

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

COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
MAY 31, 2020



Ketel Thorstenson, LLP

Certified Public Accountants/Business & Personal Consultants

ktllp.com

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, 2020, 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, 2020, 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 22 through 27 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 31, 2020

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

**COMBINED STATEMENT OF FINANCIAL POSITION
MAY 31, 2020**

ASSETS

Current Assets

Cash and Cash Equivalents (Note 5)	\$	1,185,285
Grant Receivables		377,692
Promises to Give, Current Portion (Note 2)		136,219
Prepaid Expenses		26,963
Inventory		61,579
Total Current Assets		1,787,738

Property and Equipment, Net (Notes 2, 3, and 8)		3,654,367
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Other Assets

Promises to Give, Net of Current Portion (Note 2)		208,075
Investments (Note 5)		3,176,430
Beneficial Interest in Washburn Trust (Note 5)		268,307
Cash Surrender Value of Life Insurance		51,724
		3,704,536

TOTAL ASSETS	\$	9,146,641
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LIABILITIES AND NET ASSETS

Current Liabilities

Refundable Advance (Note 11)	\$	307,930
Accounts Payable		417,400
Accrued Payroll and Taxes		58,436
Accrued Vacation		60,340
Total Current Liabilities		844,106

Commitments (Note 8)

Net Assets

Without Donor Restrictions		
Board Designated Endowment (Note 6)		3,465,479
Undesignated		3,878,914
		7,344,393
With Donor Restrictions (Note 4)		958,142
Total Net Assets		8,302,535

TOTAL LIABILITES AND NET ASSETS	\$	9,146,641
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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, 2020**

NET ASSETS WITHOUT DONOR RESTRICTIONS

Revenue and Support

In-Kind Contributions	\$	991,474
Contributions (Notes 2 and 7)		888,540
Grants		389,451
Net Investment Return		153,278
Special Events		125,709
Thrift Store, Net of Cost of Sales of \$1,011,918		97,600
United Way		86,940
Miscellaneous		61,965
Membership Dues		11,414
Net Assets Released from Restrictions		1,705,104
Total Revenue and Support		4,511,475

Functional Expenses (Note 9)

Program Services:

Social/Recreation	219,207
Athletic	315,240
Nutrition	211,282
Education	96,401
Individual Services	76,789
Arts and Crafts	75,405
Outdoor	82,829
Older Boys	132,990
Younger Boys	90,851
Juniors	95,316
Membership	57,860
Special Activities	32,085

Supporting Services:

Administration	391,491
Fundraising -- Thrift Store	995,692
Fundraising -- Club	212,933

Total Functional Expenses	3,086,371
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CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,425,104
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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, 2020**

NET ASSETS WITH DONOR RESTRICTIONS

Revenue and Support

Contributions	1,980,554
Distributions from Beneficial Interest of Trust (Note 5)	(12,930)
Loss on Beneficial Interest of Trust	(23,937)
Net Assets Released from Restrictions	(1,705,104)

