises to Give, Current Portion (Note 2)		57,135
Prepaid Expenses		8,693
Inventory		62,548
Total Current Assets		649,223

Property and Equipment, Net (Note 3)		2,455,935
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Other Assets

Investments (Note 5)		3,047,818
Beneficial Interest in Washburn Trust (Note 5)		384,304
Cash Surrender Value of Life Insurance		51,724
		3,483,846

TOTAL ASSETS	\$	6,589,004
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$	88,078
Accrued Payroll		53,529
Accrued Payroll Taxes		8,358
Accrued Vacation		46,674
Other Liabilities		11,000
Total Current Liabilities		207,639

Commitments (Note 8)

Net Assets (Notes 4 and 6)

Unrestricted		
Board Designated Endowment		3,253,478
Board Designated Other		18,642
Undesignated		2,500,148
		5,772,268
Temporarily Restricted		609,097
Total Net Assets		6,381,365

TOTAL LIABILITES AND NET ASSETS	\$	6,589,004
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The accompanying notes are an integral part of this statement.

RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.

**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MAY 31, 2018**

UNRESTRICTED NET ASSETS

Revenue and Support

In-Kind Contributions	\$ 1,073,246
Contributions (Note 7)	740,587
Grants	324,938
Special Events	227,527
Unrealized/Realized Gains on Investments	157,372
United Way	100,000
Thrift Store, Net of Cost of Sales of \$1,095,148	77,660
Investment Income	87,740
Membership Dues	14,325
Miscellaneous	11,180
Net Assets Released from Restrictions	289,126
Total Revenue and Support	3,103,701

Functional Expenses (Note 9)

Program Services:

Social/Recreation	199,715
Athletic	254,522
Nutrition	273,808
Education	127,432
Individual Services	80,892
Arts and Crafts	80,298
Outdoor	107,871
Older Boys	101,895
Younger Boys	63,956
Juniors	92,725
Membership	91,448
Special Activities	82,271

Supporting Services:

Administration	264,748
Fundraising -- Thrift Store	855,577
Fundraising -- Club	275,886

Total Functional Expenses	2,953,044
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CHANGE IN UNRESTRICTED NET ASSETS	150,657
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RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.

**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
FOR THE YEAR ENDED MAY 31, 2018**

TEMPORARILY RESTRICTED NET ASSETS

Revenue and Support

Contributions	202,920
Grants	17,000
Distributions from Beneficial Interest of Trust (Note 5)	(12,708)
Net Assets Released from Restrictions	(289,126)

CHANGE IN TEMPORARILY RESTRICTED NET ASSETS **(81,914)**

CHANGE IN NET ASSETS **68,743**

NET ASSETS -- BEGINNING OF YEAR **6,312,622**

NET ASSETS -- END OF YEAR **\$ 6,381,365**

The accompanying notes are an integral part of this statement.

RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2018**

	Social/ Recreation	Athletic	Nutrition	Education	Individual Services
Expenses					
Salaries	\$ 78,750	\$ 118,416	\$ 101,707	\$ 59,716	\$ 48,238
Payroll Taxes	7,585	11,406	9,797	5,752	4,646
Employee Benefits	2,956	4,444	3,817	2,241	1,810
Total Payroll Expenses	89,291	134,266	115,321	67,709	54,694
Program Activities	12,391	4,688	116,918	20,401	10,241
Occupancy	54,459	65,964	18,282	7,202	1,717
Professional Fees	5,963	5,738	5,813	5,947	5,738
Special Events	-	-	-	-	-
Depreciation	29,809	36,106	10,007	3,942	940
Office	3,915	3,907	3,912	4,020	3,907
Advertising and Promotion	660	660	660	660	660
Equipment Maintenance	1,536	1,536	1,536	11,671	1,536
Information Technology	680	680	680	680	680
Investment Fees	-	-	-	-	-
Travel	216	216	216	4,737	216
Miscellaneous	-	-	-	-	100
Staff Training	795	761	463	463	463
Conventions and Meetings	-	-	-	-	-
Bad Debt - Pledges	-	-	-	-	-
Interest and Penalties (Note 8)	-	-	-	-	-
Insurance	-	-	-	-	-
Total Expenses - All Activities	\$ 199,715	\$ 254,522	\$ 273,808	\$ 127,432	\$ 80,892

The accompanying notes are an integral part of this statement.

