



Financial Statements

December 31, 2021 and 2020

Boys & Girls Clubs of the Sioux Empire

Boys & Girls Clubs of the Sioux Empire

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December 31, 2021 and 2020

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Independent Auditor's Report

The Board of Directors
Boys & Girls Clubs of the Sioux Empire
Sioux Falls, South Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Boys & Girls Clubs of the Sioux Empire, which comprise the statement of financial position as of December 31, 2021, and the related 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 referred to above present fairly, in all material respects, the financial position of Boys & Girls Clubs of the Sioux Empire as of December 31, 2021, and the activities and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Boys & Girls Clubs of the Sioux Empire 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 audit opinion.

Other Matter

The financial statements of Boys & Girls Clubs of the Sioux Empire for the year ended December 31, 2020, were audited by another auditor, who, expressed an unmodified opinion on those statements on August 9, 2021.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Boys & Girls Clubs of the Sioux Empire'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 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 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 Boys & Girls Clubs of the Sioux Empire'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 Boys & Girls Clubs of the Sioux Empire'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 September 29, 2022 on our consideration of Boys & Girls Clubs of the Sioux Empire'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 Boys & Girls Clubs of the Sioux Empire'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 Boys & Girls Clubs of the Sioux Empire's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Erik Bailly LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota
September 29, 2022

Boys & Girls Clubs of the Sioux Empire
Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,404,504	\$ 1,033,751
Cash and cash equivalents - restricted	167,088	73,891
Accounts receivable - fees, net of allowance for doubtful accounts of \$1,937 as of December 31, 2021 and 2020	31,159	24,863
Promises to give	20,000	20,000
Grants receivable	114,779	139,229
Prepaid expenses	227,446	224,855
Inventory	6,508	5,648
Deposit	-	30,000
Total current assets	<u>1,971,484</u>	<u>1,552,237</u>
Property and Equipment		
Land	316,167	316,000
Furniture and equipment	527,026	449,501
Buildings and improvements	1,191,267	1,181,379
Transportation equipment	303,364	247,214
	<u>2,337,824</u>	<u>2,194,094</u>
Less accumulated depreciation	<u>(1,010,553)</u>	<u>(922,377)</u>
Total property and equipment	<u>1,327,271</u>	<u>1,271,717</u>
Other Assets		
Beneficial interest in assets held by community foundation	177,662	162,975
Promises to give - net of current portion	20,000	40,000
Deposits	1,733	1,733
Prepaid rent - net of current portion	1,236,967	1,415,609
Net other assets	<u>1,436,362</u>	<u>1,620,317</u>
Total assets	<u><u>\$ 4,735,117</u></u>	<u><u>\$ 4,444,271</u></u>

Boys & Girls Clubs of the Sioux Empire
Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term liabilities	\$ 47,194	\$ 43,955
Accounts payable	130,502	72,194
Accrued expenses		
Payroll	175,650	122,163
Vacation	89,135	97,833
Other	36,970	26,976
Interest	4,760	4,760
Refundable advance	197,578	64,407
Total current liabilities	<u>681,789</u>	<u>432,288</u>
Long-Term Liabilities		
Notes payable, net of current portion	<u>672,528</u>	<u>719,778</u>
Total liabilities	<u>1,354,317</u>	<u>1,152,066</u>
Net Assets		
Without donor restrictions	3,036,048	3,076,053
With donor restrictions	<u>344,752</u>	<u>216,152</u>
Total net assets	<u>3,380,800</u>	<u>3,292,205</u>
Total liabilities and net assets	<u><u>\$ 4,735,117</u></u>	<u><u>\$ 4,444,271</u></u>