NET ASSETS WITH DONOR RESTRICTIONS **238,583**

CHANGE IN NET ASSETS **1,663,687**

NET ASSETS -- BEGINNING OF YEAR **6,638,848**

NET ASSETS -- END OF YEAR **\$ 8,302,535**

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, 2020**

	Social/ Recreation	Athletic	Nutrition	Education	Individual Services
Expenses					
Salaries	\$ 92,035	\$ 124,698	\$ 109,381	\$ 56,465	\$ 60,747
Payroll Taxes	7,057	9,561	8,387	4,329	4,658
Employee Benefits	2,273	3,080	2,702	1,395	1,500
Total Payroll Expenses	101,365	137,339	120,470	62,189	66,905
Thrift Store Cost of Goods Sold	-	-	-	-	-
Program Supplies and Other Costs	54,459	84,192	41,060	12,605	863
Occupancy	34,795	53,794	26,235	8,054	553
Depreciation	17,554	27,138	13,235	4,063	278
Professional Fees	2,296	2,296	2,296	2,296	2,296
Special Events					
Tree Cost of Sales	-	-	-	-	-
Contract Labor	-	-	-	-	-
Prizes	-	-	-	-	-
Printing	-	-	-	-	-
Supplies	-	-	-	-	-
Food	-	-	-	-	-
Other	-	-	-	-	-
Office	3,009	4,652	2,269	696	48
Information Technology	3,198	3,198	3,198	3,198	3,198
Advertising and Promotion	416	416	416	416	416
Equipment Maintenance	566	566	566	566	566
Travel	650	650	650	650	650
Staff Training	899	999	887	1,668	999
Insurance	-	-	-	-	-
Conventions and Meetings	-	-	-	-	-
Interest and Penalties	-	-	-	-	-
Miscellaneous	-	-	-	-	17
Total Expenses - All Activities - By Function	219,207	315,240	211,282	96,401	76,789
Less Thrift Store Cost of Goods Sold Included With Revenues on the Statement of Activities	-	-	-	-	-
Total Expenses Included in the Expense Section in the Statement of Activities	\$ 219,207	\$ 315,240	\$ 211,282	\$ 96,401	\$ 76,789

The accompanying notes are an integral part of this statement.

Program Services

	Arts and Crafts	Outdoor	Older Boys	Younger Boys	Juniors	Membership	Special Activities
\$	43,916	\$ 64,710	\$ 50,108	\$ 51,745	\$ 66,899	\$ 45,259	\$ 3,008
	3,367	4,962	3,842	3,967	5,130	3,470	231
	1,085	1,598	1,238	1,278	1,652	1,118	74
	48,368	71,270	55,188	56,990	73,681	49,847	3,313
	-	-	-	-	-	-	-
	9,428	1,243	34,602	12,812	6,699	-	1,450
	6,024	795	22,109	8,186	4,282	-	928
	3,039	401	11,154	4,130	2,159	-	468
	2,296	2,296	2,296	2,296	2,296	2,296	2,296
	-	-	-	-	-	-	-
	-	-	-	-	-	-	266
	-	-	-	-	-	-	5,780
	-	-	-	-	-	-	2,917
	-	-	-	-	-	-	4,117
	-	-	-	-	-	-	1,221
	-	-	-	-	-	-	2,580
	521	69	1,912	708	370	-	80
	3,198	3,198	3,198	3,198	3,198	3,198	3,198
	416	416	416	416	416	416	416
	566	566	566	566	566	566	566
	650	650	650	650	650	650	650
	899	1,925	899	899	999	887	1,839
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	75,405	82,829	132,990	90,851	95,316	57,860	32,085
	-	-	-	-	-	-	-
\$	75,405	\$ 82,829	\$ 132,990	\$ 90,851	\$ 95,316	\$ 57,860	\$ 32,085

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, 2020**

	Total Program	Administration	Fundraising Thrift Store	Fundraising-Other	Total
Expenses					
Salaries	\$ 768,971	\$ 181,261	\$ 572,153	\$ 29,793	\$ 1,552,178
Payroll Taxes	58,961	13,907	44,350	2,287	119,505
Employee Benefits	18,993	5,217	22,086	982	47,278
Total Payroll Expenses	846,925	200,385	638,589	33,062	1,718,961
Thrift Store Cost of Goods Sold	-	-	1,011,918	-	1,011,918
Program Supplies and Other Costs	259,413	84,019	25,318	1,899	370,649
Occupancy	165,755	53,682	148,154	1,214	368,805
Depreciation	83,619	27,083	38,500	612	149,814
Professional Fees	27,552	9,642	3,501	99,419	140,114
Special Events					
Tree Cost of Sales	-	-	52,411	-	52,411
Contract Labor	266	-	10,320	496	11,082
Prizes	5,780	-	-	10,760	16,540
Printing	2,917	-	-	5,430	8,347
Supplies	4,117	-	2,758	7,664	14,539
Food	1,221	-	738	2,274	4,233
Other	2,580	-	61	4,802	7,443
Office	14,334	6,715	47,559	107	68,715
Information Technology	38,376	3,198	6,222	3,198	50,994
Advertising and Promotion	4,992	416	2,029	40,780	48,217
Equipment Maintenance	6,792	566	11,239	566	19,163
Travel	7,800	650	6,746	650	15,846
Staff Training	13,799	887	1,086	-	15,772
Insurance	-	1,862	-	-	1,862
Conventions and Meetings	-	1,377	344	-	1,721
Interest and Penalties (Note 8)	-	999	-	-	999
Miscellaneous	17	10	117	-	144
Total Expenses - All Activities - By Function	1,486,255	391,491	2,007,610	212,933	4,098,289
Less Thrift Store Cost of Goods Sold Included With Revenues on the Statement of Activities	-	-	(1,011,918)	-	(1,011,918)
Total Expenses Included in the Expense Section in Statement of Activities	\$ 1,486,255	\$ 391,491	\$ 995,692	\$ 212,933	\$ 3,086,371
			Less Foundation		57,002
			Less Thrift Store		995,692
			Total Expenses Excluding Thrift Store and Foundation		\$ 2,033,677