Program Services

Arts and Crafts	Outdoor	Older Boys	Younger Boys	Juniors	Membership	Special Activities
\$ 39,666	\$ 63,930	\$ 50,127	\$ 41,119	\$ 54,486	\$ 64,366	\$ 10,461
3,821	6,158	4,828	3,961	5,248	6,200	1,008
1,489	2,399	1,881	1,543	2,045	2,416	393
44,976	72,487	56,836	46,623	61,779	72,982	11,862
4,752	10,900	17,078	3,905	5,370	4,991	58,830
10,859	739	9,566	148	7,996	-	-
5,737	14,442	5,737	5,737	5,737	5,737	3,994
-	-	-	-	-	-	-
5,944	404	5,236	81	4,377	-	-
3,907	4,777	4,056	3,907	3,911	4,183	3,907
660	660	660	660	660	660	660
1,536	1,536	1,536	1,536	1,536	1,536	1,536
680	680	680	680	680	680	680
-	-	-	-	-	-	-
216	693	216	216	216	216	274
-	-	-	-	-	-	-
733	553	294	463	463	463	528
298	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ 80,298	\$ 107,871	\$ 101,895	\$ 63,956	\$ 92,725	\$ 91,448	\$ 82,271

RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED MAY 31, 2018**

	Total Program	Administration	Fundraising Thrift Store	Fundraising Club	Total
Expenses					
Salaries	\$ 730,982	\$ 170,022	\$ 504,757	\$ 70,243	\$ 1,476,004
Payroll Taxes	70,410	16,111	48,619	6,589	141,729
Employee Benefits	27,434	6,892	18,944	2,977	56,247
Total Payroll Expenses	828,826	193,025	572,320	79,809	1,673,980
Program Activities	270,465	1,505	16,520	4,332	292,822
Occupancy	176,932	7,000	100,757	739	285,428
Professional Fees	76,320	11,488	4,198	69,025	161,031
Special Events	-	-	81,630	63,892	145,522
Depreciation	96,846	3,831	35,020	404	136,101
Office	48,309	8,515	18,778	6,366	81,968
Advertising and Promotion	7,920	-	3,461	41,768	53,149
Equipment Maintenance	28,567	1,538	2,966	1,536	34,607
Information Technology	8,160	680	11,902	680	21,422
Investment Fees	-	20,873	-	-	20,873
Travel	7,648	726	4,931	2,161	15,466
Miscellaneous	100	2,344	1,433	5,174	9,051
Staff Training	6,442	1,603	-	-	8,045
Conventions and Meetings	298	3,579	1,523	-	5,400
Bad Debt	-	5,107	-	-	5,107
Interest and Penalties (Note 8)	-	2,116	138	-	2,254
Insurance	-	818	-	-	818
Total Expenses - All Activities	\$ 1,556,833	\$ 264,748	\$ 855,577	\$ 275,886	\$ 2,953,044
				Less Foundation	75,052
				Less Thrift Store	855,577
				Total Expenses Excluding Thrift Store and Foundation	\$ 2,022,415

RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.

**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2018**

Cash Flows from Operating Activities	
Change in Net Assets	\$ 68,743
<i>Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:</i>	
Depreciation	136,101
Unrealized/Realized Gains on Investments	(157,372)
Gain on the Sale of Equipment	(5,500)
Net Change in Present Value Discount of Promises to Give	(3,771)
Donated Stock	(25,793)
Distributions from Interest in Washburn Trust	12,708
Increase in Cash Surrender Value of Life Insurance	(12,964)
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>	
Proceeds from Sale of Donated Stock	25,793
Promises to Give	80,016
Grant and Other Receivables	(8,836)
Prepaid Expenses	126
Accounts Payable	(35,649)
Accrued Payroll and Taxes	(191,196)
Other Liabilities	5,109
Net Cash Used in Operating Activities	(112,485)
Cash Flows from Investing Activities	
Purchases of Property and Equipment	(60,684)
Proceeds from the Sale of Equipment	5,500
Purchases of Investments	(786,850)
Proceeds from Sales and Maturities of Investments	895,815
Net Cash Provided by Investing Activities	53,781
Net Decrease in Cash and Cash Equivalents	(58,704)
Cash and Cash Equivalents -- Beginning of Year	463,008
Cash and Cash Equivalents -- End of Year	\$ 404,304

