



**south dakota**  
**DEPARTMENT OF EDUCATION**

**Learning. Leadership. Service.**

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December 29, 2023

Jody Hernandez, Chief Executive Officer  
Boys & Girls Club of the Northern Plains  
1126 Southland Lane  
Brookings SD 57006

RE: Management Decision on Single Audit Report for the Year ended December 31, 2022

Dear Jody Hernandez:

The Department of Education has reviewed the Boys & Girls Club of the Northern Plains single audit report for the fiscal year referenced above. This letter provides the DOE's management decision on the audit finding and the Club's proposed corrective action plan that relates to the Federal awards administered by the DOE.

**Finding Number 2022-002:**

**COVID 19 Education Stabilization Fund – Governor's Emergency Education Relief Fund**

*Cause:* The Club has not implemented controls over equipment and real property management to comply with federal requirements.

**DOE Management Decision:** The DOE sustains the independent auditor's finding. The DOE accepts the Club's corrective action plan that accompanied the audit report. The Club provided the DOE a copy of its equipment and property inventory for the items purchased with the federal funds. The DOE expects that the Club will continue to maintain an inventory of these assets in accordance with the federal requirements.

If you have any questions or concerns, please feel free to contact Olivia Waggoner at (605)-773-3248.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rob Huffman".

Rob Huffman, Administrator  
Office of Grants Management

cc: Darcie Bien, Chief Finance Officer



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C/O 500 EAST CAPITOL  
PIERRE, SD 57501-5070  
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RUSSELL A. OLSON  
AUDITOR GENERAL

Date: October 12, 2023

To: SD Board of Internal Control (State Agency - SD Department of Education)

Re: Audit Report on – Boys & Girls Clubs of the Northern Plains, Inc.  
As of and for the year ended December 31, 2022  
By: Eide Bailly, LLP, CPAs

We have accepted the final report on the audit of the above-named entity conducted under the requirements of OMB Uniform Guidance.

OMB Uniform Guidance requires the State of South Dakota, as a direct recipient of federal assistance who provides federal awards to a subrecipient, to:

1. Ensure that subrecipients expending \$750,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Uniform Guidance for that fiscal year.
2. Ensure that the subrecipient takes timely and appropriate corrective action when the audit report discloses instances of noncompliance with federal laws and regulations.
3. Consider whether this subrecipient audit necessitates adjustment of your program records.

The accompanying audit report is submitted to you to help fulfill these requirements.

The report does identify audit findings and/or questioned costs pertaining to federal award programs administered by a State agency/department that are required to be reported in accordance with OMB Uniform Guidance, §200.516(a) as referenced on page 9 of the federal grant section of the audit report. Accordingly, the State is required to issue a management decision on the audit finding within six months after receipt of this audit report (OMB Uniform Guidance §200.331(d)(3)).

Please contact us if you have any questions.

Sincerely,

Russell A. Olson  
Auditor General

Enclosure



Financial Statements

December 31, 2022 and 2021

**Boys & Girls Club of the Northern  
Plains, Inc.**

Boys & Girls Club of the Northern Plains, Inc.

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December 31, 2022 and 2021

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## Independent Auditor's Report

The Board of Directors  
Boys & Girls Club of the Northern Plains, Inc.  
Brookings, South Dakota

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of Boys & Girls Club of the Northern Plains, Inc. (the Club), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Club as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and our 2022 audit in accordance with the standards applicable to financial audits in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). The 2021 audit was not required to be conducted in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the Club and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities of the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2023 on our consideration of the Club'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 Club'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 Club's internal control over financial reporting and compliance.

*Eide Bailly LLP*

Sioux Falls, South Dakota  
May 24, 2023

## Boys &amp; Girls Club of the Northern Plains, Inc.

## Statements of Financial Position

December 31, 2022 and 2021

|  | 2022                 | 2021                 |
|--|----------------------|----------------------|
| <b>Assets</b>  |                      |                      |
| Cash and cash equivalents                                  | \$ 655,733           | \$ 213,069           |
| Cash and cash equivalents                                  |                      |                      |
| Donor restricted   | 3,966,523            | 3,436,708            |
| Board designated for reserve                               | 1,287,029            | 1,937,041            |
| Accounts receivable  | 230,903              | 114,350              |
| Accounts receivable - Employee Retention Credit (ERC)      | 857,069              | -                    |
| Promises to give, net                                      | 304,014              | 420,578              |
| Promises to give - land leases                             | 71,407               | 71,484               |
| Prepaid expenses   | -                    | 10,112               |
| Certificates of deposit                                    | -                    | 219,437              |
| Investments  | 3,034,466            | 1,555,968            |
| Property and equipment, net                                | 11,850,133           | 11,706,168           |
| Endowment  |                      |                      |
| Cash - restricted for endowment                            | 70,934               | 307,060              |
| Promises to give, net                                      | 408,525              | 564,037              |
| Beneficial interest in assets held by community foundation | 42,118,534           | 47,419,074           |
|  | <u>\$ 64,855,270</u> | <u>\$ 67,975,086</u> |
| <b>Liabilities and Net Assets</b>                          |                      |                      |
| Accounts payable   | \$ 131,842           | \$ 58,794            |
| Accrued wages and compensation                             | 140,427              | 102,271              |
| Other accruals   | 3,801                | 2,821                |
| Deferred revenue   | 39,536               | 27,474               |
|  | <u>315,606</u>       | <u>191,360</u>       |
| <b>Net Assets</b>  |                      |                      |
| Without donor restrictions                                 |                      |                      |
| Undesignated   | 13,323,082           | 11,989,771           |
| Designated by the board for reserve                        | 2,919,823            | 3,048,891            |
|  | <u>16,242,905</u>    | <u>15,038,662</u>    |
| With donor restrictions                                    | <u>48,296,759</u>    | <u>52,745,064</u>    |
|  | <u>64,539,664</u>    | <u>67,783,726</u>    |
|  | <u>\$ 64,855,270</u> | <u>\$ 67,975,086</u> |