Boys & Girls Clubs of the Sioux Empire

Statements of Activities

Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Revenue, Support and Gains						
Contributions	\$ 174,262	\$ 99,446	\$ 273,708	\$ 159,994	\$ -	\$ 159,994
In-kind contributions	8,671	-	8,671	10,730	-	10,730
United Way allocation	436,692	-	436,692	441,589	-	441,589
Grants and foundation	114,357	46,000	160,357	310,645	25,410	336,055
Federal and state contracts and grants	1,193,791	-	1,193,791	941,906	-	941,906
Program service fees	4,420,995	-	4,420,995	3,039,923	-	3,039,923
Gross special event revenue	338,104	-	338,104	360,016	-	360,016
Less cost of direct benefit to donors	(37,767)	-	(37,767)	(45,514)	-	(45,514)
Net special event revenue	300,337	-	300,337	314,502	-	314,502
Change in value of beneficial interest in assets held by community foundation	-	14,687	14,687	374	20,587	20,961
Gain on disposal of property	-	-	-	221,257	-	221,257
Other income	28,802	-	28,802	1,005,764	-	1,005,764
Net assets released from restrictions	31,533	(31,533)	-	32,321	(32,321)	-
Total revenue, support and gains	6,709,440	128,600	6,838,040	6,479,005	13,676	6,492,681
Expenses						
Program services	5,507,564	-	5,507,564	4,816,424	-	4,816,424
Supporting services						
Management and general	961,896	-	961,896	781,368	-	781,368
Fundraising	279,985	-	279,985	273,353	-	273,353
Total expenses	6,749,445	-	6,749,445	5,871,145	-	5,871,145
Change in Net Assets	(40,005)	128,600	88,595	607,860	13,676	621,536
Net Assets at Beginning of Year	3,076,053	216,152	3,292,205	2,468,193	202,476	2,670,669
Net Assets at End of Year	\$ 3,036,048	\$ 344,752	\$ 3,380,800	\$ 3,076,053	\$ 216,152	\$ 3,292,205

See Notes to Financial Statements

Boys & Girls Clubs of the Sioux Empire

Statements of Functional Expenses Years Ended December 31, 2021 and 2020

	2021					2020				
	Program Services	Supporting Services Management and General	Fund-raising	Cost of Direct Benefit to Donors	Total Expenses	Program Services	Supporting Services Management and General	Fund-raising	Cost of Direct Benefit to Donors	Total Expenses
Salaries and wages	\$ 3,352,261	\$ 621,564	\$ 223,126	\$ -	\$ 4,196,951	\$ 2,909,745	\$ 480,615	\$ 201,013	\$ -	\$ 3,591,373
Payroll taxes and benefits	471,932	101,065	17,069	-	590,066	419,055	73,826	15,378	-	508,259
Food and supplies	350,969	4,177	3,667	-	358,813	374,817	7,133	8,179	-	390,129
Rent	568,055	31,884	3,096	-	603,035	341,752	27,684	12,017	-	381,453
Repairs and maintenance	125,945	15,461	-	-	141,406	161,840	15,876	-	-	177,716
Insurance	114,500	15,286	-	-	129,786	123,807	13,919	510	-	138,236
Professional fees	3,181	97,547	-	-	100,728	993	94,080	16,297	-	111,370
Office expense	38,977	28,472	-	-	67,449	42,032	24,541	-	-	66,573
Local transportation	91,347	3,846	-	-	95,193	53,604	4,262	-	-	57,866
Credit card processing fees	75,006	-	3,065	-	78,071	56,852	-	2,802	-	59,654
Grant usage	89,746	-	-	-	89,746	55,565	-	-	-	55,565
Utilities and real estate taxes	21,523	-	-	-	21,523	46,068	1,610	4,510	-	52,188
Information technology	28,718	7,489	1,920	-	38,127	30,150	13,262	1,395	-	44,807
Interest expense	32,311	3,033	-	-	35,344	38,640	2,482	-	-	41,122
Advertising and promotion	27,263	7,646	18,255	-	53,164	25,397	6,956	6,561	-	38,914
Miscellaneous	10,095	11,392	9,787	-	31,274	12,439	5,023	4,691	-	22,153
Conferences	3,760	9,413	-	-	13,173	9,695	7,333	-	-	17,028
Program activity fees	17,420	-	-	37,767	55,187	9,144	-	-	45,514	54,658
Bad debt expense	-	-	-	-	-	2,853	-	-	-	2,853
Total expenses before depreciation	5,423,009	958,275	279,985	37,767	6,699,036	4,714,448	778,602	273,353	45,514	5,811,917
Depreciation	84,555	3,621	-	-	88,176	101,976	2,766	-	-	104,742
	5,507,564	961,896	279,985	37,767	6,787,212	4,816,424	781,368	273,353	45,514	5,916,659
Less expenses included with revenues on the statement of activities										
Costs of direct benefits to donors	-	-	-	(37,767)	(37,767)	-	-	-	(45,514)	(45,514)
Total expenses	\$ 5,507,564	\$ 961,896	\$ 279,985	\$ -	\$ 6,749,445	\$ 4,816,424	\$ 781,368	\$ 273,353	\$ -	\$ 5,871,145