The accompanying notes are an integral part of this statement.

RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

(1) Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Rapid City Club for Boys, Inc. (the Club) is a nonprofit organization that provides behavior guidance and promotes the health, social, educational, vocational, and character development of the boys in the Rapid City area. The Club also operates a thrift store (the Thrift Store) to raise money for Club operations. The Thrift Store is open to the public and sells donated items at a reduced cost. Rapid City Club for Boys Foundation, Inc. (the Foundation) is a nonprofit organization that supports the charitable purposes of the Club.

Summary of Significant Accounting Policies

Principles of Combination

The combined financial statements include the accounts of the Club and the Foundation. The financial statements are combined because the Club approves the selection of certain members of the Board of Directors for the Foundation. All significant inter-organization accounts and transactions between the Club and the Foundation (collectively, the Organization) have been eliminated in combination.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements. Actual results could differ from those estimates.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets at May 31, 2018.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Organization's checking accounts and other interest-bearing deposits are maintained in various financial institutions that are insured by the Federal Deposit Insurance Corporation. The Organization's cash balances may at times exceed federally-insured limits; however, management has not experienced any losses in such accounts and does not believe they are exposed to any significant credit risk.

Investments

The Organization records its investments at fair market value with changes in fair market value accounted for in the Combined Statement of Activities and Changes in Net Assets. Investments are presented in the financial statements at the quoted market value of the securities. Management's policy is to charge all gains and losses against the three classes of net assets according to the donor's restrictions or the Board's designations. According to donor stipulation, investment income earned on temporarily restricted investments is recorded as unrestricted investment income.

RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MAY 31, 2018**

(1) Nature of Activities and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

Investments (Continued)

Investments are managed by professional investment managers whose performance is monitored by management and the Organization's investment committee of the Board of Directors. Although the fair value of investments is subject to fluctuation on a year-to-year basis, management and the investment committee believe the investment policies and guidelines are prudent for the long-term welfare of the Organization.

The Organization classifies proceeds from the sale of donated stock in the same manner as the donated asset in the statement of cash flows, unless the donation is restricted for long-term purposes, in which case the proceeds are considered an investing activity.

Promises to Give

Unconditional promises to give are recognized as assets and revenues in the period pledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for uncollectible promises to give is estimated based on previous collection history and potential collection problems. As of May 31, 2018, management determined all receivables were collectible, and accordingly, no allowance for bad debt has been recorded.

Inventory

Inventories consist of items donated to the Thrift Store to be sold. These items (typically used clothing and other household items) are stated at the estimated fair market value at the time of donation. Due to the volume of the items received, the Club does not maintain a perpetual inventory system and instead values and records inventory using estimates based on subsequent sales.

Property and Equipment

Property and equipment purchases in excess of \$500 and that have a useful life of greater than one year are capitalized at cost. Donated property and equipment is stated at fair market value at the date of the donation. Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements	7-45
Equipment, Furniture and Vehicles	3-10

Beneficial Interest in Washburn Trust

The Foundation has unconditional rights to 25 percent of the distribution from the Washburn Trust. The Foundation is one of six beneficiaries to this trust, which is managed and held by an outside trustee. Fair value of the beneficial interest in the trust was recognized as an asset and a temporarily restricted contribution at the date the trust was established. The Foundation's estimate of fair value at each reporting date is based on fair value information about the trust's assets received from the trustee. Trust assets consist of a note receivable, contract for deed, and a partnership interest largely represented by a commercial building.