## Boys &amp; Girls Club of the Northern Plains, Inc.

## Statements of Activities

Years Ended December 31, 2022 and 2021

|   | 2022                          |                            |               | 2021                          |                            |               |
|---|-------------------------------|----------------------------|---------------|-------------------------------|----------------------------|---------------|
|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
| Revenue, Gains, and Other Support                                 |                               |                            |               |                               |                            |               |
| Contributions   | \$ 542,317                    | \$ 2,707,991               | \$ 3,250,308  | \$ 540,044                    | \$ 2,579,622               | \$ 3,119,666  |
| In-kind contributions   | 21,503                        | -                          | 21,503        | 20,160                        | -                          | 20,160        |
| Government contracts  | 150,000                       | -                          | 150,000       | 139,443                       | -                          | 139,443       |
| Grants  | 1,417,549                     | 108,877                    | 1,526,426     | 839,372                       | 56,420                     | 895,792       |
| Program service fees  | 811,465                       | -                          | 811,465       | 661,331                       | -                          | 661,331       |
| Net investment return   | (123,478)                     | -                          | (123,478)     | 34,055                        | -                          | 34,055        |
| Employee Retention Credit   | 857,069                       | -                          | 857,069       | -                             | -                          | -             |
| Gross special events revenue                                      | 361,397                       | -                          | 361,397       | 372,284                       | -                          | 372,284       |
| Less cost of direct benefits to donors                            | (72,046)                      | -                          | (72,046)      | (58,000)                      | -                          | (58,000)      |
| Net special events revenue  | 289,351                       | -                          | 289,351       | 314,284                       | -                          | 314,284       |
| Change in value of beneficial interest<br>in community foundation | -                             | (5,029,431)                | (5,029,431)   | 10,455                        | 3,134,593                  | 3,145,048     |
| Miscellaneous income  | 74,852                        | -                          | 74,852        | 67,585                        | -                          | 67,585        |
| Net assets released from restrictions                             | 2,235,742                     | (2,235,742)                | -             | 2,093,393                     | (2,093,393)                | -             |
| Total revenue, gains, and other support                           | 6,276,370                     | (4,448,305)                | 1,828,065     | 4,720,122                     | 3,677,242                  | 8,397,364     |
| Expenses  |                               |                            |               |                               |                            |               |
| Program services  | 4,085,539                     | -                          | 4,085,539     | 3,399,665                     | -                          | 3,399,665     |
| Support services  | 791,611                       | -                          | 791,611       | 675,515                       | -                          | 675,515       |
| Fundraising   | 194,977                       | -                          | 194,977       | 174,837                       | -                          | 174,837       |
| Total expenses  | 5,072,127                     | -                          | 5,072,127     | 4,250,017                     | -                          | 4,250,017     |
| Change in Net Assets  | 1,204,243                     | (4,448,305)                | (3,244,062)   | 470,105                       | 3,677,242                  | 4,147,347     |
| Net Assets - Beginning of Year                                    | 15,038,662                    | 52,745,064                 | 67,783,726    | 14,568,557                    | 49,067,822                 | 63,636,379    |
| Net Assets - End of Year  | \$ 16,242,905                 | \$ 48,296,759              | \$ 64,539,664 | \$ 15,038,662                 | \$ 52,745,064              | \$ 67,783,726 |

See Notes to Financial Statements

Boys & Girls Club of the Northern Plains, Inc.

Statements of Functional Expenses  
Years Ended December 31, 2022 and 2021

|  | 2022                |                   |                   |                     | 2021                |                   |                   |                     |
|--|---------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|---------------------|
|  | Program Services    | Support Services  | Fundraising       | Total               | Program Services    | Support Services  | Fundraising       | Total               |
| Salaries   | \$ 2,381,897        | \$ 462,412        | \$ 139,138        | \$ 2,983,447        | \$ 1,774,511        | \$ 439,421        | \$ 139,639        | \$ 2,353,571        |
| Payroll taxes  | 175,557             | 37,297            | 11,074            | 223,928             | 134,093             | 36,643            | 4,887             | 175,623             |
| Employee benefits  | 169,521             | 45,071            | 15,013            | 229,605             | 157,916             | 58,995            | 5,903             | 222,814             |
| Insurance  | 59,221              | 13,938            | -                 | 73,159              | 64,859              | 14,238            | -                 | 79,097              |
| Professional fees  | -                   | 53,670            | -                 | 53,670              | -                   | 44,351            | -                 | 44,351              |
| Program supplies   | 236,894             | 6,830             | -                 | 243,724             | 298,389             | 9,632             | -                 | 308,021             |
| Food   | 87,626              | -                 | -                 | 87,626              | 67,819              | -                 | -                 | 67,819              |
| Transportation   | 10,270              | -                 | -                 | 10,270              | 8,857               | 46                | -                 | 8,903               |
| Events and stewarding  | -                   | -                 | 93,646            | 93,646              | -                   | -                 | 79,350            | 79,350              |
| Maintenance and repairs  | 148,678             | 4,409             | -                 | 153,087             | 160,645             | 5,451             | -                 | 166,096             |
| Office expenses and occupancy  | 231,934             | 111,871           | 6,535             | 350,340             | 245,516             | 27,549            | 2,654             | 275,719             |
| Staff and board development  | 63,492              | 29,541            | 1,617             | 94,650              | 29,909              | 11,556            | 404               | 41,869              |
| Depreciation   | 504,646             | 26,572            | -                 | 531,218             | 456,714             | 27,620            | -                 | 484,334             |
| Miscellaneous  | 78                  | -                 | -                 | 78                  | 437                 | 13                | -                 | 450                 |
| Bad debt   | 15,725              | -                 | -                 | 15,725              | -                   | -                 | -                 | -                   |
|  | <u>4,085,539</u>    | <u>791,611</u>    | <u>267,023</u>    | <u>5,144,173</u>    | <u>3,399,665</u>    | <u>675,515</u>    | <u>232,837</u>    | <u>4,308,017</u>    |
| Less expenses included with revenues on the statements of activities |                     |                   |                   |                     |                     |                   |                   |                     |
| Cost of direct benefits to donors                                    | -                   | -                 | (72,046)          | (72,046)            | -                   | -                 | (58,000)          | (58,000)            |
|  | <u>\$ 4,085,539</u> | <u>\$ 791,611</u> | <u>\$ 194,977</u> | <u>\$ 5,072,127</u> | <u>\$ 3,399,665</u> | <u>\$ 675,515</u> | <u>\$ 174,837</u> | <u>\$ 4,250,017</u> |

