

**RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC.,
AND HEARTLAND HEIGHTS APARTMENTS**

COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
MAY 31, 2023



**RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND
HEARTLAND HEIGHTS APARTMENTS LIMITED PARTNERSHIP**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

Rapid City Club for Boys, Inc., Rapid City Club for Boys Foundation, Inc., and Heartland Heights Apartments
Rapid City, South Dakota

Report on the Combined Financial Statements

Opinion

We have audited the accompanying combined financial statements of Rapid City Club For Boys, Inc., Rapid City Club For Boys Foundation, Inc., and Heartland Heights Apartments (the Organization), which comprise the combined statement of financial position as of May 31, 2023, 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 combined financial statements. Heartland Heights Apartments consists of Heartland Heights, LLC, Heartland Heights Apartments Limited Partnership, Heartland Heights II, LLC, and Heartland Heights Apartments II Limited Partnership and collectively will be referred to as Heartland Heights Apartments.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of May 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and there is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain other internal control matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying combining financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 combining financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2024 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



KETEL THORSTENSON, LLP
Certified Public Accountants

**RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND
HEARTLAND HEIGHTS APARTMENTS**

**COMBINED STATEMENT OF FINANCIAL POSITION
MAY 31, 2023**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 474,597
Restricted Cash	37,825
Accounts Receivable	22,217
Grant Receivables	46,750
Promises to Give, Current Portion	64,200
Prepaid Expenses	38,449
Inventory	72,288
Total Current Assets	756,326

Property and Equipment, Net **16,181,943**

Other Assets

Promises to Give, Net of Current Portion	19,958
Amounts Held by Foundation	87,233
Investments	4,316,788
Beneficial Interest in Washburn Trust	1,541
Cash Surrender Value of Life Insurance	51,724
Tax Credit Fees, Net of Accumulated Amortization of \$4,296	55,189
	4,532,433

TOTAL ASSETS **\$ 21,470,702**

LIABILITIES, NET ASSETS AND PARTNERSHIP EQUITY

Current Liabilities

Current Portion of Long Term Debt	\$ 4,838,508
Accounts and Retainage Payable	657,621
Accrued Payroll and Taxes	68,490
Accrued Vacation	70,202
Accrued Interest	1,576
Security Deposits and Prepaid Rent	40,456
Total Current Liabilities	5,676,853

Long Term Debt, Net of Current Portion **2,610,105**

Net Assets

Without Donor Restrictions	
Board Designated Endowment - Operations	4,095,631
Undesignated	3,910,265
	8,005,896
With Donor Restrictions	557,298
Total Net Assets	8,563,194

Partnership Equity (Deficit) - Heartland Heights **(302,726)**

Non-Controlling Interest - Heartland Heights **4,923,276**

TOTAL LIABILITES, NET ASSETS AND PARTNERSHIP EQUITY **\$ 21,470,702**

The accompanying notes are an integral part of this statement.

**RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND
HEARTLAND HEIGHTS APARTMENTS**

**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MAY 31, 2023**

NET ASSETS WITHOUT DONOR RESTRICTIONS

Revenue and Support

Contributions	\$	921,163
In-Kind Contributions		1,228,435
Grants		471,410
Special Events		398,295
Thrift Store, Net of Cost of Sales of \$1,268,278		100,846
Miscellaneous		105,237
Membership Dues		12,777
Apartment Rentals, Net of \$93,217 Vacancies		338,100
Net Investment Return (Loss)		(13,613)
Gain on Sale of Property and Equipment		9,990
Net Assets Released from Restriction		241,382
Total Revenue and Support		3,814,022

Functional Expenses

Program Services:

Social/Recreation	218,735
Athletic	406,555
Nutrition	362,372
Education	160,961
Individual Services	993,200
Arts and Crafts	79,551
Outdoor	134,513
Older Boys	137,749
Younger Boys	143,169
Juniors	139,678
Membership	90,902
Special Activities	34,595

Supporting Services:

Administration	735,401
Fundraising -- Thrift Store	1,139,721
Fundraising -- Other	221,473

Total Functional Expenses	4,998,575
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CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,184,553)
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**RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND
HEARTLAND HEIGHTS APARTMENTS LIMITED PARTNERSHIP**

**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MAY 31, 2023**

NET ASSETS WITH DONOR RESTRICTIONS

Revenue and Support

Contributions	78,984
United Way Grants	30,000
Net Assets Released from Restriction	(241,382)

CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS (132,398)

TOTAL CHANGE IN NET ASSETS (1,316,951)

**NET INCOME ATTRIBUTABLE TO
NON-CONTROLLING INTEREST** 398,681

NET ASSETS AND PARTNERSHIP EQUITY -- BEGINNING OF YEAR 9,178,738

NET ASSETS AND PARTNERSHIP EQUITY -- END OF YEAR \$ 8,260,468

NON-CONTROLLING INTEREST -- BEGINNING OF YEAR \$ 641,768

CONTRIBUTED CAPITAL 4,660,178

**NET INCOME AND MISCELLANEOUS ATTRIBUTABLE TO
NON-CONTROLLING INTEREST** (378,670)

NON-CONTROLLING INTEREST -- END OF YEAR \$ 4,923,276

The accompanying notes are an integral part of this statement.

**RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND
HEARTLAND HEIGHTS APARTMENTS**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2023**

	Social/ Recreation	Athletic	Nutrition	Education	Individual Services
Expenses					
Salaries	\$ 122,656	\$ 132,309	\$ 143,953	\$ 111,156	\$ 233,328
Payroll Taxes	9,718	10,483	11,406	8,807	26,345
Employee Benefits	10,846	11,699	12,729	9,829	12,850
Total Payroll Expenses	143,220	154,491	168,088	129,792	272,523
Thrift Store Cost of Goods Sold	-	-	-	-	-
Program Supplies and Other Costs	10,997	10,838	138,865	9,190	120,076
Occupancy	24,609	105,332	23,176	7,206	78,024
Depreciation	23,409	100,195	22,046	6,854	295,822
Professional Fees	6,375	525	525	525	102,418
Special Events					
Tree Cost of Sales	-	-	-	-	-
Contract Labor	-	-	-	-	-
Prizes	-	-	-	-	-
Printing	-	-	-	-	-
Supplies	-	-	-	-	-
Food	-	-	-	-	-
Other	-	-	-	-	-
Office	6,661	28,511	6,273	1,950	39,082
Information Technology	1,660	5,214	2,019	2,547	9,672
Advertising and Promotion	1,246	1,188	1,246	2,272	16,544
Interest and Penalties	-	-	-	-	-
Miscellaneous	-	-	-	-	1,721
Equipment Maintenance	-	-	-	-	43,691
Travel	-	-	-	-	7,153
Staff Training	558	261	134	625	6,474
Conventions and Meetings	-	-	-	-	-
Insurance	-	-	-	-	-
Total Expenses - All Activities - By Function	218,735	406,555	362,372	160,961	993,200
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	\$ 218,735	\$ 406,555	\$ 362,372	\$ 160,961	\$ 993,200

The accompanying notes are an integral part of this statement.