These assets are not subject to control or direction by the Foundation. Distributions of income from the trust are reported as investment income. Gains and losses, which are not distributed by the trust, are reflected as the change in value of beneficial interest in trust. The trust will dissolve once future conditions are met, and therefore, the end date cannot be determined at this time.

RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MAY 31, 2018**

(1) Nature of Activities and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

Long-Lived Assets

Impairment losses are recorded when indicators of impairment are present and the carrying amount of a long-lived asset exceeds its fair market value. In addition, management reviews useful lives of long-lived assets annually. No assets were deemed impaired in 2018 based on management's analysis.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Based on the terms of individual grant agreements, revenue is considered to be a contribution or an exchange transaction. Grants deemed to be exchange transactions are recognized as costs are incurred over the term of the grant.

Grants receivable totaling **\$29,273** are due from granting agencies for cost reimbursement requests made in May 2018, but not received until June 2018. Other unrestricted grant receivables totaling **\$58,333** are due from a granting agency. Other receivables totaling **\$28,937** consist of sponsorships for a May 2018 special event. Included in this amount is **\$19,145** due from board members. Management has determined all amounts are collectible and no allowance for uncollectible amounts is required at May 31, 2018.

Thrift store sales are recognized at the point of sale. Thrift Store income is reported net of sales taxes collected.

Donated Materials and Services

Contributions of supplies and materials are recorded at the estimated fair value on the date of the contribution. The majority of these contributions are sold in the thrift store, with fair value estimated based on subsequent sales.

Contributed services that create or enhance non-financial assets or those that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not contributed are recorded at their fair value in the period received. Although the Organization receives a significant amount of donated services from unpaid volunteers, during the year ended May 31, 2018, the Organization did not receive any donated services that qualified for reporting under the above criteria.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was **\$53,149** for the year ended May 31, 2018.

Federal Income Tax

The Club and Foundation qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code and are not subject to federal income tax. In addition, the Club and Foundation have been determined by the Internal Revenue Service not to be "private foundations" within the meaning of Section 509(a) of the Internal Revenue Code. At May 31, 2018, the Organization believes there are no significant uncertain tax positions or liabilities, or interest and penalties associated with uncertain tax positions.

RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MAY 31, 2018**

(1) Nature of Activities and Summary of Significant Accounting Policies (Concluded)

Summary of Significant Accounting Policies (Concluded)

Subsequent Events

Subsequent events have been evaluated through December 5, 2018, the date which the financial statements were available to be issued.

Emerging Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which removes inconsistencies and weaknesses in revenue requirements, provides a more robust framework for addressing revenue issues, improves comparability of revenue recognition practices across entities, provides more useful information to users of financial statements through improved disclosure requirements, and simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. The ASU outlines five steps to achieve proper revenue recognition: identify the contract with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the entity satisfies the performance obligation. This standard is effective for annual reporting periods beginning after December 15, 2018. The Organization will be evaluating the impact implementation will have on the combined financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to provide more useful information to financial statement users. Changes include: 1) presenting only two classes of net assets (with and without donor restrictions), 2) no longer requiring a reconciliation with the indirect method when choosing to utilize the direct method of cash flows, 3) reporting investment return net of expenses with no additional disclosure of expense amounts, and 4) eliminating the option to release donor-imposed restrictions of long-lived assets over the estimated useful life of the asset acquired. In addition, enhanced disclosures are required for board designated and donor restricted net assets, the entity's liquidity and how that liquidity is managed, expenses by both natural and functional classification, the allocation methods among program and support functions, and underwater endowment funds (which will now be classified as net assets with donor restrictions). The standard is effective for fiscal years beginning after December 15, 2017. The Organization is currently evaluating the impact this standard will have on the combined financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which will assist entities in determining whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. This determination is based on whether or not the resource provider is receiving commensurate value in return for resources transferred, and clarifies that executing the mission or providing societal benefit does not equate to commensurate value. The standard will also assist entities in determining whether a contribution is conditional on the basis of whether a barrier must be overcome and either a right of return of assets transferred or a right of release of the promisor from its obligation to transfer assets exists. The standard is effective for contributions received in annual periods beginning after December 15, 2018 and for contributions made in annual periods beginning after December 15, 2019. The Organization is currently evaluating the impact this standard will have on the combined financial statements.