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, 2020**

Cash Flows from Operating Activities	
Change in Net Assets	\$ 1,663,687
<i>Adjustments to Reconcile Change in Net Assets to</i>	
<i>Net Cash Provided by Operating Activities:</i>	
Depreciation	149,814
Unrealized/Realized Gains on Investments	(110,412)
Loss from Interest in Washburn Trust	23,937
Net Change in Present Value Discount of Promises to Give	27,424
Distributions from Interest in Washburn Trust	12,930
Contributions Restricted for Long-Term Purposes	(1,611,000)
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>	
Grant Receivables	(257,911)
Prepaid Expenses	(1,663)
Accounts Payable	(31,124)
Accrued Payroll and Taxes	(2,787)
Accrued Vacation	15,295
Other Liabilities	(17,007)
Refundable Advance	307,930
Net Cash Provided by Operating Activities	169,113
Cash Flows from Investing Activities	
Purchases of Property and Equipment	(1,024,636)
Purchases of Investments	(901,797)
Proceeds from Sales and Maturities of Investments	890,523
Proceeds from Sale of Beneficial Trust Assets	65,869
Net Cash Used in Investing Activities	(970,041)
Cash Flows From Financing Activities	
Collections of Contributions For Long-Term Purposes	1,352,500
Net Cash Provided by Investing Activities	1,352,500
Net Increase in Cash and Cash Equivalents	551,572
Cash and Cash Equivalents -- Beginning of Year	633,713
Cash and Cash Equivalents -- End of Year	\$ 1,185,285
Noncash Operating and Investing Activities	
Purchases of Property and Equipment Included in Accounts Payable	\$ 368,346

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, 2020

(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.

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 and Financial Statement Presentation

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The accounts of the Organization are reported in the following net asset categories:

Net Assets with Donor Restrictions – The part of net assets of the Organization that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). 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. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Donor-imposed restrictions related to contributions initially deemed conditional follow a simultaneous release policy and are recorded as net assets without donor restrictions if the restrictions expire in the same year the contributions are recognized.

Net Assets without Donor Restrictions – Net assets of the Organization that are not subject to donor-imposed restrictions and are available for general operations. The Board of Directors has designated certain net assets without donor restrictions for specific purposes (Note 6).

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 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2020

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

Inventory

Inventory consists 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 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

Investments

The Organization records its investments at fair value with changes in fair 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. Realized gains and losses from sales of investments are determined on a specific identity basis. Net investment return consists of interest and dividend income, realized and unrealized gains and losses, and external investment expenses. Amounts are recorded in the appropriate net asset accounts based on the existence of donor-imposed restrictions. Donated investments (which may include stocks and bonds) are recorded as revenue at the estimated fair market value on the date of contribution.