## Boys &amp; Girls Club of the Northern Plains, Inc.

## Statements of Cash Flows

Years Ended December 31, 2022 and 2021

|   | 2022                | 2021                |
|---|---------------------|---------------------|
| Operating Activities  |                     |                     |
| Change in net assets  | \$ (3,244,062)      | \$ 4,147,347        |
| Adjustments to reconcile change in net assets to net cash used by operating activities: |                     |                     |
| Depreciation  | 531,218             | 484,334             |
| Contributions restricted to building project  | (1,500,000)         | -                   |
| Contributions restricted to endowment   | (1,020,205)         | (2,185,043)         |
| Non-cash contribution   | -                   | (114,046)           |
| Loss on investments at fair market value  | 200,424             | 4,442               |
| Loss on disposal of property and equipment  | 1,333               | -                   |
| Change in beneficial interest in community foundation                                   | 5,029,431           | (3,145,048)         |
| Changes in assets and liabilities:  |                     |                     |
| Accounts receivable   | (973,622)           | (15,394)            |
| Promises to give  | 112,791             | 295,404             |
| Prepaid expenses  | 10,112              | (1,283)             |
| Accounts payable  | 48                  | (16,247)            |
| Accrued liabilities   | 39,136              | 3,797               |
| Deferred revenue  | 12,062              | 2,376               |
| Net Cash Used By Operating Activities   | <u>(801,334)</u>    | <u>(539,361)</u>    |
| Investing Activities  |                     |                     |
| Purchases of investments  | (1,911,271)         | (449,625)           |
| Proceeds from investments   | 232,349             | 113,850             |
| Purchases of certificates of deposit  | -                   | (537,439)           |
| Maturities of certificates of deposit   | 219,437             | 2,062,373           |
| Contributions to community foundation, net of distributions received                    | 271,109             | (951,457)           |
| Proceeds from sale of property and equipment  | 1,000               | 2,000               |
| Purchase of property and equipment  | (604,516)           | (210,211)           |
| Net Cash (Used By) From Investing Activities  | <u>(1,791,892)</u>  | <u>29,491</u>       |
| Financing Activities  |                     |                     |
| Collections of contributions restricted to building project                             | 1,503,850           | 26,634              |
| Collections of contributions restricted to endowment                                    | 1,175,717           | 2,582,201           |
| Net Cash From Financing Activities  | <u>2,679,567</u>    | <u>2,608,835</u>    |
| Net Change in Cash and Cash Equivalents and Restricted Cash                             | 86,341              | 2,098,965           |
| Cash and Cash Equivalents and Restricted Cash, Beginning of Year                        | <u>5,893,878</u>    | <u>3,794,913</u>    |
| Cash and Cash Equivalents and Restricted Cash, End of Year                              | <u>\$ 5,980,219</u> | <u>\$ 5,893,878</u> |

Boys & Girls Club of the Northern Plains, Inc.

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

|   | <u>2022</u>         | <u>2021</u>         |
|---|---------------------|---------------------|
| Cash and cash equivalents   | \$ 655,733          | \$ 213,069          |
| Restricted cash and cash equivalents                                |                     |                     |
| Cash - donor restricted   | 3,966,523           | 3,436,708           |
| Cash - board designated for reserve                                 | 1,287,029           | 1,937,041           |
| Cash - restricted for endowment                                     | <u>70,934</u>       | <u>307,060</u>      |
|   | <u>\$ 5,980,219</u> | <u>\$ 5,893,878</u> |
| Supplemental Schedule of Noncash Investing and Financing Activities |                     |                     |
| Accounts payable for property and equipment                         | \$ 73,000           | \$ -                |

**Note 1 - Principal Activity and Significant Accounting Policies****Organization**

The Boys & Girls Club of the Northern Plains, Inc. (the Club) is a nonprofit organization promoting health, social, educational, vocational and character development and providing behavior guidance for youth in the South Dakota communities of Brookings, Flandreau (Moody County), Vermillion, and Yankton.

**Cash and Cash Equivalents**

The Club considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, other long-term purposes, or board designations are excluded from this definition.

**Restricted and Board Designated Cash and Cash Equivalents**

Amounts included in cash and cash equivalents - donor restricted represent contributions and grants received from donors/grantors which are subject to certain donor or grantor-imposed restrictions. The restrictions will lapse as the amounts are used for the specific purpose. Cash and cash equivalents - board designated for reserve represents amounts set aside by the board for future operating or property and equipment needs. Amounts in cash restricted for endowment represent contributions received for the Club's endowments. The amounts will be removed from cash as they are transferred to the community foundation.

**Receivables and Credit Policies**

Accounts receivable consist primarily of noninterest-bearing amounts due for childcare and grant receivables. Allowance for uncollectable accounts receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. There was no allowance considered necessary as of December 31, 2022 and 2021.

Receivables from contracts with customers are reported as accounts receivable in the accompanying statements of financial position. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position. Deferred revenue as of January 1, 2021 was \$25,098.

**Promises to Give**

The Club records unconditional promises to give expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. There was no allowance considered necessary as of December 31, 2022 and 2021.