In August 2018, the FASB issued ASU 2018-13, *Changes to Disclosure Requirements for Fair Value Measurements*, which will improve the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements, and is effective for years beginning after December 15, 2019. The Organization is currently evaluating the impact this standard will have on the combined financial statements.

RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MAY 31, 2018**

(2) Promises to Give

The Organization conducted a capital campaign to raise funds for the purchase and renovation of a new building for the Thrift Store. At May 31, 2018, 91 percent of the promises to give are attributable to one individual. Promises to give at May 31, 2018 are all scheduled to be paid in the next year, and are all due from members of the Board of Directors.

(3) Property and Equipment

A summary of property and equipment is as follows at May 31, 2018:

Land	\$ 551,315
Building and Improvements	2,836,252
Equipment and Furniture	264,890
Vehicles	290,099
	<hr/> 3,942,556
Less Accumulated Depreciation	1,486,621
	<hr/> \$ 2,455,935 <hr/>

(4) Restrictions on Net Assets

Temporarily restricted net assets represent resources currently available for those operating purposes specified by the donor or restricted by the donor for a specified period. All interest earnings on temporarily restricted net assets are included as unrestricted income in the Combined Statement of Activities and Changes in Net Assets in accordance with donor stipulations. Temporarily restricted net assets at May 31, 2018 are available as follows:

Foundation:

Timing Restriction	\$ 436,440
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Club:

2019 Operations	135,000
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Lord's Account - Christmas Family Sponsorship	37,657
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	<hr/> \$ 609,097 <hr/>
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(5) Investments and Fair Value Measurements

Fair value is defined 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. The three-level fair value hierarchy is defined as follows:

- Level One: Observable inputs such as quoted market prices for identical assets or liabilities in active markets. The types of assets and liabilities included in Level One are highly liquid and actively traded instruments with quoted market prices.
- Level Two: Inputs include quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. The types of assets and liabilities included in Level Two are typically either comparable to actively traded securities or priced with models using observable inputs.
- Level Three: Inputs are based on prices or valuation techniques that are unobservable. These types of assets and liabilities require significant management judgment or estimation.

RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MAY 31, 2018**

(5) Investments and Fair Value Measurements (Continued)

	Level One	Level Two	Level Three	Total
US Equities	\$ 759,314	\$ -	\$ -	\$ 759,314
International Equities	539,594	-	-	539,594
Other Assets	11,558	-	-	11,558
Bonds	-	868,283	-	868,283
Mixed Assets	-	542,873	-	542,873
Annuity	-	326,196	-	326,196
Total Investments	1,310,466	1,737,352	-	3,047,818
Beneficial Interest in Washburn Trust	-	-	384,304	384,304
	\$ 1,310,466	\$ 1,737,352	\$ 384,304	\$ 3,432,122

Money Market Accounts Included

in Cash and Cash Equivalents	\$ 161,154	\$ -	\$ -	\$ 161,154
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The following table represents a reconciliation of the activities for Level 3 financial instruments, which are temporarily restricted net assets:

Balance - May 31, 2017	\$ 397,012
Distributions	(12,708)
Balance - May 31, 2018	\$ 384,304

Bonds are measured at either the yields currently available on comparable securities of issuers with similar credit ratings or valued under a discounted cash flow approach that maximizes observable inputs such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable such as credit and liquidity risks.

Mixed Assets and Annuity investments are valued based on the underlying assets, which are comprised primarily of actively traded mutual funds and stocks.

As described in Note 1, the Foundation is the beneficiary of one term trust established by the Washburn Estate. The fair value of the beneficial interest is estimated using the fair value of the assets held in the trust reported by the trustee. The Foundation considers the measurement of its beneficial interest in the term trust to be a level three measurement. Although the measurement is based on the fair value of trust assets reported by the trustee, the Foundation does not have the ability to direct the trustee to redeem or sell the assets, and the reported fair value may not reflect amounts that ultimately may be realized.