Investments are managed by professional investment managers whose performance is monitored by management and the Foundation's Board of Directors. Although the fair value of investments is subject to fluctuation on a year-to-year basis, management and the Foundation's Board of Directors 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 donated assets in the combined statement of cash flows, unless the donation is restricted for long-term purposes, in which case the proceeds are considered an investing activity.

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 donor 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 and a contract for a deed. A partnership interest previously held by the trust was sold during the year.

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, 2020

(1) Nature of Activities and 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 value. In addition, management reviews useful lives of long-lived assets annually. No assets were deemed impaired in 2020 based on management's analysis.

Revenue Recognition

Contributions and Promises to Give

Contributions of cash and other assets are recorded as support in the period received at their fair values and are distinguished between those that increase net assets with or without donor restriction. Unconditional promises to give are recognized upon donor notification as revenues in the period pledged. Amounts due after one year are recorded at their present value, using a discount rate of 5.0 percent per year. 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 met. Special events are considered to be contributions, as no significant exchange element exists. An allowance for uncollectible promises to give is estimated based on previous collection history, knowledge of the donor base, and potential collection problems. As of May 31, 2020, management determined all receivables were collectible, and accordingly, no allowance for bad debt has been recorded.

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, 2020, the Organization did not receive any donated services that qualified for reporting under the above criteria.

Grants

The Club receives grants from both federal and private sources. Each grant is analyzed to determine whether it is deemed an exchange transaction (where both the grantee and grantor receive commensurate benefits) or a contribution. All grants received during the year ended May 31, 2020 are considered contributions. Grants receivable at May 31, 2020 represent unconditional promises to give. Management has determined all amounts are collectible, resulting in no allowance for uncollectible amounts.

Thrift Store

Thrift store sales are recognized at the point of sale and are shown net of related sales tax.

Membership Dues

Boys purchase memberships that allow access to the Club and its activities. Due to uncertain collection, amounts are recognized as received.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was **\$48,217** for the year ended May 31, 2020.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MAY 31, 2020**

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

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. As such, no federal income tax is paid unless net income is derived from activities that are unrelated to their exempt activities. No such activities are conducted. At May 31, 2020, the Organization believes there are no significant uncertain tax positions or liabilities, or interest and penalties associated with uncertain tax positions.

Subsequent Events

Subsequent events have been evaluated through December 31, 2020, the date which the financial statements were available to be issued.

Adopted 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 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. The Organization early adopted the new guidance during the year ended May 31, 2020 using the modified retrospective method which was applied to contracts not completed as of June 1, 2019 (the date of initial application). Adoption of this standard was done concurrently with ASU 2018-08 (see below), resulting in certain grants previously accounted for as exchange transactions now being accounted for as contributions. No change to beginning net assets was required as a part of this change. Accounting policy changes are described above.

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 also assists 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 Organization adopted this standard during the year ended May 31, 2020 on a modified prospective basis for all agreements not completed as of May 31, 2019, which resulted in certain grants being reclassified from exchange transactions to conditional contributions and applying the simultaneous release option. No adjustment to beginning net assets was made and no material impact to the financial statements occurred.

Emerging Accounting Standard

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, 2020**

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

Emerging Accounting Standard (Continued)

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires that contributions of nonfinancial assets be reported in a separate line item within the Statement of Activities. Additional disclosures are also required, to include whether the contributions are monetized or utilized by the entity, the existence of any donor restrictions related to the assets, and how fair value was determined. The standard is effective for years beginning after June 15, 2021. The Organization will be evaluating the impact this standard will have on the financial statements.

(2) Promises to Give – Capital Campaign

The Organization is conducting a capital campaign anticipated to raise \$1.7 million. Funds are anticipated to be used as follows: Erickson building remodel \$842,000; lobby remodel \$248,000; roof replacement \$110,000; and staff investment \$500,000. Estimated remaining construction costs under signed contracts total approximately \$271,445. Construction was completed subsequent to year end.