**Accounts Receivable – Employee Retention Credit**

The Coronavirus Aid, Relief, and Economic Security Act provided an employee retention credit (the credit) which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The credit is equal to 50% of qualified wages paid to employees, capped at \$10,000 of qualified wages through December 31, 2020. The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 expanded the availability of the credit, extended the credit through September 30, 2021, and increased the credit to 70% of qualified wages, capped at \$7,000 per quarter. During the year ended December 31, 2022, the Club recorded a \$857,069 benefit related to the credit which is presented in the statements of activities as Employee Retention Credit (ERC).

The Club has elected to account for the credits by applying FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. Under this method, the Club records contribution revenue when the contribution is deemed to be unconditional, that is when there is no longer a measurable performance or other barrier and a right of return or release from obligation to pay the contribution. Management has determined that the contribution is unconditional.

**Certificates of Deposit**

The certificates of deposit (CDs) are non-brokered CDs with original maturities over 90 days carried at cost.

**Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less direct internal investment expenses and custodial fees.

**Property and Equipment**

The Club records property and equipment additions over \$2,000 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to thirty-nine years, or in the case of leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Club reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indications of asset impairment during the years ended December 31, 2022 and 2021.

**Beneficial Interest in Assets Held by Community Foundation**

The Club has placed donor restricted endowment funds that are perpetual in nature (the Funds) with the South Dakota Community Foundation (the CF), and named themselves as beneficiary. The Club granted variance power to the CF which allows the CF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the CF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Funds are held and invested by the CF for the Club's benefit and are reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for an operating and depreciation reserve.

*Net Assets with Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Club reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor 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.

**Revenue and Revenue Recognition**

The Club recognizes revenue from childcare and membership fees during the year in which the related services are provided to the children and their families. The performance obligation of delivering childcare and membership services is simultaneously received and consumed by the children and their families; therefore, the revenue is recognized ratably over the course of the year. Payment for childcare is required monthly. Payment for membership fees is required at the time of registration. All amounts received prior to the commencement of the services, including membership fees, are deferred to the applicable period. The Club records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference.

The Club recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received with conditions and restrictions are recognized as revenue that increases net assets without donor restrictions if those conditions are met and restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Consequently, at December 31, 2022 and 2021, contributions of \$67,000 and \$64,000, respectively, have not been recognized in the accompanying statements of activities because the condition on which they depend has not yet been met. The full amount is dependent on the donor agency meeting certain fundraising goals.

A portion of the Club's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Club has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. There were no refundable advances as of December 31, 2022 and 2021. The Club received cost-reimbursable grants of approximately \$390,000 and \$706,000 that have not been recognized at December 31, 2022 and 2021, respectively, because qualifying expenditures have not yet been incurred.

#### **Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received (Note 10).

#### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include maintenance and repairs, office expenses and occupancy, and depreciation, which are allocated on a square footage basis, as well as salaries, employee benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort.



### **Income Taxes**

The Club is a nonprofit organization other than a private foundation that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Club are eligible as deductible charitable contributions for federal income tax purposes. The Club is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Club is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Club has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Club believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Club would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Club to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

### **Financial Instruments and Credit Risk**

The Club manages deposit concentration risk by placing cash and cash equivalents and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Club has not experienced losses in any of these accounts. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2022 and 2021, the Club had approximately \$4,908,000 and \$3,995,000, respectively, in excess of FDIC-insured limits.

Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Club's mission. Investments are made up of diversified investment managers whose performance is monitored by management and the investment committee of the board of directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the board of directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Club.

**Change in Accounting Policy**

As of January 1, 2022, the Club adopted the provisions of Accounting Standards Update (ASU) No. 2020- 07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires enhanced presentation and disclosure of contributed nonfinancial assets. Management has adopted the amendments of this update on a retrospective basis, because it provides increased and more transparent disclosure around contributed nonfinancial assets.

**Subsequent Events**

The Club has evaluated subsequent events through May 24, 2023, the date which the financial statements were available to be issued.

**Note 2 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

|                                 | 2022                | 2021                |
|---------------------------------|---------------------|---------------------|
| Cash and cash equivalents       | \$ 655,733          | \$ 213,069          |
| Accounts receivable             | 1,087,972           | 114,350             |
| Promises to give                | 120,900             | 271,200             |
| Certificates of deposit         | -                   | 219,437             |
| Investments                     | 188,989             | -                   |
| Endowment - annual distribution | 1,443,000           | 1,210,000           |
|                                 | <u>\$ 3,496,594</u> | <u>\$ 2,028,056</u> |

The Club regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Club prepares an annual budget to manage liquidity and to determine general expenditures over the next 12 months. As part of a liquidity management plan, cash in excess of daily requirements is invested in certificates of deposit and mutual funds. In addition, the Board has designated a portion of operating surplus to its operating and depreciation reserve. In the event the need arises to utilize the board designated funds for liquidity purposes, the reserves of \$2,919,823 and \$3,048,891 for 2022 and 2021, respectively, could be drawn upon through board resolution.

The Club receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. The Club also receives gifts to be placed in their endowments with the community foundation that will exist in perpetuity; the income generated from such endowments is used to fund programs. Over the next 12 months, the Club expects to receive distributions from the endowments with the community foundation that are presented as a source of liquidity above.

**Note 3 - Promises to Give**

Unconditional promises to give are estimated to be collected as follows at December 31, 2022 and 2021:

|   | <u>2022</u>       | <u>2021</u>         |
|---|-------------------|---------------------|
| Within one year   | \$ 396,831        | \$ 455,407          |
| In one to five years  | 332,834           | 559,348             |
| Over five years   | <u>70,962</u>     | <u>71,058</u>       |
|   | 800,627           | 1,085,813           |
| Less discount to net present value at 5.50% in 2022 and 3.25% in 2021 | <u>(16,681)</u>   | <u>(29,714)</u>     |
|   | <u>\$ 783,946</u> | <u>\$ 1,056,099</u> |

Promises to give appear as follows in the statements of financial position:

|                                 | <u>2022</u>       | <u>2021</u>         |
|---------------------------------|-------------------|---------------------|
| Promises to give, net           | \$ 304,014        | \$ 420,578          |
| Promises to give - land leases  | 71,407            | 71,484              |
| Endowment promises to give, net | <u>408,525</u>    | <u>564,037</u>      |
|                                 | <u>\$ 783,946</u> | <u>\$ 1,056,099</u> |

At December 31, 2022 and 2021, two donors accounted for 41% and 39%, respectively, of total promises to give. Two contributors and one contributor accounted for approximately 75% and 39% of total contribution revenue for the years ended December 31, 2022 and 2021, respectively.