(6) Endowed and Board Designated Funds

At May 31, 2018, the Board of Directors of the Foundation has designated **\$3,253,478** of unrestricted net assets as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor restricted, it is classified and reported as unrestricted net assets.

The Organization has a spending policy of appropriating for distribution each year no more than 5 percent of its board-designated endowment fund's average fair value of the prior twelve quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected investment return on its endowment. Accordingly, over the long term, the Organization expected the current spending policy to allow its general endowment fund to grow at an average of over 5 percent annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through investment return.

RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS (CONCLUDED)
MAY 31, 2018**

(6) Endowed and Board Designated Funds (Continued)

To achieve the objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of no more than 5 percent while growing the fund if possible. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund. Investment assets and the allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The composition of and changes in board designated endowment funds for the year ended May 31, 2018 are as follows:

Board Designated Endowment Net Assets, Beginning	\$ 3,160,391
Investment Income	87,740
Net Appreciation	157,372
Unrestricted Contributions Designated for the Endowment	164,658
Restricted Net Assets Released from Restrictions	65,843
Amounts Appropriated for Expenditure	(382,526)
Board Designated Endowment Net Assets, Ending	\$ 3,253,478

In addition, the Club has board designated funds totaling **\$18,642** at May 31, 2018, for a building contingency.

(7) Split Interest Agreement

The Club has been named a beneficiary under a perpetual trust, the Rasmussen Trust. The perpetual trust provides for payments of earnings on the trust assets to selected beneficiaries as determined by the trustees. The assets of the trust are not included in the Combined Statement of Financial Position of the Organization since the trust is revocable at the discretion of the trustees. The income for the year ended May 31, 2018 was **\$17,000**.

(8) Line of Credit

The Club has a \$100,000 bank line of credit which expires on February 1, 2019. The credit line bears interest at the Wall Street Journal prime rate plus a .5% margin, and is secured by real estate. There were no borrowings on the line of credit at May 31, 2018.

(9) Expense Allocation

The cost of providing various programs and other activities has been summarized on a functional basis in the Statements of Activities and Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. All funds raised through the Thrift Store directly support the Organization's programs. Without directing these funds to the Club, the Organization's mission would not be achieved. In accordance with generally accepted accounting principles, all cost of operating the Thrift Store, are allocated to fundraising on the Combined Statements of Activities and Functional Expenses.

SUPPLEMENTARY INFORMATION

RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.

**COMBINING STATEMENT OF FINANCIAL POSITION
MAY 31, 2018**

	Club	Foundation	Eliminations	Combined Total
<u>ASSETS</u>				
Current Assets				
Cash and Cash Equivalents	\$ 247,979	\$ 156,325	\$ -	\$ 404,304
Grant and Other Receivables	116,543	-	-	116,543
Promises to Give, Current Portion	5,000	52,135	-	57,135
Prepaid Expenses	8,693	-	-	8,693
Inventory	62,548	-	-	62,548
Due from Club	-	5,037	(5,037)	-
Total Current Assets	440,763	213,497	(5,037)	649,223
Property and Equipment, Net	2,455,935	-	-	2,455,935
Other Assets				
Investments	-	3,047,818	-	3,047,818
Beneficial Interest in Washburn Trust	-	384,304	-	384,304
Cash Surrender Value of Life Insurance	-	51,724	-	51,724
	-	3,483,846	-	3,483,846
TOTAL ASSETS	\$ 2,896,698	\$ 3,697,343	\$ (5,037)	\$ 6,589,004
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Accounts Payable	\$ 93,115	\$ -	\$ (5,037)	\$ 88,078
Accrued Payroll	51,512	2,017	-	53,529
Accrued Payroll Taxes	8,358	-	-	8,358
Accrued Vacation	41,266	5,408	-	46,674
Other Liabilities	11,000	-	-	11,000
Total Current Liabilities	205,251	7,425	(5,037)	207,639
Net Assets				
Unrestricted				
Board Designated Endowment	-	3,253,478	-	3,253,478
Board Designated Other	18,642	-	-	18,642
Undesignated	2,500,148	-	-	2,500,148
	2,518,790	3,253,478	-	5,772,268
Temporarily Restricted	172,657	436,440	-	609,097
Total Net Assets	2,691,447	3,689,918	-	6,381,365
TOTAL LIABILITES AND NET ASSETS	\$ 2,896,698	\$ 3,697,343	\$ (5,037)	\$ 6,589,004

RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.