Amounts contributed to the campaign from members of the Board of Directors total **\$260,646** with **\$211,646** still outstanding at May 31, 2020. Unconditional promises to give are as follows at May 31, 2020:

Receivable in Less than One Year	\$	136,219
Receivable in One to Five Years		245,927
		<hr/> 382,146
Less: Unamortized Discounts to Net Present Value		37,852
Net Unconditional Promises to Give	\$	344,294

(3) Property and Equipment

A summary of property and equipment is as follows at May 31, 2020:

Land	\$	551,315
Construction in Progress (Note 2)		1,361,308
Building and Improvements		2,847,798
Equipment and Furniture		363,549
Vehicles		309,698
		<hr/> 5,433,668
Less Accumulated Depreciation		1,779,301
	\$	3,654,367

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MAY 31, 2020**

(4) Net Assets With Donor Restrictions

Net assets with donor restrictions represent resources currently available for those operating purposes specified by the donor or restricted by the donor for a specified period and are available as follows at May 31, 2020:

<i>Foundation:</i>	
Timing Restriction	\$ 268,307
<i>Club:</i>	
Capital Campaign (Note 2)	655,966
Lord's Account - Christmas Family Sponsorship	33,869
	\$ 958,142

(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.

	Level One	Level Two	Level Three	Total
US Equities	\$ 870,985	\$ -	\$ -	\$ 870,985
International Equities	515,083	-	-	515,083
Other Assets	15,697	-	-	15,697
Bonds	-	591,526	-	591,526
Mixed Assets	-	729,977	-	729,977
Annuity	-	453,162	-	453,162
Total Investments	1,401,765	1,774,665	-	3,176,430
Beneficial Interest in Washburn Trust	-	-	268,307	268,307
	\$ 1,401,765	\$ 1,774,665	\$ 268,307	\$ 3,444,737

Money Market Accounts Included

in Cash and Cash Equivalents	\$ 121,630	\$ -	\$ -	\$ 121,630
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The following table represents a reconciliation of the activities for Level 3 financial instruments:

Balance - May 31, 2019	\$ 371,043
Distributions and Sales Proceeds	(78,799)
Loss on Interest in Beneficial Trust	(23,937)
Balance - May 31, 2020	\$ 268,307

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MAY 31, 2020**

(5) Investments and Fair Value Measurements (Continued)

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, 2020, the Board of Directors of the Foundation has designated **\$3,465,479** of net assets without donor restriction 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 net assets without donor restrictions.

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.

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, 2020 are as follows:

Board Designated Endowment Net Assets, Beginning	\$ 3,223,583
Investment Return	153,278
Contributions Designated for the Endowment	217,448
Net Assets Released from Restrictions	102,736
Amounts Appropriated for Expenditure	(231,566)
Board Designated Endowment Net Assets, Ending	\$ 3,465,479

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MAY 31, 2020**

(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. No income was received for the year ended May 31, 2020.

(8) Line of Credit

The Club has a \$100,000 bank line of credit which expires on February 1, 2021. The credit line bears interest at the Wall Street Journal prime rate plus a .25 percent margin and is secured by real estate. No borrowings on the line of credit existed at May 31, 2020.

(9) Expense Allocation

The cost of providing various programs and other activities has been summarized on a functional basis in the Combined Statement of Activities. The Combined Statement of Functional Expenses presents the natural classification detail of expenses by function. Certain expenses can be directly allocated to program or supporting functions. Other categories of expenses are attributable to more than one program or supporting function and require allocation on a reasonable basis that is consistently applied. Accordingly, these costs have been allocated based on estimated time and effort (e.g. salaries) or building square footage (e.g. occupancy).

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 costs of operating the Thrift Store are allocated to fundraising on the Combined Statements of Activities and Functional Expenses.