In 2005, the Club entered into an agreement with the City of Brookings to lease the land on which the main building was built. The term of the lease is for ninety-nine years, and a new lease may be negotiated at that time. At the termination of the lease, any improvements remaining on the premises shall become the property of the City of Brookings. No lease payments or rent is required during the term of the lease. Estimated fair value of the land lease at the time of inception was approximately \$46,000. Rent expense is being recognized monthly over the life of the lease based on the fair value estimate.

In 2015, the Club entered into an agreement with the Yankton School District to lease the land on which the Yankton facility was constructed. The term of the lease is for ninety-nine years with the option to renew for an additional twenty-five year term. At the termination of the lease, any improvements remaining on the premises shall become the property of the Yankton School District. No lease payments or rent is required during the term of the lease. Estimated fair value of the land lease at the time of inception was approximately \$26,000. Rent expense is being recognized monthly over the life of the lease based on the fair value estimate.

**Note 4 - Fair Value Measurements and Disclosures**

The Club reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset, or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

Boys & Girls Club of the Northern Plains, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

A significant portion of the investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values. The fair value of the beneficial interests in assets held by the community foundation is based on the fair value of fund investments as reported by the community foundation. This is considered to be a Level 3 measurement.

The following table presents assets measured at fair value on a recurring basis, at December 31, 2022 and 2021:

|  | Fair Value Measurements at Report Date Using                               |   |  |
|--|--|---|--|
|  | Quoted Prices<br>In Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <u>December 31, 2022</u>                                       |  |   |  |
| Investments  |  |   |  |
| Mutual Funds   |  |   |  |
| Short-term bonds   | \$ 1,212,684   | \$ -  | \$ -   |
| Corporate bonds  | 901,899  | -   | -  |
| Equity   | 892,258  | -   | -  |
| Alternatives   | 27,625   | -   | -  |
|  | <u>\$ 3,034,466</u>  | <u>\$ -</u>   | <u>\$ -</u>  |
| Beneficial interests in<br>assets held by community foundation | <u>\$ -</u>  | <u>\$ -</u>   | <u>\$ 42,118,534</u>                               |
| <u>December 31, 2021</u>                                       |  |   |  |
| Investments  |  |   |  |
| Mutual Funds   |  |   |  |
| Short-term bonds   | \$ 1,257,451   | \$ -  | \$ -   |
| Corporate bonds  | 147,126  | -   | -  |
| Equity   | 146,694  | -   | -  |
| Alternatives   | 4,697  | -   | -  |
|  | <u>\$ 1,555,968</u>  | <u>\$ -</u>   | <u>\$ -</u>  |
| Beneficial interests in<br>assets held by community foundation | <u>\$ -</u>  | <u>\$ -</u>   | <u>\$ 47,419,074</u>                               |

Boys & Girls Club of the Northern Plains, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Following is a reconciliation for Level 3 assets measured on a recurring basis for the years ended December 31, 2022 and 2021:

|   |                             |
|---|-----------------------------|
| Balance, December 31, 2020                    | \$ 43,322,569               |
| Total gains or losses                         |                             |
| Included in change in net assets, net of fees | 3,145,048                   |
| Purchases and sales                           |                             |
| Purchases (contributions to the CF)           | 2,403,663                   |
| Sales (distributions from the CF)             | <u>(1,452,206)</u>          |
| Balance, December 31, 2021                    | 47,419,074                  |
| Total gains or losses                         |                             |
| Included in change in net assets, net of fees | (5,029,431)                 |
| Purchases and sales                           |                             |
| Purchases (contributions to the CF)           | 1,411,843                   |
| Sales (distributions from the CF)             | <u>(1,682,952)</u>          |
| Balance, December 31, 2022                    | <u><u>\$ 42,118,534</u></u> |

There were no transfers into or out of Level 3.

**Note 5 - Property and Equipment**

Property and equipment consists of the following at December 31, 2022 and 2021:

|                               | 2022                        | 2021                        |
|-------------------------------|-----------------------------|-----------------------------|
| Land                          | \$ 394,140                  | \$ 394,140                  |
| Buildings and improvements    | 14,357,044                  | 14,255,854                  |
| Furniture and fixtures        | <u>1,717,666</u>            | <u>1,155,446</u>            |
|                               | 16,468,850                  | 15,805,440                  |
| Less accumulated depreciation | <u>(4,618,717)</u>          | <u>(4,099,272)</u>          |
|                               | <u><u>\$ 11,850,133</u></u> | <u><u>\$ 11,706,168</u></u> |

**Note 6 - Beneficial Interests in Assets Held by Community Foundation****Agency Funds**

Endowment funds have been established by the Club with the South Dakota Community Foundation (the CF) that name the Club as the designated beneficiary of distributions from the endowment. The CF distributes up to 5% of the 16-quarter trailing average balance of the endowment to the Club each year under these funds. In addition, a quasi-endowment fund has been established by the Club with the CF that names the Club as the beneficiary of distributions from the fund. The fund is not permanent in nature and the principal can be distributed. Distributions are made at the discretion of the CF. The market value of these funds, plus income or losses and less distributions and fees at December 31, 2022 and 2021 is as follows:

