

VISIT RAPID CITY (A NON-PROFIT ORGANIZATION)

Financial Statements

December 31, 2021

**Visit Rapid City
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December 31, 2021**

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Independent Auditor's Report

Board of Directors
Visit Rapid City
Rapid City, South Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying modified cash basis financial statements of Visit Rapid City (a non-profit organization) (the Organization), which comprise the statement of financial position as of December 31, 2021, and the related modified cash basis statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of the Organization as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with the modified cash basis of accounting, as described in Note 1.

Basis of Opinion

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

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1 and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

RAPID CITY

909 ST. JOSEPH STREET, SUITE 101
RAPID CITY, SD 57701
605.348.1930

GILLETTE

612 S. DOUGLAS HWY
GILLETTE, WY 82716
307.682.4795

FAITH

127 MAIN ST. S.
FAITH, SD 57626
605.791.3142

WWW.CASEYPETERSON.COM

Auditor's Responsibility for the Audit of the Financial Statements

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

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

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota

December 28, 2022

FINANCIAL STATEMENTS

Visit Rapid City
Statement of Financial Position - Modified Cash Basis
December 31, 2021

ASSETS	
CURRENT ASSETS	
Cash	\$ 2,954,035
Cash Held for Others	<u>16,259</u>
TOTAL ASSETS	\$ <u>2,970,294</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Amounts Held for Others	<u>\$ 16,259</u>
NET ASSETS	
Net Assets Without Donor Restrictions - Board-designated	200,000
Net Assets Without Donor Restrictions	<u>2,754,035</u>
Total Net Assets	<u>2,954,035</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>2,970,294</u>

The accompanying notes are an integral part of this statement.

Visit Rapid City
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2021

NET ASSETS WITHOUT DONOR RESTRICTIONS

Support, Gains, and Other Revenues:

Tax Revenues	\$ 3,037,968
Grant Revenues	326,870
Partnership Fees	30,300
Miscellaneous Revenue	2,673
Interest	<u>223</u>

Total Support, Gains, and Other Revenues 3,398,034

Expenses:

Program Expenses	2,257,644
Management and General	<u>287,237</u>

Total Expenses 2,544,881

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS 853,153

NET ASSETS, BEGINNING 2,100,882

NET ASSETS, ENDING \$ 2,954,035

The accompanying notes are an integral part of this statement.

Visit Rapid City
Statement of Functional Expenses - Modified Cash Basis
For the Year Ended December 31, 2021

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Wages	\$ 600,901	\$ 150,225	\$ 751,126
Employee Benefits	81,616	20,404	102,020
Payroll Taxes	<u>61,065</u>	<u>15,266</u>	<u>76,331</u>
Total Wages and Benefits	743,582	185,895	929,477
Marketing	1,263,564	-	1,263,564
Office	120,757	30,189	150,946
Professional Services	36,113	41,454	77,567
Occupancy	25,053	6,263	31,316
Information Technology	24,954	6,238	31,192
Dues	8,391	8,391	16,782
Training and Education	11,522	2,880	14,402
Insurance	9,898	2,475	12,373
Travel	9,791	2,448	12,239
Repair and Maintenance	2,289	572	2,861
Miscellaneous	<u>1,730</u>	<u>432</u>	<u>2,162</u>
	<u>\$ 2,257,644</u>	<u>\$ 287,237</u>	<u>\$ 2,544,881</u>

The accompanying notes are an integral part of this statement.

Visit Rapid City
Statement of Cash Flows - Modified Cash Basis
For the Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 853,153
CASH FLOWS FROM FINANCING ACTIVITIES	
Loan Payment	<u>(149,900)</u>
NET INCREASE IN CASH	703,253
CASH - BEGINNING OF YEAR	<u>2,250,782</u>
CASH - END OF YEAR	<u>\$ 2,954,035</u>

The accompanying notes are an integral part of this statement.

Visit Rapid City

Notes to the Financial Statements

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Visit Rapid City (the Organization), is a non-profit organization classified by the Internal Revenue Services as tax-exempt under Section 501(c)(6). The Organization was formed in 1971 and promotes leisure travel, special and sporting events, and group travel and tours to the Rapid City, South Dakota and the Black Hills areas.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). The modified cash basis of accounting differs from U.S. GAAP primarily because income is recognized when received instead of when earned and expenses are recorded when paid rather than incurred. The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the balance sheet only reports cash and cash equivalents. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed.

Acceptable modifications to the modified cash basis of accounting implanted by the Organization in these financial statements include the recording of a loan payable that was obtained for general operational support and amounts held by the organization for others.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed for provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets of the Organization that are not subject to donor-imposed restrictions and are available for general operations. The Board has designated, from net assets without donor restrictions, an operating reserve in the amount of \$200,000.

Net Assets with Donor Restrictions - The part of net assets of the Organization that are subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of December 31, 2021, the Organization has no donor-imposed restrictions.

Cash

For financial statement purposes, cash consists of checking and savings accounts. The Organization maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and management does not believe it is exposed to any significant credit risk.