(10) Liquidity and Availability

The organization relies on in-kind contributions that support Thrift Store sales, cash contributions from the general public and certain grants to fund its operations. In the event of unanticipated liquidity needs, the Organization could utilize board designated endowment funds or borrow on its line of credit. At May 31, 2020, the Organization has the following financial assets available for general use within one year of the financial position date:

Cash and Cash Equivalents	\$	1,184,902
Grant Receivables		377,692
Promises to Give		344,294
Investments		3,176,430
Total Financial Assets		5,083,318
Less Club Donor Restrictions		689,835
Less Board Designations		3,465,479
Amounts Available for General Use Within One Year	\$	928,004

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

**NOTES TO FINANCIAL STATEMENTS (CONCLUDED)
MAY 31, 2020**

(11) Refundable Advance

The Organization was granted a \$307,930 loan under the Paycheck Protection Program (PPP) administered by the U.S. Small Business Administration (SBA) from a qualified lender. The loan is uncollateralized and is fully guaranteed by the SBA. The Organization may be eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Because the Organization anticipates forgiveness, this is considered a conditional contribution and funds received in advance of meeting the conditions are recorded as refundable advances. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. In addition, other requirements regarding salary and employee levels must be maintained.

For any portion of the loan not forgiven, repayment begins in November 2020. Monthly payments of \$17,344, including interest at 1 percent, would be required through April 2022.

(12) Current Economic Events

The Organization has been negatively impacted by the world-wide coronavirus pandemic. The Organization relies on contributions, grants, and investments earnings, all of which are subject to the continued uncertainty of the economy due to the pandemic. All of the Organization's services were limited to varying extents due to area school closures, temporary site closures, and reduced occupancy to meet social distancing recommendations. Service adaptations, to include nutrition pick up for children, have been made where possible.

The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.

SUPPLEMENTARY INFORMATION

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

**COMBINING STATEMENT OF FINANCIAL POSITION
MAY 31, 2020**

	Club	Foundation	Eliminations	Combined Total
<u>ASSETS</u>				
Current Assets				
Cash and Cash Equivalents	\$ 945,784	\$ 239,501	\$ -	\$ 1,185,285
Grant Receivables	377,692	-	-	377,692
Promises to Give, Current Portion	136,219	-	-	136,219
Prepaid Expenses	26,963	-	-	26,963
Inventory	61,579	-	-	61,579
Due from Club	-	5,036	(5,036)	-
Total Current Assets	1,548,237	244,537	(5,036)	1,787,738
Property and Equipment, Net	3,654,367	-	-	3,654,367
Other Assets				
Promises to Give, Net of Current Portion	208,075	-	-	208,075
Investments	-	3,176,430	-	3,176,430
Beneficial Interest in Washburn Trust	-	268,307	-	268,307
Cash Surrender Value of Life Insurance	-	51,724	-	51,724
	208,075	3,496,461	-	3,704,536
TOTAL ASSETS	\$ 5,410,679	\$ 3,740,998	\$ (5,036)	\$ 9,146,641
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Refundable Advance	\$ 307,930	\$ -	\$ -	\$ 307,930
Accounts Payable	422,436	-	(5,036)	417,400
Accrued Payroll and Taxes	56,632	1,804	-	58,436
Accrued Vacation	54,932	5,408	-	60,340
Total Current Liabilities	841,930	7,212	(5,036)	844,106
Net Assets				
Without Donor Restrictions				
Board Designated Endowment	-	3,465,479	-	3,465,479
Undesignated	3,878,914	-	-	3,878,914
	3,878,914	3,465,479	-	7,344,393
With Donor Restrictions	689,835	268,307	-	958,142
Total Net Assets	4,568,749	3,733,786	-	8,302,535
TOTAL LIABILITES AND NET ASSETS	\$ 5,410,679	\$ 3,740,998	\$ (5,036)	\$ 9,146,641