Boys & Girls Clubs of the Sioux Empire

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 88,595	\$ 621,536
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation and amortization	88,176	104,742
Gain on disposal of property and equipment	-	(221,257)
Forgiveness of PPP loan	-	(749,277)
Bad debt expense	-	2,853
Change in beneficial interest in assets	(14,687)	(19,104)
(Increase) decrease in		
Accounts receivable	(6,296)	63,425
Grants receivable	24,450	(129,334)
Promises to give	20,000	70,000
Inventory, prepaid expenses and other assets	175,191	(38,153)
Deposits	-	(7,500)
Accounts payable	58,308	(9,700)
Accrued expenses and other current liabilities	187,954	26,498
Net Cash from (used for) Operating Activities	621,691	(285,271)
Investing Activities		
Purchase of property	(113,730)	(165,592)
Proceeds from sale of property	-	17,000
Net Cash used for Investing Activities	(113,730)	(148,592)
Financing Activities		
Proceeds from PPP loan	-	749,277
Payments on notes payable	(44,011)	(42,821)
Payments on capital lease obligation	-	(26,721)
Net Cash (used for) from Financing Activities	(44,011)	679,735
Change in Cash and Cash Equivalents	463,950	245,872
Cash and Cash Equivalents, Beginning	1,107,642	861,770
Cash and Cash Equivalents, Ending	\$ 1,571,592	\$ 1,107,642
Cash and cash equivalents	\$ 1,404,504	\$ 1,033,751
Cash and cash equivalents - restricted	167,088	73,891
	\$ 1,571,592	\$ 1,107,642

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

The mission of Boys & Girls Clubs of the Sioux Empire (Organization) is to enrich and develop the lives of children, youth, and families in the Sioux Empire through comprehensive and educational services to meet evolving needs. Primary programs operated by the Organization include Infants and Toddlers, Early Childhood Education, After School Enrichment, Summer Enrichment, Extended Care, and Boys and Girls Clubs. These programs are operated from three locations in Sioux Falls.

The Organization receives fees for services and public support.

Cash, Cash Equivalents, Restricted Cash

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, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Receivables and Credit Policies

Accounts receivables consist primarily of amounts due from customer obligations. Customers are charged a \$5 per week late fee for past due amounts. Payments on receivables are applied to the earliest unpaid bill. The carrying amount of the receivables is reduced by an amount that reflects management's best estimate of the amounts that will not be collected. Individual accounts are sent to collections on a discretionary basis determined on a case-by-case analysis. Customers sent to collections are expelled from the daycare program. Allowance for uncollectable accounts receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statements of financial position. The accounts receivable balance as of January 1, 2020 was \$70,606.

Promises to Give

The Organization records unconditional promises to give that are 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 revenues in the statements of activities and changes in net assets. 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. At December 31, 2021 and 2020, the allowance was \$0.

Inventory

Inventory is comprised of childcare food and is stated at the lower of cost or net realizable value determined using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 39 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are 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 improved or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed 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 indicators of asset impairment during the years ended December 31, 2021 and 2020.

Beneficial Interest in Assets Held by Community Foundation

The Organization established an endowment fund that is perpetual in nature (the Fund) under the Sioux Falls Area Community Foundation (SFACF) and named the Organization as beneficiary. The Organization granted variance power to the SFACF, which allows the SFACF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if in the sole judgement of the SFACF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the SFACF for the Organization's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities and changes in net assets.

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.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed 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 Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the 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. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Revenue and Revenue Recognition

The Organization recognizes revenue from childcare and registration fees during the year in which the related services are provided to the children and their families. The performance obligation of delivering childcare and registration 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 registration fees is required at the time of registration. All amounts received prior to the commencement of the services, including registration fees, are deferred to the applicable period. The Organization records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. Refundable advances related to special events were \$34,378 and \$64,007 as of December 31, 2021 and 2020, respectively.