**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MAY 31, 2018**

	<u>Club</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined Total</u>
<u>UNRESTRICTED NET ASSETS</u>				
Revenue and Support				
In-Kind Contributions	\$ 1,073,246	\$ -	\$ -	\$ 1,073,246
Contributions	870,695	177,366	(307,474)	740,587
Grants	324,938	-	-	324,938
Special Events	227,527	-	-	227,527
Unrealized/Realized Gains on Investments	-	157,372	-	157,372
United Way	100,000	-	-	100,000
Thrift Store, Net of Cost of Sales of \$1,095,148	77,660	-	-	77,660
Investment Income	-	87,740	-	87,740
Membership Dues	14,325	-	-	14,325
Miscellaneous	11,180	-	-	11,180
Net Assets Released from Restrictions	235,990	53,136	-	289,126
Total Revenue and Support	2,935,561	475,614	(307,474)	3,103,701
Functional Expenses				
<i>Program Services:</i>				
Social/Recreation	199,715	-	-	199,715
Athletic	254,522	-	-	254,522
Nutrition	273,808	-	-	273,808
Education	127,432	-	-	127,432
Individual Services	80,892	-	-	80,892
Arts and Crafts	80,298	-	-	80,298
Outdoor	107,871	-	-	107,871
Older Boys	101,895	-	-	101,895
Younger Boys	63,956	-	-	63,956
Juniors	92,725	-	-	92,725
Membership	91,448	-	-	91,448
Special Activities	82,271	-	-	82,271
Contribution to Club	-	307,474	(307,474)	-
<i>Supporting Services:</i>				
Administration	215,762	48,986	-	264,748
Fundraising -- Thrift Store	855,577	-	-	855,577
Fundraising -- Other	249,820	26,066	-	275,886
Total Functional Expenses	2,877,992	382,526	(307,474)	2,953,044
CHANGE IN UNRESTRICTED NET ASSETS	57,569	93,088	-	150,657

RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.

**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
FOR THE YEAR ENDED MAY 31, 2018**

	<u>Club</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined Total</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>				
Revenue and Support				
Contributions	196,028	6,892	-	202,920
Grants	17,000	-	-	17,000
Distributions from Beneficial Interest of Trust	-	(12,708)	-	(12,708)
Net Assets Released from Restrictions	(235,990)	(53,136)	-	(289,126)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(22,962)	(58,952)	-	(81,914)
CHANGE IN NET ASSETS	34,607	34,136	-	68,743
NET ASSETS -- BEGINNING OF YEAR	2,656,840	3,655,782	-	6,312,622
NET ASSETS -- END OF YEAR	\$ 2,691,447	\$ 3,689,918	\$ -	\$ 6,381,365

RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.

**COMBINING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2018**

	Club Program	Foundation Program	Club Administration	Foundation Administration
Salaries	\$ 730,982	\$ -	\$ 156,193	\$ 13,829
Payroll Taxes	70,410	-	15,045	1,066
Employee Benefits	27,434	-	5,862	1,030
Total Payroll Expenses	828,826	-	177,100	15,925
Program Activities	270,465	-	1,505	-
Occupancy	176,932	-	7,000	-
Professional Fees	76,320	-	5,622	5,866
Special Events	-	-	-	-
Depreciation	96,846	-	3,831	-
Office	48,309	-	8,207	308
Advertising and Promotion	7,920	-	-	-
Equipment Maintenance	28,567	-	1,538	-
Information Technology	8,160	-	680	-
Investment Fees	-	-	-	20,873
Travel	7,648	-	698	28
Miscellaneous	100	-	2,283	61
Staff Training	6,442	-	1,603	-
Conventions and Meetings	298	-	3,579	-
Bad Debt	-	-	-	5,107
Interest and Penalties	-	-	2,116	-
Insurance	-	-	-	818
Contribution to Club	-	307,474	-	-
Total	\$ 1,556,833	\$ -	\$ 215,762	\$ 48,986