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, 2020**

	Club	Foundation	Eliminations	Combined Total
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>				
Revenue and Support				
In-Kind Contributions	\$ 991,474	\$ -	\$ -	\$ 991,474
Contributions	809,824	230,377	(151,661)	888,540
Grants	389,451	-	-	389,451
Net Investment Return	-	153,278	-	153,278
Special Events	125,709	-	-	125,709
Thrift Store, Net of Cost of Sales of \$1,011,918	97,600	-	-	97,600
United Way Grant	86,940	-	-	86,940
Miscellaneous	60,930	1,035	-	61,965
Membership Dues	11,414	-	-	11,414
Net Assets Released from Restrictions	1,602,368	102,736	-	1,705,104
Total Revenue and Support	4,175,710	487,426	(151,661)	4,511,475
Functional Expenses				
<i>Program Services:</i>				
Social/Recreation	219,207	-	-	219,207
Athletic	315,240	-	-	315,240
Nutrition	211,282	-	-	211,282
Education	96,401	-	-	96,401
Individual Services	76,789	-	-	76,789
Arts and Crafts	75,405	-	-	75,405
Outdoor	82,829	-	-	82,829
Older Boys	132,990	-	-	132,990
Younger Boys	90,851	-	-	90,851
Juniors	95,316	-	-	95,316
Membership	57,860	-	-	57,860
Special Activities	32,085	-	-	32,085
Contribution to Club	-	151,661	(151,661)	-
<i>Supporting Services:</i>				
Administration	359,312	32,179	-	391,491
Fundraising -- Thrift Store	995,692	-	-	995,692
Fundraising -- Other	188,110	24,823	-	212,933
Total Functional Expenses	3,029,369	208,663	(151,661)	3,086,371
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,146,341	278,763	-	1,425,104

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, 2020**

	Club	Foundation	Eliminations	Combined Total
<u>NET ASSETS WITH DONOR RESTRICTIONS</u>				
Revenue and Support				
Contributions	1,980,554	-	-	1,980,554
Distributions from Beneficial Interest of Trust	-	(12,930)	-	(12,930)
Loss on Beneficial Interest of Trust	-	(23,937)	-	(23,937)
Net Assets Released from Restrictions	(1,602,368)	(102,736)	-	(1,705,104)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
	378,186	(139,603)	-	238,583
CHANGE IN NET ASSETS	1,524,527	139,160	-	1,663,687
NET ASSETS -- BEGINNING OF YEAR	3,044,222	3,594,626	-	6,638,848
NET ASSETS -- END OF YEAR	\$ 4,568,749	\$ 3,733,786	\$ -	\$ 8,302,535

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, 2020**

	Club Program	Foundation Program	Club Administration	Foundation Administration
Salaries	\$ 768,971	\$ -	\$ 162,977	\$ 18,284
Payroll Taxes	58,961	-	12,496	1,411
Employee Benefits	18,993	-	4,025	1,192
Total Payroll Expenses	846,925	-	179,498	20,887
Thrift Store Cost of Goods Sold	-	-	-	-
Program Supplies & Other Costs	259,413	-	84,019	-
Occupancy	165,755	-	53,682	-
Depreciation	83,619	-	27,083	-
Professional Fees	27,552	-	2,296	7,346
Special Events:				
Tree Cost of Sales	-	-	-	-
Contract Labor	-	-	-	-
Prizes	-	-	-	-
Printing	-	-	-	-
Supplies	-	-	-	-
Food	-	-	-	-
Other	2,580	-	-	-
Office	14,334	-	4,641	2,074
Information Technology	38,376	-	3,198	-
Advertising and Promotion	4,992	-	416	-
Equipment Maintenance	6,792	-	566	-
Travel	7,800	-	650	-
Staff Training	13,799	-	887	-
Insurance	-	-	-	1,862
Conventions and Meetings	-	-	1,377	-
Interest and Penalties	-	-	999	-
Miscellaneous	17	-	-	10
Contribution to Club	-	151,661	-	-
Total	1,471,954	151,661	359,312	32,179
Less Thrift Store Cost of Goods Sold Included with Revenue on the Statement of Activities	-	-	-	-
Total Expenses Included in the Expense Section on the Statement of Activities	\$ 1,471,954	\$ 151,661	\$ 359,312	\$ 32,179