|                            | Brookings            | Moody<br>County     | Yankton             | Quasi<br>Endowment | Total                |
|----------------------------|----------------------|---------------------|---------------------|--------------------|----------------------|
| Balance, December 31, 2020 | \$ 28,791,955        | \$ 9,114,287        | \$ 5,286,074        | \$ 130,253         | \$ 31,488,579        |
| Contributions              | 27,356               | 533                 | 2,357,041           | 18,733             | 2,403,663            |
| Net investment gain        | 2,196,392            | 695,528             | 468,196             | 11,028             | 3,371,144            |
| Investment management fees | (146,120)            | (46,231)            | (33,172)            | (573)              | (226,096)            |
| Distributions              | (913,122)            | (290,693)           | (88,950)            | (159,441)          | (1,452,206)          |
| Balance, December 31, 2021 | 29,956,461           | 9,473,424           | 7,989,189           | -                  | 47,419,074           |
| Contributions              | 30,483               | 1,000,390           | 380,970             | -                  | 1,411,843            |
| Net investment gain        | (2,958,067)          | (1,024,712)         | (829,595)           | -                  | (4,812,374)          |
| Investment management fees | (132,892)            | (46,534)            | (37,631)            | -                  | (217,057)            |
| Distributions              | (1,195,976)          | (337,111)           | (149,865)           | -                  | (1,682,952)          |
| Balance, December 31, 2022 | <u>\$ 25,700,009</u> | <u>\$ 9,065,457</u> | <u>\$ 7,353,068</u> | <u>\$ -</u>        | <u>\$ 42,118,534</u> |

**Designated Funds**

Three endowment funds have been established by outside donors with the CF for the benefit of the Club; however, the CF has been given variance power by the donor. Distributions to the Club will be in accordance with distribution policies for endowment funds adopted by the CF. The Club does not recognize its interest in these funds until distributions are received. The funds totaled \$1,570,982 and \$1,831,544 at December 31, 2022 and 2021, respectively. Distributions received totaled \$74,353 and \$53,699 for the years ended December 31, 2022 and 2021, respectively.

**Note 7 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2022 and 2021:

|  | <u>2022</u>          | <u>2021</u>          |
|--|----------------------|----------------------|
| Subject to expenditure for specified purposes  |                      |                      |
| Brookings capital improvements   | \$ 2,688,211         | \$ 2,797,451         |
| Moody County capital improvements  | 1,617,797            | 186,406              |
| Yankton capital improvements   | 802,420              | 822,458              |
| Teen Court   | 90,000               | -                    |
| Transportation   | -                    | 11,285               |
| Scholarship  | 27,084               | 8,207                |
| Huether pool   | 13,693               | 16,789               |
| Program coordinator salary   | -                    | 17,080               |
| Promises to give - land lease  | 71,407               | 71,484               |
|  | <u>5,310,612</u>     | <u>3,931,160</u>     |
| Subject to the passage of time   |                      |                      |
| Promises to give that are not restricted by donors,<br>but which are unavailable for expenditure until due | 304,014              | 414,593              |
| Phone-a-thon   | -                    | 25,000               |
|  | <u>304,014</u>       | <u>439,593</u>       |
| Endowments   |                      |                      |
| Unconditional promises to give, net  |                      |                      |
| Brookings  | 13,808               | 23,629               |
| Yankton  | 394,717              | 540,408              |
| Cash designated/restricted for endowment   | 70,934               | 307,060              |
|  | <u>479,459</u>       | <u>871,097</u>       |
| Not subject to spending policy or appropriation  |                      |                      |
| Land including a reversionary interest   | 84,140               | 84,140               |
| Beneficial interest in assets held by community foundation   | 42,118,534           | 47,419,074           |
|  | <u>42,202,674</u>    | <u>47,503,214</u>    |
|  | <u>\$ 48,296,759</u> | <u>\$ 52,745,064</u> |



# Boys & Girls Club of the Northern Plains, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2022 and 2021:

|  | 2022         | 2021         |
|--|--------------|--------------|
| Expiration of time restrictions                            | \$ 298,365   | \$ 511,568   |
| Satisfaction of purpose restrictions                       |              |              |
| Brookings capital improvements                             | 109,240      | 15,417       |
| Moody County capital                                       | 68,609       | 6,555        |
| Yankton capital  | 20,038       | 12,954       |
| Tobacco education  | -            | 32,731       |
| Transportation   | 11,285       | 9,181        |
| Food programs  | -            | 68,489       |
| COVID Relief - Project Learning and training               | -            | 141,987      |
| Huether pool   | 3,096        | 51           |
| Promises to give - land lease                              | 77           | 85           |
| SD Humanities - Program Coordinator Salary                 | 17,080       | -            |
| Phone-a-thon   | 25,000       | -            |
| Distributions (proceeds are not restricted by donors)      |              |              |
| Beneficial interest in assets held by community foundation | 1,682,952    | 1,294,375    |
|  | \$ 2,235,742 | \$ 2,093,393 |

## Note 8 - Retirement Plan

The Club sponsors a defined contribution 401(k) plan (the Plan) covering substantially all employees. The Plan provides that employees over 18 years of age, one year of employment and 1,000 hours of service can voluntarily contribute a percentage of their earnings to the Plan up to the maximum contribution allowed by the IRS. Employer contributions are discretionary and are determined and authorized by the Board of Directors each plan year. During the years ended December 31, 2022 and 2021, the Club matched employee voluntary contributions up to 5%, resulting in contributions to the Plan of \$56,373 and \$64,341, respectively.

## Note 9 - Related Party Transactions

The Club engaged in the following related party transactions with board members and their affiliated companies as of or for the years ended December 31, 2022 and 2021:

|                                    | 2022      | 2021      |
|------------------------------------|-----------|-----------|
| Board and advisory members         |           |           |
| Promises to give as of December 31 | \$ 52,069 | \$ 47,194 |
| Contributions                      | 47,750    | 238,698   |

**Note 10 - In-kind Contributions**

For the years ended December 31, 2022 and 2021, in-kind contributions recognized within the statements of activities included the following:

|                               | 2022             | 2021             |
|-------------------------------|------------------|------------------|
| Professional fees             | \$ 5,630         | \$ 6,609         |
| Events and stewarding         | 12,016           | 11,918           |
| Maintenance and repairs       | 639              | 1,103            |
| Office expenses and occupancy | 3,218            | 530              |
|                               | <u>\$ 21,503</u> | <u>\$ 20,160</u> |

Contributed professional fees are for accounting and legal services provided by auditors who prepare the annual audit and by attorneys who advise the organization on various administrative legal matters and are used for support services.