Program Services

Arts and Crafts	Outdoor	Older Boys	Younger Boys	Juniors	Membership	Special Activities
\$ 50,778	\$ 71,970	\$ 75,818	\$ 78,400	\$ 76,525	\$ 70,133	\$ 7,198
4,023	5,702	6,007	6,212	6,063	5,557	570
4,490	6,364	6,704	6,932	6,767	6,201	636
59,291	84,036	88,529	91,544	89,355	81,891	8,404
-	-	-	-	-	-	-
4,277	12,638	21,393	8,248	12,040	3,938	22,556
5,403	9,588	10,980	17,922	14,815	-	839
5,140	9,120	10,444	17,048	14,093	-	798
525	12,225	525	525	525	525	525
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,463	2,595	2,972	4,851	4,010	-	227
2,206	1,619	1,660	1,785	2,905	4,347	-
1,246	2,072	1,246	1,246	1,920	177	1,246
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	620	-	-	-	-	-
-	-	-	-	15	-	-
-	-	-	-	-	24	-
-	-	-	-	-	-	-
79,551	134,513	137,749	143,169	139,678	90,902	34,595
-	-	-	-	-	-	-
\$ 79,551	\$ 134,513	\$ 137,749	\$ 143,169	\$ 139,678	\$ 90,902	\$ 34,595

**RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND
HEARTLAND HEIGHTS APARTMENTS**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2023**

	Total Program	Administration	Fundraising Thrift Store	Fundraising Other	Total
Expenses					
Salaries	\$ 1,174,224	\$ 137,549	\$ 723,531	\$ 74,715	\$ 2,110,019
Payroll Taxes	100,893	10,843	57,326	5,901	174,963
Employee Benefits	96,047	10,733	63,976	6,130	176,886
Total Payroll Expenses	1,371,164	159,125	844,833	86,746	2,461,868
Thrift Store Cost of Goods Sold	-	-	1,268,278	-	1,268,278
Program Supplies and Other Costs	375,056	3,077	14,541	2,402	395,076
Occupancy	297,894	23,045	121,549	1,496	443,984
Depreciation and Amortization	504,969	21,921	40,623	1,423	568,936
Professional Fees	125,743	372,064	3,681	50,433	551,921
Special Events					
Tree Cost of Sales	-	-	59,072	6,910	65,982
Contract Labor	-	-	7,551	-	7,551
Prizes	-	-	200	10,842	11,042
Printing	-	-	-	6,623	6,623
Supplies	-	-	6,235	13,188	19,423
Food	-	-	1,681	9,065	10,746
Other	-	-	99	10,368	10,467
Office	98,595	8,415	18,072	405	125,487
Information Technology	35,634	13,659	6,724	6,975	62,992
Advertising and Promotion	31,649	4,217	4,497	14,481	54,844
Interest and Penalties	-	91,555	13	-	91,568
Miscellaneous	1,721	45	29	-	1,795
Equipment Maintenance	43,691	19,894	3,337	-	66,922
Travel	7,773	8,425	6,758	(54)	22,902
Staff Training	8,067	4,926	-	170	13,163
Conventions and Meetings	24	2,560	226	-	2,810
Insurance	-	2,473	-	-	2,473
Total Expenses - All Activities - By Function	2,901,980	735,401	2,407,999	221,473	6,266,853
Less Thrift Store Cost of Goods Sold Included With Revenues on the Statement of Activities	-	-	(1,268,278)	-	(1,268,278)
Total Expenses Included in the Expense Section in Statement of Activities	\$ 2,901,980	\$ 735,401	\$ 1,139,721	\$ 221,473	\$ 4,998,575
			Less Foundation		46,026
			Less Heartland Heights		1,056,156
			Less Thrift Store		1,139,721
Total Expenses Excluding Thrift Store, Foundation and Heartland Heights					\$ 2,756,672

**RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND
HEARTLAND HEIGHTS APARTMENTS**

**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2023**

Cash Flows from Operating Activities

Change in Net Assets	\$ (1,316,951)
<i>Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:</i>	
Depreciation	564,362
Amortization of Deferred Issuance Debt Costs and Tax Credit Fees	4,740
Unrealized/Realized Loss on Investments	61,913
Unrealized/Realized Loss on Amounts Held by Foundation	1,563
Gain from Property and Equipment Disposal	(9,990)
Net Change in Present Value Discount of Promises to Give	(4,232)
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>	
Accounts Receivable	(5,075)
Grant Receivables	20,949
Prepaid Expenses	(926)
Accounts and Retainage Payable	200,219
Accrued Payroll and Taxes	(9,975)
Accrued Vacation	10,583
Accrued Interest	(4,803)
Security Deposits and Prepaid Rent	19,987
Net Cash Used in Operating Activities	(467,636)

Cash Flows from Investing Activities

Payment of Tax Credit Fees	(59,485)
Proceeds from Sales of Property and Equipment	10,000
Purchases of Property and Equipment	(1,216,849)
Payment of Loan Costs	(10,000)
Purchases of Investments Held by Foundation	(1,651)
Sales of Investments Held by Foundation	5,359
Purchases of Investments	(1,132,899)
Proceeds from Sales and Maturities of Investments	946,556
Net Cash Used in Investing Activities	(1,458,969)

Cash Flows From Financing Activities

Payments of Long Term Debt	(6,439,296)
Proceeds from Long Term Debt	3,340,268
Capital Contribution - Heartland Heights	4,660,178
Collections of Contributions For Long-Term Purposes	95,994
Net Cash Provided by Investing Activities	1,657,144

Net Decrease in Cash, Cash Equivalents, and Restricted Cash (269,461)

Cash, Cash Equivalents, and Restricted Cash -- Beginning of Year 781,883

Cash, Cash Equivalents, and Restricted Cash -- End of Year \$ 512,422

Non Cash Operating, Investing and Financing Activities:

Construction in Progress and Land Purchase Financed with Construction Note Payable	\$ 5,650,400
Purchase of Property and Equipment in Accounts and Retainage Payable	367,420

Supplemental Disclosure of Cash Flow Information

Cash Paid for Interest Net of \$92,438 Capitalized	91,479
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The accompanying notes are an integral part of this statement.

RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND HEARTLAND HEIGHTS APARTMENTS

**NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023**

(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.

The Club's mission was expanded in 2021 to foster low-income housing. As part of this mission, construction of a low-income apartment building started in May 2021 and was completed in May 2022 through Heartland Heights Apartments Limited Partnership. Rentals of apartment units started in April 2022. Construction on a second low-income apartment building started in May 2022 through Heartland Heights Apartments II Limited Partnership. Other entities involved in the construction of the low-income apartment buildings are Heartland Heights, LLC, and Heartland Heights II, LLC. Collectively, these four entities will be referred to as Heartland Heights. See Note 10 for additional disclosures.

Principles of Combination

The combined financial statements include the accounts of the Club, the Foundation, and Heartland Heights Apartments. The Club approves the selection of certain members of the Board of Directors for the Foundation. The Club also controls Heartland Heights (Note 10). All significant inter-organization accounts and transactions between the entities (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 – Net assets of the Organization that are 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 5).

RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND HEARTLAND HEIGHTS APARTMENTS

**NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023**

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

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.

Restricted Cash

Restricted cash totaling **\$37,825** consists of amounts set aside to fulfill Heartland Heights Apartments partnership agreements (Note 10). This amount is included with cash and cash equivalents of **\$474,597** in the combined statement of cash flows, resulting in total cash and restricted cash of **\$512,422** at May 31, 2023.

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 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 \$1,500 that have a useful life of greater than one year are capitalized at cost. Donated property and equipment is stated at fair 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	3-20

Amounts Held by Foundation

The Amounts Held by Black Hills Area Community Foundation (BHACF) are invested in accordance with the BHACF's internal investment policies and are recorded at net asset value per share. Investment earnings, to include unrealized and realized gains/losses, benefit general operations unless donor stipulation states otherwise.

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. 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 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.

RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND HEARTLAND HEIGHTS APARTMENTS

**NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023**

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

Investments

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported.

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 of this trust, which is managed and held by an outside trustee. The 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. Most of the Trusts' assets were converted to cash and distributed to beneficiaries during the year ended May 31, 2023. The remaining Trust assets consist of cash.

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 the trust. The trust will dissolve once future conditions are met, and therefore, the end date cannot be determined at this time.

Tax Credit Fees

Tax Credit fees are being amortized over a fifteen year compliance period using the straight line method of amortization. Amortization expense for each of the next five years is expected to be \$3,966. As of May 31, 2023, tax credit fees of **\$41,864** are included in accounts payable due to South Dakota Housing Development Authority.

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 during the year ended May 31, 2023 based on management's analysis.

Debt Issuance Costs

Costs incurred in connection with the issuance of long-term debt are reported as a reduction of the related debt and amortized over the debt term. Amortization is reported as interest expense.

RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND HEARTLAND HEIGHTS APARTMENTS

**NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023**

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

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, 2023, management determined all receivables were collectible, and accordingly, no allowance for bad debt has been recorded.

Contributions received during the year ended May 31, 2023 from members of the Board of Directors totaled **\$129,226**.