Visit Rapid City
Notes to the Financial Statements
December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Revenues

Grants are recognized as revenues when received based on reimbursement requests for eligible expenses incurred. Any grant funds received in advance of eligible expenses are also recorded as revenue in the accompanying statements, due to the reporting of the statements on the modified cash basis of accounting. Eligible expenses are defined as those that have met the allowable criteria for revenue under the grant agreements. As of December 31, 2021, the Organization did not have any awarded but unexpended grant funds or any grant funds awarded for which eligible expenses had not been incurred.

Tax and Partnership Revenues

The City of Rapid City collects additional sales taxes and lodging taxes within specified areas and remits those collections to Visit Rapid City. Statutes and ordinances require the additional taxes to be used to support tourism and marketing activities of the City. These taxes are collected by the state in the month following the eligible sales or lodging rentals and remitted to the City the month after collection by the state. The City remits the tax collection to Visit Rapid City upon receipt.

Partnership revenues are billed to local businesses that wish to partner with Visit Rapid City in advertising campaigns. Partnership revenues are billed according to contracts with each business. Receipts for partnership revenues are recognized as revenues when they are paid by participating businesses, under the modified cash basis of accounting.

Functional Expenses

The Statement of Functional Expenses - Modified Cash Basis presents the natural classification detail of expenses by function. Certain expenses can be directly allocated to programs or supporting functions. Most categories of expenses are attributable to more than one program or supporting function and require allocation on a reasonable basis that is consistently applied. Accordingly, those costs have been allocated among program and management and general activities based on hours, space utilized, or other reasonable allocations.

Federal Income Taxes

The Organization qualifies as an exempt organization under Section 501(c)(6) of the Internal Revenue Code. The Organization is not liable for income taxes if it operates within the confines of its exempt status. However, the Organization may be responsible for taxes on unrelated business activities. In the event of an examination of the income tax returns, the tax liability of the Organization could be changed if taxing authorities adjust the tax-exempt purpose of the Organization or if taxing authorities determine activities are subject to unrelated business income.

As of December 31, 2021, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statement. The Organization's income tax filings are subject to audit by various taxing authorities. The Organization is no longer subject to federal and state income tax examinations by taxing authorities for years before fiscal year 2019. Management continually evaluates expiring statutes of limitation, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Organization believes its estimates are appropriate based on current facts and circumstances. Interest and penalties assessed by income taxing authorities, if any, are included in interest expense.

Visit Rapid City
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reporting and classification of amounts at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

NOTE 2 - LIQUIDITY AND AVAILABILITY

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

Financial Assets Available for Use:	
Cash	\$ 2,954,035

NOTE 3 - ECONOMIC INJURY DISASTER LOAN

During the year ended December 31, 2020, the Organization received an Economic Injury Disaster Loan (EIDL). The initial loan principal was repaid in June and July 2021 in the amount of \$149,000. Subsequent to the year ended December 31, 2021, it was determined that the accrued interest owed on the loan had not yet been paid. Due to the limitations of the modified cash basis of accounting, the outstanding balance of \$4,589.30 for interest is not reflected in these statements. The balance was paid in full in December 2022.

NOTE 4 - AMOUNTS HELD FOR OTHERS

The Organization acts as an agent for an unrelated organization performing services in the community. The Organization has recognized receipts collected and disbursements paid as increases and decreases, respectively, of a liability rather than revenues and expenses.

NOTE 5 - CONTINGENCIES

The Organization is subject to litigation in the normal course of business. In the opinion of management, the outcome of these lawsuits will not have a materially adverse effect on the accompanying financial statements.

NOTE 6 - LEASES

During the year ended December 31, 2021, the Organization leased office space for \$2,088 per month. This lease was renewed in September 2022 for three years with the option for two three-year extensions of the lease. Payments are due monthly in the amount of \$2,446. Rent expense for the year ended December 31, 2021 was \$25,060. Future minimum rentals are as follows:

2022	\$26,488
2023	29,352
2024	29,352
2025	19,568

During the year ended December 31, 2021, the Organization leased various office equipment for periods ranging from three to five years. Rent expense for the year ended 2021 was \$8,094. Future minimum rentals are as follows:

2022	\$6,839
2023	3,678
2024	3,431
2025	719

Visit Rapid City
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

NOTE 7 - PANDEMIC FUNDING

In response to the coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Payroll Protection Program (PPP) to provide small business loans. In February 2021, the Organization received a loan for \$163,435. The Organization applied for and received notification of forgiveness of the loan on August 13, 2021. In March 2021, the Organization received a second loan for \$163,435. The Organization applied for and received notification of forgiveness of the loan on August 24, 2021. As both loans were received and forgiven during the year ended December 31, 2021, the proceeds were recorded in the grant revenues line on the statement of activities - modified cash basis.

NOTE 8 - SUBSEQUENT EVENTS

Subsequent events were evaluated through the date of the independent auditor's report, which is the date the financial statements were available to be issued.