Contributed events and stewarding expenses include advertising, early-bird prizes, raffle prizes and insurance and are used in fundraising services.

Contributed maintenance and repairs is provided by a pest control service to keep our buildings safe and free from pests and are used in program services. Contributed office expenses and occupancy includes amortization of the land leases for Brookings and Yankton.

All gifts-in-kind received during the years ended December 31, 2022 and 2021 were unrestricted and are recognized at fair value based on current rates for similar goods and services with exception of land leases which are based on rates of similar properties in the respective areas.

**Note 11 - Commitments and Contingencies****Employee Retention Credit**

The Club's credit filings for the Employee Retention Credit remain open for potential examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2027. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government.

**Construction Contracts**

The Club has entered into construction contracts relating to facility master planning and facility expansion. The remaining commitment on the contracts as of December 31, 2022 is approximately \$2,400,000.



Federal Awards Reports in Accordance  
with the Uniform Guidance  
December 31, 2022

# Boys & Girls Club of the Northern Plains, Inc

|   |   |
|---|---|
| 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 <i>Government Auditing Standards</i> ..... | 1 |
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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***

To the Board of Directors  
Boys & Girls Club of the Northern Plains, Inc.  
Brookings, South Dakota

We have audited, 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, the financial statements of Boys & Girls Club of the Northern Plains, Inc (Club), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, 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 May 24, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Club'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 Club's internal control. Accordingly, we do not express an opinion on the effectiveness of the Club'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 Club'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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Club'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*.

## **The Club's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Club's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Club'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Sioux Falls, South Dakota  
May 24, 2023



**Independent Auditor’s Report on Compliance for the Major Federal Program;  
Report on Internal Control over Compliance; and Report on the Schedule of Expenditures  
of Federal Awards Required by the Uniform Guidance**

To the Board of Directors  
Boys & Girls Club of the Northern Plains, Inc  
Brookings, South Dakota

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Boys & Girls Club of the Northern Plains, Inc’s (Club) 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 the Club’s major federal program for the year ended December 31, 2022. The Club’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Club 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 the major federal program. Our audit does not provide a legal determination of the Club’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 Club's federal program.

### ***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 Club'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 GAAS, *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 Club's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Club'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 Club'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 Club'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.



## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2022-002. Our opinion on the major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Club's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Club'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.

## **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 a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

*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. *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 and questioned costs as item 2022-002 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 Club's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Club'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.

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.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Club as of and for the year ended December 31, 2022, and have issued our report thereon dated May 24, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Eide Bailly LLP*

Sioux Falls, South Dakota  
May 24, 2023

Boys & Girls Club of the Northern Plains, Inc  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2022

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title     | Federal<br>Financial<br>Assistance<br>Listing | Pass-through<br>Entity<br>Identifying<br>Number | Expenditures      |
|--|---|---|-------------------|
| Department of Education  |   |   |                   |
| Passed through State of South Dakota                                 |   |   |                   |
| Department of Education  |   |   |                   |
| Twenty-First Century Community                                       |   |   |                   |
| Learning Centers   | 84.287C                                       | S287C220042                                     | \$ 194,444        |
| COVID-19 -Education Stabilization Fund                               | 84.425C                                       | 2021G-797                                       | 492,390           |
| Total Department of Education  |   |   | <u>686,834</u>    |
| Department of Agriculture  |   |   |                   |
| Passed through State of South Dakota                                 |   |   |                   |
| Department of Education  |   |   |                   |
| Child Nutrition Cluster  |   |   |                   |
| Summer Food Service Program for Children                             | 10.559  | 2022G-SFSP05405                                 | 11,920            |
| Total Department of Agriculture                                      |   |   | <u>11,920</u>     |
| Department of Health and Human Services                              |   |   |                   |
| Passed through State Department of Health South                      |   |   |                   |
| Dakota Alliance  |   |   |                   |
| Title V State Sexual Risk Avoidance Education                        |   | 2001SDSRAE;                                     |                   |
| (Title V State SRAE) Program   | 93.235  | 2101SDSRAE                                      | 4,860             |
| Passed through Indian Health Services                                |   |   |                   |
| Demonstration Projects for Indian Health                             | 93.933  | H1H4-HIS-0004-06-00                             | 10,198            |
| Total Department of Health and Human Services                        |   |   | <u>15,058</u>     |
| National Endowment for the Arts                                      |   |   |                   |
| Passed through South Dakota Humanities Council                       |   |   |                   |
| COVID-19 - Promotion of the Humanities Federal/<br>State Partnership | 45.129  | Unknown   | 17,080            |
| Total National Endowment for the Arts                                |   |   | <u>17,080</u>     |
| Department of Justice  |   |   |                   |
| Passed through State Department of Corrections                       |   |   |                   |
| Juvenile Justice and Delinquency Prevention                          | 16.540  | 2019MUF0019                                     | 134,747           |
| Passed through Sea Research Foundation                               |   |   |                   |
| Juvenile Mentoring Program   | 16.726  | 15PJDP-21-GG-<br>03589-MENT                     | 12,734            |
| Passed through Boys & Girls Club of America                          |   |   |                   |
| Juvenile Mentoring Program   | 16.726  | 15PJDP-21-GG-<br>02763-MENT                     | 70,000            |
| Subtotal 16.726  |   |   | 82,734            |
| Total Department of Justice  |   |   | <u>217,481</u>    |
|  |   |   | <u>\$ 948,373</u> |

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Boys & Girls Club of the Northern Plains, Inc (the Club) under programs of the federal government for the year ended December 31, 2022. The information 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 Club, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Club.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

**Note 3 - Indirect Cost Rate**

The Club has elected to use the 10% de minimis cost rate.