Donated Materials

Contributions of supplies and materials are recorded at the estimated fair value on the date of the contribution. The majority of these contributions consist of household items (clothes and furniture) that are sold in the thrift store. The fair value is estimated based on subsequent sales. Amounts are not donor restricted.

Donated Services

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, 2023, 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, 2023 are considered contributions. Grants receivable at May 31, 2023 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.

Apartment Rentals

Rental revenue is derived from operating leases and is recognized pro rata over the term of the tenant rental agreement, which is one year or less. Amounts received in advance are included in prepaid rent. Rent receivables totaling **\$17,886** are included in accounts receivable on the combined statement of financial position and include an allowance of **\$628**. Management estimates the allowance based upon an evaluation of the status of the receivables, historical experience, and other factors, as necessary.

Advertising

Advertising costs are expensed as incurred and total **\$54,844** for the year ended May 31, 2023.

**RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND
HEARTLAND HEIGHTS APARTMENTS**

**NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023**

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

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.

Heartland Heights taxable income is reported to the members for inclusion with their taxable income. The members will take draws as necessary in order to meet their individual tax obligations on the earnings of Heartland Heights. The activities of Heartland Heights fall within the Club’s exempt purpose.

At May 31, 2023, 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 January 25, 2024, the date on which the financial statements were available to be issued.

Adopted Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, which provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. If the available accounting election is made, leases with a term of twelve months or less can be accounted for similar to existing guidance for operating leases. The Organization adopted this standard as of June 1, 2022, the beginning of the adoption period. Adoption did not materially impact the Organization’s financial statements as the only significant leases are short-term apartment rentals in which the Organization acts as lessor.

Non-Controlling Interest

Although the Club only owns 0.01 percent of the Heartland Heights project, they maintain control. The equity investors in the project receive the tax credits, own 99.9 percent, and are limited partners. The non-controlling interest presented on the combined statement of activities and changes in net assets represents the limited partner’s share of the Heartland Heights’ income or loss. The combined statement of financial position non-controlling interest represents the limited partners share of Heartland Heights assets in excess of liabilities.

(2) Promises to Give – Capital Campaign

The Organization conducted a capital campaign which concluded during the year ended May 31, 2020. The goal of the campaign was to raise funds for the remodel of the Erickson building and lobby, a roof replacement, and staff investment. The remaining promise to give balance is restricted for staff investment (Note 6). The remodel and roof replacement was completed during the year ended May 31, 2021. Amounts still outstanding from the Board of Directors total **\$49,000** at May 31, 2023.

RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND HEARTLAND HEIGHTS APARTMENTS

**NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023**

(2) Promises to Give – Capital Campaign

Unconditional promises to give are as follows at May 31, 2023:

Receivable in Less than One Year	\$	64,200
Receivable in One to Five Years		21,006
		<u>85,206</u>
Less: Unamortized 5 Percent Discount to Net Present Value		1,048
Net Unconditional Promises to Give	\$	<u>84,158</u>

(3) Property and Equipment

A summary of property and equipment is as follows at May 31, 2023:

Land - Club	\$	551,315
Land - Heartland Heights*		535,000
Construction in Progress - Heartland Heights*		6,008,460
Building and Improvements - Club		4,870,706
Building and Improvements - Heartland Heights*		5,511,055
Equipment and Furniture - Club		458,146
Equipment and Furniture - Heartland Heights*		566,207
Vehicles - Club		358,870
		<u>18,859,759</u>
Less Accumulated Depreciation		2,677,816
	\$	<u>16,181,943</u>

*These assets represent property leased to tenants under operating leases for low income apartments. Total accumulated depreciation and depreciation expense on leased assets is **\$307,840** as of and for the year ended May 31, 2023.

Construction of a low-income apartment building commenced in May 2022 (Note 10). Commitments related to this project total approximately \$960,000 at May 31, 2023. Interest capitalized was **\$92,438** for the year ended May 31, 2023. Accounts payable at May 31, 2023 includes **\$372,641** related to this project.

(4) 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., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND HEARTLAND HEIGHTS APARTMENTS

**NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023**

(4) Investments and Fair Value Measurements

In accordance with the fair value hierarchy, the following table shows the fair value as of May 31, 2023, of those financial assets that are measured at fair value on a recurring basis, according to the valuation techniques the Organization used to determine their fair value.

	Net Asset				Total
	Level One	Level Two	Level Three	Value Per Share	
US Equities	\$ 1,634,256	\$ -	\$ -	\$ -	\$ 1,634,256
International Equities	546,248	-	-	-	546,248
Other Assets	158,763	-	-	-	158,763
Bonds	-	816,333	-	-	816,333
Mixed Assets	-	609,394	-	-	609,394
Annuity	-	551,794	-	-	551,794
Total Investments	2,339,267	1,977,521	-	-	4,316,788
Black Hills Area Community Foundation	-	-	-	87,233	87,233
Beneficial Interest in Washburn Trust	-	-	1,541	-	1,541
	\$ 2,339,267	\$ 1,977,521	\$ 1,541	\$ 87,233	\$ 4,405,562
Money Market Accounts Included in Cash and Cash Equivalents	\$ 79,203	\$ -	\$ -	\$ -	\$ 79,203

The following table represents a reconciliation of the activities for Level 3 financial instruments:

Balance - May 31, 2022	\$ 1,541
Distribution from Beneficial Trust	-
Gain on Interest in Beneficial Trust	-
Balance - May 31, 2023	\$ 1,541

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.

The Amounts Held by Black Hills Area Community Foundation (BHACF) have been valued, as a practical expedient, at the net asset value of the Organization's share of BHACF's investment pools as of the measurement date. BHACF values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of BHACF, which include private placements and other securities for which prices are not readily available, are determined by the management of BHACF and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The amounts held by BHACF are not redeemable by the Organization.

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.

RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND HEARTLAND HEIGHTS APARTMENTS

**NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023**

(5) Endowed and Board Designated Funds

At May 31, 2023, the Board of Directors of the Foundation designated **\$4,095,631** 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, 2023 are as follows:

Board Designated Endowment Net Assets, Beginning	\$ 4,336,469
Investment Return	(30,903)
Contributions Designated for the Endowment	45,087
Amounts Appropriated for Expenditure	(255,022)
Board Designated Endowment Net Assets, Ending	\$ 4,095,631

(6) 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, 2023:

<i>Foundation:</i>	
Warder Scholarship Fund	\$ 47,867
Black Hills Area Community Foundation - Programs	17,426
Timing Restriction - Washburn Trust	1,541
<i>Club:</i>	
Staff Investment - Wages and Benefits	371,604
Christmas Family Sponsorship	51,819
United Way - Education	30,000
Specified Use Donations - Various Programs	37,041
	\$ 557,298

RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND HEARTLAND HEIGHTS APARTMENTS

**NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023**

(7) 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.

(8) Employee Benefits

The Organization maintains a 401(k) plan that provides for salary deferrals for all Club employees who meet certain eligibility requirements. Under provisions of the plan, employees may elect to contribute a percentage of their compensation to the plan subject to limitations prescribed by law. The Organization matches employee contributions at 2 percent of employee compensation, with an additional 50 percent on the next 4 percent of employee compensation, for a total potential match of 4 percent. Employer contributions totaled **\$47,654** for the year ended May 31, 2023.

(9) 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 reach out to past donors for assistance. At May 31, 2023, the Organization has the following financial assets available for general use within one year of the financial position date:

Cash and Cash Equivalents	\$	474,597
Accounts Receivable		22,217
Grant Receivables		46,750
Promises to Give		84,158
Amounts Held by Foundation		87,233
Investments		4,316,788
Beneficial Interest in Washburn Trust		1,541
Total Financial Assets		5,033,284
Less Donor Restrictions		557,298
Less Board Designations		4,095,631
Amounts Available for General Use Within One Year	\$	380,355

RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND HEARTLAND HEIGHTS APARTMENTS

**NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023**

(10) Heartland Heights

Heartland Heights Apartments Limited Partnership:

During the year ended May 31, 2021, the Organization entered into financing arrangements with investors using new market tax credits (NMTC) to construct a low-income apartment building. The NMTC's were allocated to the Heartland Heights Apartments Limited Partnership (HH), a community development entity, by the South Dakota Housing Development Authority (SDHDA). The limited partners of HH are non-Club affiliated, private investors who have invested \$4,660,178 into HH in exchange for the NMTC's. The general partner, Heartland Heights LLC (the LLC), maintains all control of HH, and its sole member is the Club. The activity of HH has been included in the combined financial statements based on control resting with the Club through its LLC ownership.