	Club Fundraising	Foundation Fundraising	Club Thrift Store Fundraising	Grand Total	Elimination Total	Combined Total
\$	23,698	\$ 6,095	\$ 572,153	\$ 1,552,178	\$ -	\$ 1,552,178
	1,817	470	44,350	119,505	-	119,505
	585	397	22,086	47,278	-	47,278
	26,100	6,962	638,589	1,718,961	-	1,718,961
	-	-	1,011,918	1,011,918	-	1,011,918
	1,899	-	25,318	370,649	-	370,649
	1,214	-	148,154	368,805	-	368,805
	612	-	38,500	149,814	-	149,814
	99,419	-	3,501	140,114	-	140,114
	-	-	52,411	52,411	-	52,411
	496	-	10,320	10,816	-	10,816
	10,760	-	-	10,760	-	10,760
	5,430	-	-	5,430	-	5,430
	7,664	-	2,758	10,422	-	10,422
	2,274	-	738	3,012	-	3,012
	4,802	-	61	7,443	-	7,443
	107	-	47,559	68,715	-	68,715
	3,198	-	6,222	50,994	-	50,994
	22,919	17,861	2,029	48,217	-	48,217
	566	-	11,239	19,163	-	19,163
	650	-	6,746	15,846	-	15,846
	-	-	1,086	15,772	-	15,772
	-	-	-	1,862	-	1,862
	-	-	344	1,721	-	1,721
	-	-	-	999	-	999
	-	-	117	144	-	144
	-	-	-	151,661	(151,661)	-
	188,110	24,823	2,007,610	4,235,649	(151,661)	4,083,988
	-	-	1,011,918	1,011,918	-	1,011,918
\$	188,110	\$ 24,823	\$ 995,692	\$ 3,223,731	\$ (151,661)	\$ 3,072,070

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, 2020**

	Club	Foundation	Eliminations	Combined Total
Cash Flows from Operating Activities				
Change in Net Assets	\$ 1,524,527	\$ 139,160	\$ -	\$ 1,663,687
<i>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</i>				
Depreciation	149,814	-	-	149,814
Unrealized/Realized Gains on Investments	-	(110,412)	-	(110,412)
Loss from Interest in Washburn Trust	-	23,937	-	23,937
Net Change in Present Value Discount of Promises to Give	27,424	-	-	27,424
Distributions from Interest in Washburn Trust	-	12,930	-	12,930
Contributions Restricted for Long Term Purposes	(1,611,000)	-	-	(1,611,000)
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>				
Grant Receivables	(257,911)	-	-	(257,911)
Prepaid Expenses	(1,663)	-	-	(1,663)
Accounts Payable	(31,124)	-	-	(31,124)
Accrued Payroll and Taxes	(2,533)	(254)	-	(2,787)
Accrued Vacation	15,294	1	-	15,295
Other Liabilities	(17,007)	-	-	(17,007)
Refundable Advance	307,930	-	-	307,930
Net Cash Provided by Operating Activities	103,751	65,362	-	169,113
Cash Flows from Investing Activities				
Purchases of Property and Equipment	(1,024,636)	-	-	(1,024,636)
Purchases of Investments	-	(901,797)	-	(901,797)
Proceeds from Sales and Maturities of Investments	-	890,523	-	890,523
Proceeds from Sale of Beneficial Trust Assets	-	65,869	-	65,869
Net Cash Provided by (Used in) Investing Activities	(1,024,636)	54,595	-	(970,041)
Cash Flows From Financing Activities				
Collections of Contributions For Long-Term Purposes	1,352,500	-	-	1,352,500
Net Cash Provided by Financing Activities	1,352,500	-	-	1,352,500
Net Increase in Cash and Cash Equivalents	431,615	119,957	-	551,572
Cash and Cash Equivalents -- Beginning of Year	514,169	119,544	-	633,713
Cash and Cash Equivalents -- End of Year	\$ 945,784	\$ 239,501	\$ -	\$ 1,185,285
Noncash Operating and Investing Activities				
Purchases of Property Included in Accounts Payable	\$ 368,346	\$ -	\$ -	\$ 368,346