Club Fundraising	Foundation Fundraising	Club Thrift Store Fundraising	Grand Total	Elimination Total	Combined Total
\$ 61,024	\$ 9,219	\$ 504,757	\$ 1,476,004	\$ -	\$ 1,476,004
5,878	711	48,619	141,729	-	141,729
2,290	687	18,944	56,247	-	56,247
69,192	10,617	572,320	1,673,980	-	1,673,980
4,332	-	16,520	292,822	-	292,822
739	-	100,757	285,428	-	285,428
69,025	-	4,198	161,031	-	161,031
63,892	-	81,630	145,522	-	145,522
404	-	35,020	136,101	-	136,101
6,366	-	18,778	81,968	-	81,968
26,319	15,449	3,461	53,149	-	53,149
1,536	-	2,966	34,607	-	34,607
680	-	11,902	21,422	-	21,422
-	-	-	20,873	-	20,873
2,161	-	4,931	15,466	-	15,466
5,174	-	1,433	9,051	-	9,051
-	-	-	8,045	-	8,045
-	-	1,523	5,400	-	5,400
-	-	-	5,107	-	5,107
-	-	138	2,254	-	2,254
-	-	-	818	-	818
-	-	-	307,474	(307,474)	-
\$ 249,820	\$ 26,066	\$ 855,577	\$ 2,953,044	\$ -	\$ 2,953,044

RAPID CITY CLUB FOR BOYS, INC. AND RAPID CITY CLUB FOR BOYS FOUNDATION, INC.

**COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2018**

	Club	Foundation	Eliminations	Combined Total
Cash Flows from Operating Activities				
Change in Net Assets	\$ 34,607	\$ 34,136	\$ -	\$ 68,743
<i>Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:</i>				
Depreciation	136,101	-	-	136,101
Unrealized/Realized Gains on Investments	-	(157,372)	-	(157,372)
Gain on the Sale of Equipment	(5,500)	-	-	(5,500)
Net Change in Present Value Discount of Promises to Give	-	(3,771)	-	(3,771)
Donated Stock	-	(25,793)	-	(25,793)
Distributions from Interest in Washburn Trust	-	12,708	-	12,708
Increase in Cash Surrender Value of Life Insurance	-	(12,964)	-	(12,964)
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>				
Proceeds from Sale of Donated Stock	-	25,793	-	25,793
Promises to Give	30,000	50,016	-	80,016
Grant and Other Receivables	(8,836)	-	-	(8,836)
Prepaid Expenses	126	-	-	126
Due from Club	-	4,963	(4,963)	-
Accounts Payable	(40,612)	-	4,963	(35,649)
Accrued Payroll and Taxes	(191,220)	24	-	(191,196)
Other Liabilities	5,109	-	-	5,109
Net Cash Used in Operating Activities	(40,225)	(72,260)	-	(112,485)
Cash Flows from Investing Activities				
Purchases of Property and Equipment	(60,684)	-	-	(60,684)
Proceeds from the Sale of Equipment	5,500	-	-	5,500
Purchases of Investments	-	(786,850)	-	(786,850)
Proceeds from Sales and Maturities of Investments	-	895,815	-	895,815
Net Cash Provided by (Used in) Investing Activities	(55,184)	108,965	-	53,781
Net Increase (Decrease) in Cash and Cash Equivalents	(95,409)	36,705	-	(58,704)
Cash and Cash Equivalents -- Beginning of Year	343,388	119,620	-	463,008
Cash and Cash Equivalents -- End of Year	\$ 247,979	\$ 156,325	\$ -	\$ 404,304