Construction on the low-income apartment building was finished in May 2022, and a final certificate of occupancy has been received. The building includes 41 units, all of which are to be utilized by lessees who qualify as low-income. A property manager oversees operations for a percentage of the rent (**\$25,092** for the year ended May 31, 2023), the limited partner receives a compliance monitoring fee (**\$4,100** for the year ended May 31, 2023), and the LLC receives a management fee (**\$-0-** for the year ended May 31, 2023). In addition, HH is required to maintain certain operating and replacement reserves (see restricted cash below). The Organization has guaranteed the delivery of the tax credits to the investors. The Organization would be required to act under the guarantee if for any reason there was a disallowance of the NMTC's.

In addition to investor contributions, the project was funded with bank and SDHDA loans (Note 11), as well as SDHDA grant dollars. The LLC is the project developer and will receive total fees of \$660,000 from HH for these services. \$480,000 remains to be paid as of May 31, 2023. All amounts are eliminated in financial statement combination. In addition, the LLC hired a project consultant on behalf of HH under a \$330,000 contract. A portion of this fee was due and payable during the year ended May 31, 2022. The remaining expense of **\$228,000** was incurred in 2023, with **\$180,000** included in accounts payable and due upon project stabilization.

Heartland Heights Apartments Limited Partnership II:

During the year ended May 31, 2022, the Organization entered into financing arrangements with investors using NMTC's to construct a second low-income apartment building. The NMTC's were allocated to the Heartland Heights Apartments Limited Partnership II (HH2), a community development entity, by SDHDA. The limited partners of HH2 are non-Club affiliated, private investors and will be investing approximately \$5,450,000 into HH2 in exchange for the NMTC's. HH2 received **\$20,010** in initial capital contributions during the year ended May 31, 2023. The remaining capital contributions were made in October 2023 when the construction loan was converted to permanent financing (Note 11). The general partner, Heartland Heights LLC II (LLC2), maintains all control of HH2, and its sole member is the Club. The activity of HH2 has been included in the combined financial statements based on control resting with the Club through its LLC2 ownership.

Construction on the low-income apartment building was finished in May 2023, and a final certificate of occupancy was received subsequent to year end. The building includes 41 units, all of which are to be utilized by lessees who qualify as low-income. The building is used for collateral on the construction loan (Note 11). A property manager will oversee operations for a percentage of the rent, the limited partner will receive an asset management fee, and the LLC2 will receive a compliance monitoring fee. In addition, HH2 will be required to maintain certain operating and replacement reserves. Operations for May 2023 were not significant. The Organization has guaranteed the delivery of the tax credits to the investors. The Organization would be required to act under the guarantee if for any reason there was a disallowance of the NMTC's.

RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND HEARTLAND HEIGHTS APARTMENTS

**NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023**

(10) Heartland Heights

Heartland Heights Apartments Limited Partnership II:

Permanent financing has been committed to by a bank for approximately \$697,000. This loan was closed subsequent to year end (Note 11). Additionally, permanent financing of approximately \$1,500,000 in HOME and HTF funds has been committed by SDHDA. A portion of these funds were drawn at May 31, 2023 (Note 11).

LLC2 is the project developer and will receive total fees of \$599,000 from HH2 for these services. Amounts applicable to the year ended May 31, 2023 totaled \$74,750 and have been eliminated in combination. In addition, LLC2 has hired a project consultant on behalf of the Partnership under a \$299,000 contract. **\$74,750** of this fee was due and payable in 2023.

New Market Tax Credits:

The new market tax credits are allocated to the Heartland Heights projects pursuant to Internal Revenue Code Section 42, which regulates the use of the apartment complex as to occupant eligibility and unit gross rent, among other requirements. Heartland Heights must meet the provisions of these regulations during each of fifteen consecutive years in order to continue to qualify to receive the tax credits. Failure to comply with occupant eligibility and/or unit gross rent, or to correct noncompliance within a specific time period, could result in recapture of the previously taken low-income housing tax credits plus interest. Such potential noncompliance may require an adjustment to the contributed capital by the limited partner. All units within this project are subject to the rent restrictions and qualified tenant restrictions are required by the Low Income Housing Tax Credit Program.

Restricted Cash:

Heartland Heights has set aside funds to repay tenant security deposits after lease termination in accordance with its partnership agreement. Restricted cash totals **\$18,526**, and tenant's security deposits total **\$31,652**, with **\$13,126** due from tenants at May 31, 2023.

Pursuant to the terms of the partnership agreement, Heartland Heights is also required to establish and maintain a replacement reserve, commencing in the month after issuance of a certificate of occupancy. As such, the first project requires deposits to be made at a rate of \$400 per unit per year, increasing by 3% each 12-month period thereafter. No disbursements are allowed in the first 24 months of operations. As a condition of the allocation of low-income housing credits and the HOME regulatory agreement, deposits made at a rate of \$400 per unit per year, increasing 3% annually, are required each year during the affordability period, commencing in 2022. Funds in the restricted replacement reserve total **\$19,299** at May 31, 2023 and must be used to fund the cost of building improvements and replacements.

Heartland Heights is also required to establish an operating deficit reserve at the stabilization date in the amount of \$181,553 in a segregated cash account. The reserve is to be used to pay operating deficits. As stabilization has not occurred as of May 31, 2023, the reserve was not yet funded.

RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND HEARTLAND HEIGHTS APARTMENTS

**NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023**

(11) Long Term Debt

Long term debt at May 31, 2023 is all related to Heartland Heights (Note 10) and consists of the following:

Heartland Heights Apartments:

Mortgage Payable to Security First Bank, monthly payments of \$2,911, including interest at 4.4 percent, through November 2037, at which time final balloon payment is due, secured by mortgage on the property and an assignment of all rents and leases. The note contains a due on demand clause; however, the bank has indicated no demand will be made if payment terms are complied with (d).	\$ 614,101
Mortgage Payable to South Dakota Development Housing Authority, variable monthly payments ranging from \$837 to \$4,000 through maturity in December 2053, non-interest bearing, total draws of \$1 million available, secured by mortgage on the property and assignment of all rents and leases.	900,000
Deferred Debt Issuance Costs, Net of Accumulated Amortization of \$445	(9,555)

Heartland Heights II Apartments:

Construction Loan Payable to Horizon Bank, due in full at maturity in April 2024, including interest at 3.75 percent, total draws of \$6 million available, secured by mortgage on the property and guarantees of related entities (a).	4,849,067
Mortgage Payable to South Dakota Development Housing Authority, variable monthly payments ranging from \$417 to \$2,833 through maturity in December 2056, non-interest bearing, total draws of \$400,000 available, secured by mortgage on the property (b).	300,000
Mortgage Payable to South Dakota Development Housing Authority, variable monthly payments ranging from \$1,333 to \$4,500 through maturity in December 2048, December 2048, non-interest bearing, total draws of \$1.1 million available, secured by mortgage on the property (c).	855,000
Deferred Debt Issuances Costs, Net of Accumulated Amortization of \$-0-	(60,000)
	<u>7,448,613</u>
Less: Current Maturities	<u>(4,838,508)</u>
	<u>\$ 2,610,105</u>

Maturities on long term debt, including amortization of debt issuance costs, as of May 31, 2023, are as follows:

2024	\$ 4,838,508
2025	109,362
2026	109,728
2027	110,110
2028	106,273
Thereafter	2,174,632
	<u>\$ 7,448,613</u>

(a) Subsequent to year-end, the construction loan was paid in full through partner equity investment (Note 10) and permanent financing with another bank (d). The loan totals of \$697,256 and is secured by a mortgage on the property and an assignment of all rents and leases. Monthly payments pf \$3,562, including interest of 5 percent are required through November 2038, at which time a balloon payment is due.