**Section I – Summary of Auditor’s Results**

**FINANCIAL STATEMENTS**

|  |            |
|--|------------|
| Type of auditor's report issued  | Unmodified |
| Internal control over financial reporting:                                   |            |
| Material weaknesses identified   | No         |
| Significant deficiencies identified not considered to be material weaknesses | Yes        |
| Noncompliance material to financial statements noted?                        | No         |

**FEDERAL AWARDS**

|   |            |
|---|------------|
| Internal control over major program:  |            |
| Material weaknesses identified  | No         |
| Significant deficiencies identified not considered to be material weaknesses  | Yes        |
| Type of auditor's report issued on compliance for major programs:   | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a): | Yes        |

**Identification of major programs:**

| Name of Federal Program  | Federal Financial Assistance Listing |
|--|--------------------------------------|
| COVID-19 -Education Stabilization Fund                                   | 84.425C                              |
| Dollar threshold used to distinguish between type A and type B programs: | \$750,000                            |
| Auditee qualified as low-risk auditee?                                   | No                                   |

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**Section II – Financial Statement Findings**

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**2022-001      Preparation of Financial Statements and Schedule of Expenditures of Federal Awards  
Significant Deficiency**

*Criteria:* A proper system of internal controls over financial reporting includes an adequate system for recording and processing entries to the financial statements, as well as the ability to prepare financial statements, the schedule of expenditures of federal awards (SEFA) and accompanying notes to the financial statements.

*Condition:* The Club does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. In addition, we revised the SEFA to properly exclude federal expenditures that the Club was the beneficiary of, as required by Uniform Guidance.

*Cause:* The Club has limited staff. The Club cannot justify incurring the costs necessary for preparing the financial statements and accompanying notes to the financial statements. A program not subject to Uniform Guidance was inadvertently included on the SEFA.

*Effect:* There is a reasonable possibility that the Club would not be able to draft the financial statements, SEFA and accompanying notes to the financial statements without the assistance of the auditors.

*Recommendation:* While we recognize that this condition is not unusual for an organization with limited staffing, it is important that the Club be aware of this condition as it relates to the financial reporting process and the potential risks involved. Management and the Board should continually be aware of the financial accounting and reporting of the Club and changes in accounting and reporting requirements.

*Views of Responsible Officials:* Management is in agreement.

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Section III – Federal Award Findings and Questioned Costs

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**2022-002 Department of Education and Passed through State of South Dakota Department of Education  
Federal Financial Assistance Listing #84.425C, 2021G-797, 03/13/2020 – 09/30/2022  
COVID-19 Education Stabilization Fund - Governor’s Emergency Education Relief (GEER) Fund**

**Equipment and Real Property Management  
Significant Deficiency in Internal Control over Compliance and Compliance**

*Criteria:* 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award. The non-Federal entity must conform with equipment and real property management procedures identified in 2 CFR 200.313 (c) through (e).

*Condition:* In our sample of expenditures selected for testing, we noted the following items:

- a) No support to substantiate a physical inventory of federal-funded equipment was performed within the last two years.
- b) Federal-funded equipment is not distinguished separately from non-federal-funded equipment within the Club’s fixed asset listing.

*Cause:* The Club has not implemented controls over equipment and real property management to comply with federal requirements.

*Effect:* Without established controls over equipment and real property management, the risk is increased that equipment could be misappropriated or that the federal agency would not be reimbursed if federal funded equipment was disposed.

*Questioned Costs:* None reported

*Context:* There were two fixed asset purchases, totaling \$444,129, charged to the federal award, which were both tested.

*Repeat Finding from Prior Year:* No

*Recommendation:* We recommend that management implement control processes to conform with the Uniform Guidance equipment and real property management requirements noted above.

*Views of Responsible Officials:* Management is in agreement.



**BOYS & GIRLS CLUB  
OF THE NORTHERN PLAINS**

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Management's Response to Auditor's Findings:  
Corrective Action Plan  
12/31/2022

Prepared by Management of  
Boys & Girls Club of the Northern Plains, Inc.





## Corrective Action Plan

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### Yellow Book

*Finding 2022-001*

Preparation of Financial Statements and Schedule of Expenditures of Federal Awards

*Finding Summary:*

The Club does not have an internal control system designed to provide for the preparation of the financial statements being audited. Our auditors were asked to draft the financial statements and accompanying notes to the financial statements. In addition, the auditors revised the SEFA to properly exclude federal expenditures that the Club was the beneficiary of, as required by Uniform Guidance.

*Responsible Individuals:*

Jody Hernandez, Chief Executive Officer; Darcie Bien, Chief Financial Officer

*Corrective Action Plan:*

It is not cost effective for the Club to have an internal control system designed to provide for the preparation of the financial statements and accompanying notes. We requested that our auditors, Eide Bailly LLP, prepare the financial statements and the accompanying notes to the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes, and we have reviewed and agree with the corrections proposed during the audit.

*Anticipated Completion Date:* Ongoing

### Single Audit

*Finding 2022-002*

Equipment and Real Property Management

Significant Deficiency in Internal Control over Compliance and Compliance

*Federal Agency Name:*

Department of Education and Passed through State of South Dakota  
Department of Education

*Program Name:*

COVID-19 Education Stabilization Fund - Governor's Emergency Education Relief (GEER) Fund

*Federal Financial Assistance Listing #84.425C*

*Finding Summary:*

In the sample of expenditures selected for testing, no support to substantiate a physical inventory of federal-funded equipment was performed within the last two years. In addition, Federal-funded equipment is not distinguished separately from non-federal-funded equipment within the Club's fixed asset listing.

*Responsible Individuals:*

Jody Hernandez, Chief Executive Officer; Darcie Bien, Chief Financial Officer

*Corrective Action Plan:*

A physical inventory of federally-funded equipment will be completed annually to assure that all federally funded equipment and real property is accounted for. All federally-funded assets are now identified on the fixed asset listing.

*Anticipated Completion Date:* June 30, 2023