(b) Subsequent to year-end, an additional \$100,000 was drawn on this loan, bringing borrowings to 100 percent of the committed amount.

**RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND
HEARTLAND HEIGHTS APARTMENTS**

**NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023**

(11) Long Term Debt

(c) Subsequent to year-end, an additional \$285,000 was drawn on this note, bringing borrowings to 90 percent of the committed amount.

(d) A member of the Board of Directors is an employee and minority shareholder of this bank.

(12) Subsequent Events

Subsequent to year-end, plans were developed to construct a third low-income apartment building that would be structured in the same manner as the Heartland Heights projects. SDHDA approved the project and committed to tax credits totaling \$685,000. Commitments have been received from private investors and a community foundation to supplement SDHDA funding. If the SDHDA application is approved, construction will begin in June 2024.

SUPPLEMENTARY INFORMATION

**RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND
HEARTLAND HEIGHTS APARTMENTS**

**COMBINING STATEMENT OF FINANCIAL POSITION
MAY 31, 2023**

	Club	Foundation	Heartland Heights LLC	Heartland Heights LP
<u>ASSETS</u>				
Current Assets				
Cash and Cash Equivalents	\$ 105,581	\$ 70,918	\$ -	\$ 295,720
Restricted Cash	-	-	-	35,351
Accounts Receivable	3,802	-	480,000	10,241
Grant Receivables	46,750	-	-	-
Promises to Give, Current Portion	64,200	-	-	-
Prepaid Expenses	38,449	-	-	-
Inventory	72,288	-	-	-
Reimbursements Due from Club	-	6,580	-	-
Total Current Assets	331,070	77,498	480,000	341,312
Property and Equipment, Net	3,851,186	-	-	6,704,422
Other Assets				
Promises to Give, Net of Current Portion	19,958	-	-	-
Amounts Held by Foundation	-	87,233	-	-
Investments	364,995	3,951,793	-	-
Beneficial Interest in Washburn Trust	-	1,541	-	-
Cash Surrender Value of Life Insurance	-	51,724	-	-
Tax Credit Fees, Net of Accumulated Amortization	-	-	-	55,189
	384,953	4,092,291	-	55,189
TOTAL ASSETS	\$ 4,567,209	\$ 4,169,789	\$ 480,000	\$ 7,100,923
<u>LIABILITIES, NET ASSETS AND PARTNERSHIP EQUITY</u>				
Current Liabilities				
Current Portion of Long Term Debt	\$ -	\$ -	\$ -	\$ 26,941
Accounts and Retainage Payable	49,829	-	180,000	540,769
Accrued Payroll and Taxes	51,857	1,916	-	8,092
Accrued Vacation	64,794	5,408	-	-
Accrued Interest	-	-	-	1,576
Security Deposits and Prepaid Rent	-	-	-	24,331
Total Current Liabilities	166,480	7,324	180,000	601,709
Long Term Debt, Net of Current Portion	-	-	-	1,477,605
Net Assets				
Without Donor Restrictions				
Board Designated Endowment - Operations	-	4,095,631	-	-
Undesignated	3,910,265	-	-	-
	3,910,265	4,095,631	-	-
With Donor Restrictions	490,464	66,834	-	-
Total Net Assets	4,400,729	4,162,465	-	-
Partnership Equity - Heartland Heights	-	-	300,000	5,021,609
Non-Controlling Interest - Heartland Heights	-	-	-	-
TOTAL LIABILITIES, NET ASSETS AND PARTNERSHIP EQUITY	\$ 4,567,209	\$ 4,169,789	\$ 480,000	\$ 7,100,923

	Heartland Heights LLC 2	Heartland Heights LP 2	Eliminations	Combined Total
\$	-	\$ 2,378	\$ -	\$ 474,597
	-	2,474	-	37,825
	-	12,086	(483,912)	22,217
	-	-	-	46,750
	-	-	-	64,200
	-	-	-	38,449
	-	-	-	72,288
	-	-	(6,580)	-
	-	16,938	(490,492)	756,326
	-	6,343,210	(716,875)	16,181,943
	-	-	-	19,958
	-	-	-	87,233
	-	-	-	4,316,788
	-	-	-	1,541
	-	-	-	51,724
	-	-	-	55,189
	-	-	-	4,532,433
\$	-	\$ 6,360,148	\$ (1,207,367)	\$ 21,470,702
\$	-	\$ 4,811,567	\$ -	\$ 4,838,508
	-	377,515	(490,492)	657,621
	-	6,625	-	68,490
	-	-	-	70,202
	-	-	-	1,576
	-	16,125	-	40,456
	-	5,211,832	(490,492)	5,676,853
	-	1,132,500	-	2,610,105
	-	-	-	4,095,631
	-	-	-	3,910,265
	-	-	-	8,005,896
	-	-	-	557,298
	-	-	-	8,563,194
	-	15,816	(5,640,151)	(302,726)
	-	-	4,923,276	4,923,276
\$	-	\$ 6,360,148	\$ (1,207,367)	\$ 21,470,702

**RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND
HEARTLAND HEIGHTS APARTMENTS**

**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MAY 31, 2023**

	Club	Foundation	Heartland Heights LLC	Heartland Heights LP
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>				
Revenue and Support				
Contributions	\$ 1,085,072	\$ 45,087	\$ -	\$ -
In-Kind Contributions	1,228,435	-	-	-
Grants	471,410	-	-	-
Special Events	398,295	-	-	-
Thrift Store, Net of Cost of Sales of \$1,268,278	100,846	-	-	-
Miscellaneous	69,199	-	-	165,429
Membership Dues	12,777	-	-	-
Apartment Rentals, Net of Vacancies	-	-	-	337,099
Net Investment Return (Loss)	18,700	(32,313)	-	-
Gain on Sale of Property and Equipment	9,990	-	-	-
Net Assets Released from Restriction	242,792	(1,410)	-	-
Developer Fee	-	-	528,000	-
Total Revenue and Support	3,637,516	11,364	528,000	502,528
Functional Expenses				
<i>Program Services:</i>				
Social/Recreation	218,735	-	-	-
Athletic	406,555	-	-	-
Nutrition	362,372	-	-	-
Education	160,961	-	-	-
Individual Services	331,440	-	-	674,440
Arts and Crafts	79,551	-	-	-
Outdoor	134,513	-	-	-
Older Boys	137,749	-	-	-
Younger Boys	143,169	-	-	-
Juniors	139,678	-	-	-
Membership	90,902	-	-	-
Special Activities	34,595	-	-	-
Contribution to Club	-	208,996	-	-
<i>Supporting Services:</i>				
Administration	306,615	34,390	228,000	91,646
Fundraising -- Thrift Store	1,139,721	-	-	-
Fundraising -- Other	209,837	11,636	-	-
Total Functional Expenses	3,896,393	255,022	228,000	766,086
CHANGE IN NET ASSETS				
WITHOUT DONOR RESTRICTIONS	(258,877)	(243,658)	300,000	(263,558)

Heartland Heights LLC 2	Heartland Heights LP 2	Eliminations	Combined Total
\$ -	\$ -	\$ (208,996)	\$ 921,163
-	-	-	1,228,435
-	-	-	471,410
-	-	-	398,295
-	-	-	100,846
-	2,609	(132,000)	105,237
-	-	-	12,777
-	1,001	-	338,100
-	-	-	(13,613)
-	-	-	9,990
-	-	-	241,382
74,750	-	(602,750)	-
74,750	3,610	(943,746)	3,814,022
-	-	-	218,735
-	-	-	406,555
-	-	-	362,372
-	-	-	160,961
-	5,195	(17,875)	993,200
-	-	-	79,551
-	-	-	134,513
-	-	-	137,749
-	-	-	143,169
-	-	-	139,678
-	-	-	90,902
-	-	-	34,595
-	-	(208,996)	-
74,750	-	-	735,401
-	-	-	1,139,721
-	-	-	221,473
74,750	5,195	(226,871)	4,998,575
-	(1,585)	(716,875)	(1,184,553)

**RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND
HEARTLAND HEIGHTS APARTMENTS**

**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MAY 31, 2023**

	Club	Foundation	Heartland Heights LLC	Heartland Heights LP
<u>NET ASSETS WITH DONOR RESTRICTIONS</u>				
Revenue and Support				
Contributions	78,984	-	-	-
United Way Grants	30,000	-	-	-
Net Assets Released from Restriction	(242,792)	1,410	-	-
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS				
	(133,808)	1,410	-	-
TOTAL CHANGE IN NET ASSETS				
	(392,685)	(242,248)	300,000	(263,558)
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST				
	-	-	-	-
NET ASSETS AND PARTNERSHIP EQUITY -- BEGINNING OF YEAR				
	4,793,414	4,404,713	-	644,999
NET ASSETS AND PARTNERSHIP EQUITY -- END OF YEAR				
	\$ 4,400,729	\$ 4,162,465	\$ 300,000	\$ 381,441

NON-CONTROLLING INTEREST -- BEGINNING OF YEAR

CONTRIBUTED CAPITAL

NET INCOME AND MISCELLANEOUS ATTRIBUTABLE TO NON-CONTROLLING INTEREST

NON-CONTROLLING INTEREST -- END OF YEAR

<u>Heartland Heights LLC 2</u>	<u>Heartland Heights LP 2</u>	<u>Eliminations</u>	<u>Combined Total</u>
-	-	-	78,984
-	-	-	30,000
-	-	-	(241,382)
<hr/>			
-	-	-	(132,398)
<hr/>			
-	(1,585)	(716,875)	(1,316,951)
-	-	398,681	398,681
-	(2,609)	(661,779)	9,178,738
<hr/>			
\$ -	\$ (4,194)	\$ (979,973)	\$ 8,260,468
<hr/>			

\$ 641,768

4,660,178

(378,670)

\$ 4,923,276

**RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND
HEARTLAND HEIGHTS APARTMENTS**

**COMBINING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2023**

	Club Program	Foundation Program	Heartland Heights LLC Program	Heartland Heights LP Program	Heartland Heights LLC 2 Program
Salaries	\$ 1,086,226	\$ -	\$ -	\$ 86,830	\$ -
Payroll Taxes	86,063	-	-	14,700	-
Employee Benefits	96,047	-	-	-	-
Total Payroll Expenses	1,268,336	-	-	101,530	-
Thrift Store Cost of Goods Sold	-	-	-	-	-
Program Supplies & Other Costs	375,056	-	-	-	-
Occupancy	221,218	-	-	75,650	-
Depreciation and Amortization	210,430	-	-	312,414	-
Professional Fees	52,308	-	-	73,435	-
Special Events:					
Tree Cost of Sales	-	-	-	-	-
Contract Labor	-	-	-	-	-
Prizes	-	-	-	-	-
Printing	-	-	-	-	-
Supplies	-	-	-	-	-
Food	-	-	-	-	-
Other	-	-	-	-	-
Office	59,878	-	-	38,591	-
Information Technology	28,541	-	-	5,816	-
Advertising and Promotion	16,864	-	-	14,354	-
Interest and Penalties	-	-	-	-	-
Miscellaneous	-	-	-	1,597	-
Equipment Maintenance	-	-	-	43,177	-
Travel	620	-	-	6,969	-
Staff Training	6,945	-	-	907	-
Conventions and Meetings	24	-	-	-	-
Insurance	-	-	-	-	-
Contribution to Club	-	208,996	-	-	-
Total	2,240,220	208,996	-	674,440	-
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	\$ 2,240,220	\$ 208,996	\$ -	\$ 674,440	\$ -

Heartland Heights LP 2 Program	Club Administration	Foundation Administration	Heartland Heights LLC Administration	Heartland Heights LP Administration	Heartland Heights LLC 2 Administration
\$ 1,168	\$ 117,315	\$ 20,234	\$ -	\$ -	\$ -
130	9,295	1,548	-	-	-
-	10,373	360	-	-	-
1,298	136,983	22,142	-	-	-
-	-	-	-	-	-
-	3,077	-	-	-	-
1,026	23,045	-	-	-	-
-	21,921	-	-	-	-
-	61,731	7,583	228,000	-	74,750
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
126	6,238	2,177	-	-	-
1,277	13,659	-	-	-	-
431	4,217	-	-	-	-
-	(91)	-	-	91,646	-
124	30	15	-	-	-
514	19,894	-	-	-	-
184	8,425	-	-	-	-
215	4,926	-	-	-	-
-	2,560	-	-	-	-
-	-	2,473	-	-	-
-	-	-	-	-	-
5,195	306,615	34,390	228,000	91,646	74,750
-	-	-	-	-	-
\$ 5,195	\$ 306,615	\$ 34,390	\$ 228,000	\$ 91,646	\$ 74,750

	Heartland Heights LP 2 Administration	Club Fundraising	Foundation Fundraising	Club Thrift Store Fundraising	Grand Total	Elimination Total	Combined Total
\$	-	\$ 67,970	\$ 6,745	\$ 723,531	\$ 2,110,019	\$ -	\$ 2,110,019
	-	5,385	516	57,326	174,963	-	174,963
	-	6,010	120	63,976	176,886	-	176,886
	-	79,365	7,381	844,833	2,461,868	-	2,461,868
	-	-	-	1,268,278	1,268,278	-	1,268,278
	-	2,402	-	14,541	395,076	-	395,076
	-	1,496	-	121,549	443,984	-	443,984
	-	1,423	-	40,623	586,811	(17,875)	568,936
	-	50,433	-	3,681	551,921	-	551,921
	-	6,910	-	59,072	65,982	-	65,982
	-	-	-	7,551	7,551	-	7,551
	-	10,842	-	200	11,042	-	11,042
	-	6,623	-	-	6,623	-	6,623
	-	13,188	-	6,235	19,423	-	19,423
	-	9,065	-	1,681	10,746	-	10,746
	-	10,368	-	99	10,467	-	10,467
	-	405	-	18,072	125,487	-	125,487
	-	6,975	-	6,724	62,992	-	62,992
	-	10,226	4,255	4,497	54,844	-	54,844
	-	-	-	13	91,568	-	91,568
	-	-	-	29	1,795	-	1,795
	-	-	-	3,337	66,922	-	66,922
	-	(54)	-	6,758	22,902	-	22,902
	-	170	-	-	13,163	-	13,163
	-	-	-	226	2,810	-	2,810
	-	-	-	-	2,473	-	2,473
	-	-	-	-	208,996	(208,996)	-
	-	209,837	11,636	2,407,999	6,493,724	(226,871)	6,266,853
	-	-	-	(1,268,278)	(1,268,278)	-	(1,268,278)
\$	-	\$ 209,837	\$ 11,636	\$ 1,139,721	\$ 5,225,446	\$ (226,871)	\$ 4,998,575

**RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND
HEARTLAND HEIGHTS APARTMENTS**

**COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2023**

	Club	Foundation	Heartland Heights LLC	Heartland Heights LP
Cash Flows from Operating Activities				
Change in Net Assets	\$ (392,685)	\$ (242,248)	\$ 300,000	\$ (263,558)
<i>Adjustments to Reconcile Change in Net Assets to</i>				
<i>Net Cash Provided by (Used in) Operating Activities:</i>				
Depreciation	274,397	-	-	307,840
Amortization of Deferred Debt Issuance Costs and Tax				
Credit Fees	-	-	-	4,740
Unrealized/Realized Loss on Investments	(14,314)	76,227	-	-
Unrealized/Realized Loss on Amounts Held by				
Foundation	-	1,563	-	-
Gain from Property and Equipment Disposal	(9,990)	-	-	-
Net Change in Present Value Discount of				
Promises to Give	(4,232)	-	-	-
<i>Working Capital Changes Increasing</i>				
<i>(Decreasing) Cash:</i>				
Accounts Receivable	(3,802)	-	(480,000)	6,901
Grant Receivables	20,949	-	-	-
Prepaid Expenses	(926)	-	-	-
Due from Club	-	(569)	-	-
Accounts and Retainage Payable	(14,929)	-	180,000	509,534
Accrued Payroll and Taxes	(24,742)	50	-	8,092
Accrued Vacation	10,583	-	-	-
Accrued Interest	-	-	-	(4,803)
Security Deposits and Prepaid Rent	-	-	-	3,862
Net Cash Provided by (Used in) Operating Activities	(159,691)	(164,977)	-	572,608
Cash Flows from Investing Activities				
Payment of Tax Credit Fees	-	-	-	(59,485)
Proceeds from Sales of Property and Equipment	10,000	-	-	-
Purchases of Property and Equipment	(180,592)	-	-	(1,771,007)
Payment of Loan Costs	-	-	-	(10,000)
Purchases of Investments Held by Foundation	-	(1,651)	-	-
Sales of Investments Held by Foundation	-	5,359	-	-
Purchases of Investments	(488,764)	(644,135)	-	-
Proceeds from Sales and Maturities of Investments	138,083	808,473	-	-
Net Cash Provided By (Used in) Investing Activities	(521,273)	168,046	-	(1,840,492)
Cash Flows From Financing Activities				
Payments of Long Term Debt	-	-	-	(5,249,964)
Proceeds from Long Term Debt	-	-	-	2,185,268
Capital Contribution - Heartland Heights	-	-	-	4,640,168
Collections of Contributions For				
Long-Term Purposes	95,994	-	-	-
Net Cash Provided by (Used in) Financing Activities	95,994	-	-	1,575,472

Heartland Heights LLC 2	Heartland Heights LP 2	Eliminations	Combined Total
\$ -	\$ (1,585)	\$ (716,875)	\$ (1,316,951)
-	-	(17,875)	564,362
-	-	-	4,740
-	-	-	61,913
-	-	-	1,563
-	-	-	(9,990)
-	-	-	(4,232)
-	(12,086)	483,912	(5,075)
-	-	-	20,949
-	-	-	(926)
-	-	569	-
-	10,095	(484,481)	200,219
-	6,625	-	(9,975)
-	-	-	10,583
-	-	-	(4,803)
-	16,125	-	19,987
-	19,174	(734,750)	(467,636)
-	-	-	(59,485)
-	-	-	10,000
-	-	734,750	(1,216,849)
-	-	-	(10,000)
-	-	-	(1,651)
-	-	-	5,359
-	-	-	(1,132,899)
-	-	-	946,556
-	-	734,750	(1,458,969)
-	(1,189,332)	-	(6,439,296)
-	1,155,000	-	3,340,268
-	20,010	-	4,660,178
-	-	-	95,994
-	(14,322)	-	1,657,144

**RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND
HEARTLAND HEIGHTS APARTMENTS**

**COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2023**

	Club	Foundation	Heartland Heights LLC	Heartland Heights LP
Net Increase (Decrease) in Cash and Cash Equivalents	(584,970)	3,069	-	307,588
Cash and Cash Equivalents -- Beginning of Year	690,551	67,849	-	23,483
Cash and Cash Equivalents -- End of Year	\$ 105,581	\$ 70,918	\$ -	\$ 331,071
Non Cash Operating, Investing and Financing Activities:				
Construction in Progress and Land Purchase Financed with Construction Note Payable	\$ -	\$ -	\$ -	\$ -
Purchase of Property and Equipment in Accounts and Retainage Payable	-	-	-	-
Supplemental Disclosure of Cash Flow Information				
Cash Paid for Interest Net of \$92,438 Capitalized	-	-	-	91,479

Heartland Heights LLC 2	Heartland Heights LP 2	Eliminations	Combined Total
-	4,852	-	(269,461)
-	-	-	781,883
\$ -	\$ 4,852	\$ -	\$ 512,422

\$ - \$ 5,650,400 \$ - \$ 5,650,400

- 367,420 - 367,420

- - - 91,479

SINGLE AUDIT SECTION

**RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND
HEARTLAND HEIGHTS APARTMENTS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2023**

	Assistance Lising Number	Grant Identifying Number	Amount
U.S. DEPARTMENT OF THE TREASURY			
Passed through the State of South Dakota Housing Development Authority:			
Coronavirus Relief Fund	21.019; COVID 19	Unknown	\$ 7,500
TOTAL U.S. DEPARTMENT OF THE TREASURY			7,500
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the South Dakota Department of Education:			
Child and Adult Care Food Program (CACFP) (Note 3)	10.558	Unknown	97,817
<i>Child Nutrition Cluster:</i>			
Summer Food Service Program for Children (Note 3)	10.559	Unknown	56,793
TOTAL U.S. DEPARTMENT OF AGRICULTURE			154,610
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through the South Dakota Housing Development Authority:			
Home Investment Partnerships Program	14.239	Unknown	1,255,000
Housing Trust Fund	14.275	Unknown	300,000
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			1,555,000
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the South Dakota Department of Health:			
Health Disparity Grant	93.391	Unknown	49,388
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			49,388
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,766,498

Note 1 – Basis of Presentation and Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended May 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2 – Indirect Cost Rate

The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Cash Reimbursement

These amounts reflect cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursement for specific expenditures.

Note 4 – Loan Programs

The Organization was approved by the SDHDA to receive two loans totaling \$1 million and \$1.1 million under the Home Investment Partnership Program, and one loan under the Housing Trust Fund totaling \$400,000, to construct low income housing. The Organization spent \$1,555,000 of the total \$2,540,000 available during the year ending May 31, 2023. The balances owed at May 31, 2023 under these three loans total \$2,055,000.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors

Rapid City Club for Boys, Inc., Rapid City Club for Boys Foundation, Inc., and Heartland Heights Apartments
Rapid City, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rapid City Club for Boys, Inc., Rapid City Club for Boys Foundation, Inc., and Heartland Heights Apartments (the Organization), which comprise the statement of financial position as of May 31, 2023, and the related 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, and have issued our report thereon dated January 25, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as 2023-001, 2023-002, and 2023-003, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying Schedule of Findings. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KETEL THORSTENSON, LLP
Certified Public Accountants

January 25, 2024



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors

Rapid City Club for Boys, Inc., Rapid City Club for Boys Foundation, Inc., and Heartland Heights Apartments
Rapid City, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on the Major Federal Program

We have audited Rapid City Club for Boys, Inc., Rapid City Club for Boys Foundation, Inc., and Heartland Heights Apartments (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended May 31, 2023. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Unmodified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as 2023-001 and 2023-003 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as 2023-004 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Rapid City Club for Boys, Inc., Rapid City Club for Boys Foundation, Inc., and Heartland Heights Apartments

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



KETEL THORSTENSON, LLP
Certified Public Accountants

January 25, 2024

RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND HEARTLAND HEIGHTS APARTMENTS

**SCHEDULE OF FINDINGS
MAY 31, 2023**

A. SUMMARY OF AUDIT RESULTS

1. The independent auditor’s report expresses an unmodified opinion on the financial statements.
2. Material weaknesses and significant deficiencies disclosed during the audit of the financial statements are reported in the Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Organization were disclosed during the audit.
4. Material weaknesses disclosed during the audit of the major federal award program are reported in the Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The Independent Auditor’s Report on Compliance for the Major Federal Awards Program expresses an unmodified opinion on the major program, as listed in #7.
6. Audit findings relative to the major federal award program are Part C of this schedule.
7. The program tested as a major program includes the following:

Major Program	ALN #'s
<i>U.S. Department of Housing and Urban Development</i>	
Home Investment Partnerships Program	14.239
8. The threshold for distinguishing types A and B programs was \$750,000.
9. The Organization was not determined to be a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESSES

2023-001 FINDING: Combined Financial Statement Preparation and Schedule of Expenditures of Federal Awards Preparation

Federal Program Affected: U.S. Department of Housing and Urban Development Home Investment Partnerships Program ALN 14.239

Compliance Requirement: Reporting

Questioned Costs: N/A

Condition and Cause: We were requested to draft the audited combined financial statements and related footnote disclosures as part of our regular audit services as well as the Schedule of Expenditures of Federal Awards (SEFA). Ultimately, it is management’s responsibility to provide for the preparation of the Organization’s statements, footnotes, and SEFA, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint, we do both for the Organization at the same time in connection with our audit. This is not unusual for us to do this with Organizations of your size.

RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND HEARTLAND HEIGHTS APARTMENTS

**SCHEDULE OF FINDINGS
MAY 31, 2023**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESSES

2023-001 FINDING: Financial Statement Preparation and Schedule of Expenditures of Federal Awards

Criteria and Effect: It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by the Organization's management. In addition, management was unaware that Uniform Guidance requirements were necessary.

Repeat Finding From Prior Year: Yes, prior year finding 2022-001

Recommendation: As in prior years, we have instructed management to review a draft of the auditor prepared financials and SEFA in detail for their accuracy, we have answered any questions they might have, and we have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your statements. We are satisfied the appropriate steps have been taken to provide the Organization with the completed financial statements and SEFA. It is the responsibility of management and the Board of Directors to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response/Corrective Action Plan: The Organization agrees with the above Finding. See Corrective Action Plan.

2023-002 FINDING: Audit Adjustments

Federal Program Affected: N/A

Compliance Requirement: N/A

Questioned Costs: N/A

Condition and Cause: During the course of our engagement, we proposed several audit adjustments as well as reclassifications between accounts. The most significant adjustments included correcting net asset activity, adjusting Foundation investments, recording discount on promises to give, recording fixed asset activity and depreciation expense, making certain reclassifications, adjusting thrift store inventory, and correcting capital campaign revenue. In addition, we assisted with reconciling and recording Heartland Heights activity. Finally, we passed certain adjustments that were not deemed significant to record.

Criteria and Effect: These adjustments were not identified as a result of the Organization's existing internal controls, and therefore, resulted in a misstatement of the Organization's combined financial statements.

Repeat Finding From Prior Year: Yes, prior year finding 2022-002

Recommendation: The Organization should continue to refine its closing process to ensure all accounts are reconciled. In addition, Heartland Heights activity should be monitored and reconciled.

Response/Corrective Action Plan: The Organization agrees with the above Finding. See Corrective Action Plan.

2023-003 FINDING: Heartland Heights Monitoring

Federal Program Affected: U.S. Department of Housing and Urban Development Home Investment Partnerships Program ALN 14.239

Compliance Requirement: All applicable requirements

Questioned Costs: N/A

RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND HEARTLAND HEIGHTS APARTMENTS

**SCHEDULE OF FINDINGS
MAY 31, 2023**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESSES

Condition and Cause: During the course of our engagement, we found monitoring of the financial statements and internal controls has not been fully implemented in regard to Heartland Heights LP, Heartland Heights LLC, Heartland Heights LP2, and Heartland Heights LLC 2. We also noted approval documentation was not maintained for several internal control processes.

Criteria and Effect: It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by the Organization’s management.

Repeat Finding From Prior Year: No

Recommendation: Management should receive and review regular financial statement activity and determine reasonableness based on knowledge of activities and expectations developed. This should include monitoring compliance with tax credits. In addition, with apartment operations starting in late FY22, internal controls should be assessed to determine proper segregation of duties is occurring and that accounts are properly reconciled (e.g. tenant receivables and security deposits).

Response/Corrective Action Plan: The Organization agrees with the above Finding. See Corrective Action Plan.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AUDIT

Findings 2023-001 and 2023-003 listed in Part B are related to the major program as noted in the individual finding.

SIGNIFICANT DEFICIENCIES

2023-004 FINDING: Uniform Guidance Written Policies

Federal Program Affected: U.S. Department of Housing and Urban Development Home Investment Partnerships Program ALN 14.239

Compliance Requirement: Reporting

Questioned Costs: N/A

Condition and Cause: None of the required Uniform Guidance written polices are adopted by the Organization.

Criteria and Effect: Uniform Guidance requires certain organizational polices such as allowable costs, procurement, conflicts of interest and other polices to be adopted by the Organization to reduce the likelihood funds will be misused.

Repeat Finding From Prior Year: Yes, prior year finding 2022-005

Recommendations: The Organization should reviewed and adopted required Uniform Guidance polices.

Response/Corrective Action Plan: The Organization agrees with the above Finding. See Corrective Action Plan.

MANAGEMENT RESPONSE



Safe, Caring, & Fun!

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RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND HEARTLAND HEIGHTS APARTMENTS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS MAY 31, 2023

Rapid City Club For Boys, Inc., Rapid City Club For Boys Foundation, Inc., And Heartland Heights Apartments (the Organization), respectfully submits the following summary schedule of prior audit findings from the May 31, 2022 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2022 Schedule of Findings.

2022-001 FINDING: Combined Financial Statement Preparation and Schedule of Expenditures of Federal Awards Preparation

Status: It is more cost effective for the Organization to hire Ketel Thorstenson, LLP, a public accounting firm, to prepare the full disclosure financial statements and Schedule of Expenditures of Federal Awards as a part of the annual audit process. The Organization has designated a member of management to review the draft financial statements and accompanying notes to the financial statements.

Initial Year Report: Originally issued years ago.

Reasons for Recurrence and Corrective Action Plan: As the City has accepted the risk associated with the auditor's preparation of the financial statements and Schedule of Expenditures of Federal Awards, it will be repeated in 2023. See Corrective Action Plan.

2022-002 FINDING: Audit Adjustments

Status: The Organization made efforts to record all year-end entries, but several audit adjustments were made.

Initial Year Report: Originally issued years ago.

Reasons for Recurrence and Corrective Action Plan: The finding is altered based on specific audit adjustments each year, and is repeated in the Schedule of Findings. See Corrective Action Plan.

#2022-003 FINDING: Christmas Tree Sales

Status: The Organization made efforts to correct the finding and reconciled the number of trees sold to the number of trees purchased/leftover.

Initial Year Report: Originally issued in 2022.

Reasons for Recurrence and Corrective Action Plan: N/A

2022-004 FINDING: Accrued Liabilities

Status: The Organization reconciled the accrued liability accounts relating to payroll withholdings.

Initial Year Report: Originally issued in 2022.

Reasons for Recurrence and Corrective Action Plan: N/A



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RAPID CITY CLUB FOR BOYS, INC., RAPID CITY CLUB FOR BOYS FOUNDATION, INC., AND HEARTLAND HEIGHTS APARTMENTS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS MAY 31, 2023

2022-005 FINDING: Uniform Guidance Written Policies

Status: The Organization continues to make efforts to adopt Uniform Guidance written policies such as allowable costs, procurement, conflicts of interest and other policies to reduce the likelihood funds will be misused.

Initial Year Report: Originally issued in 2022.

Reasons for Recurrence and Corrective Action Plan: The finding is repeated in the Schedule of Findings. See Corrective Action Plan.



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CORRECTIVE ACTION PLAN MAY 31, 2023

Rapid City Club for Boys, Inc., Rapid City Club for Boys Foundation, Inc., and Heartland Heights Apartments respectfully submits the following corrective action plan regarding findings from the June 30, 2022 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2022 Schedule of Findings.

Finding No 2023-001: Financial Statement and SEFA Preparation

Responsible Individuals: Roni Williamson, Controller

Corrective Action Plan: The Organization has accepted the risk associated with the finding regarding the preparation of the combined financial statements and will continue to have the independent auditor prepare the annual consolidated financial statements.

Anticipated Completion Date: Ongoing

Finding No 2023-002: Audit Adjustments

Responsible Individuals: Roni Williamson, Controller

Corrective Action Plan: The Organization will review the adjusting entries and add notes to complete the entries as recommended. The Organization will also review entries throughout the year to ensure the recommendations are completed.

Anticipated Completion Date: Ongoing

Finding No 2023-003: Heartland Heights Apartments

Responsible Individuals: Roni Williamson, Controller

Corrective Action Plan: The Organization has met with Lloyd Property Management and has been receiving regular financial statements. The Organization will implement a plan to evaluate internal controls to ensure adequacy and effectiveness.

Anticipated Completion Date: Ongoing

Finding No 2023-004: Uniform Guidance Written Policies

Responsible Individuals: Roni Williamson, Controller

Corrective Action Plan: The Organization will adopt required Uniform Guidance policies.

Anticipated Completion Date: May 31, 2024