The Organization 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, 2021 and 2020, contributions of \$193,000 and \$437,000, 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 Organization'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 Organization 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 \$163,200 and \$0 of refundable advances as of December 31, 2021 and 2020, respectively. The Organization received cost-reimbursable grants of approximately \$615,000 and \$1,002,000 that have not been recognized at December 31, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred.

In-kind Contributions

In-kind contributions include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. The Organization does not sell donated gifts-in-kind. In addition to 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.

Advertising

The Organization charges advertising and promotion costs to expense as incurred.

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 salaries and wages, payroll taxes and benefits which are allocated on the basis of estimates of time and effort and food and supplies, rent, repairs and maintenance, insurance, professional fees, office expense, local transportation, utilities and real estate taxes, information technology, interest expense, advertising and promotion, miscellaneous, and conferences which are allocated on estimates of usage.

Income Taxes

The Organization is organized as South Dakota nonprofit corporation and has been recognized by the IRS as exempt from federal incomes taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifying for the charitable contribution deduction. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization 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 Organization 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 Organization 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 Organization 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

Deposit concentration risk is managed by placing cash with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give are 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 Organization's mission.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Note 2 - Liquidity

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:

	2021	2020
Cash and cash equivalents	\$ 1,404,504	\$ 1,033,751
Cash and cash equivalents - restricted	167,088	73,891
Accounts receivable	31,159	24,863
Promises to give	20,000	20,000
Grants receivable	114,779	139,229
	<u>1,737,530</u>	<u>1,291,734</u>
Less assets unavailable for general expenditures within one year due to donor restrictions	<u>(167,090)</u>	<u>(53,177)</u>
Financial assets available to meet cash needs for general expenditures within one year of December 31	<u>\$ 1,570,440</u>	<u>\$ 1,238,557</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis, and financial assets on hand are adjusted as necessary.

Note 3 - Supplemental Disclosure to Statements of Cash Flows

	2021	2020
Cash Paid During the Year for		
Interest	\$ 35,344	\$ 41,122
Non-Cash Investing and Financing Activities		
Payoff of notes payable through sale of property	-	152,000
Payoff of other accrued expenses through sale of property	-	1,728
Prepayment of rent through sale of property	-	1,542,388

Note 4 - Fair Value of Assets

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset 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, 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 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, 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. In these situations, inputs are developed using the best information available in the circumstances.

Boys & Girls Clubs of the Sioux Empire

Notes to Financial Statements

December 31, 2021 and 2020

Assets measured at fair value on a recurring basis are as follows as of December 31:

	Quoted Prices in Active Markets (Level 1)	Other Observable (Level 2)	Unobservable Inputs (Level 3)
<u>December 31, 2021</u>			
Beneficial interest in assets held by community foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,662</u>
<u>December 31, 2020</u>			
Beneficial interest in assets held by community foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,975</u>

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2021 and 2020:

Balance, December 31, 2019	\$ 142,014
Total gains or losses Included in change in net assets, net of fees	<u>20,961</u>
Balance, December 31, 2020	162,975
Total gains or losses Included in change in net assets, net of fees	<u>14,687</u>
Balance, December 31, 2021	<u>\$ 177,662</u>

There were no transfers into or out of Level 3.

Subsequent to December 31, 2021, the United States and global securities markets have experienced significant declines. These market fluctuations have a direct effect on the value of the beneficial interest in assets held by community foundation presented in the accompanying financial statements.

Note 5 - Promises to Give

Unconditional promises to give are estimated to be collected as follows as of December 31, 2021 and 2020:

	2021	2020
Due within one year	\$ 20,000	\$ 20,000
Due in one to five years	<u>20,000</u>	<u>40,000</u>
Total pledges receivable	<u>\$ 40,000</u>	<u>\$ 60,000</u>

At December 31, 2021 and 2020, one donor accounted for 100% of total promises to give.

Note 6 - Notes Payable

Notes payable consist of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Mortgage loan payable to US Bank, NA; payable in monthly installments of \$4,693, including interest at 4.60%; matures October 2024; secured by the Organization's real estate located at 5015 S. Crossing Place in Sioux Falls.	\$ 679,722	\$ 703,733
Note payable to First Premier Bank; payable in annual principal installments of \$20,000 plus interest at 5.00%; matures January 2023; secured by the Organization's assets.	<u>40,000</u>	<u>60,000</u>
Subtotal notes payable	719,722	763,733
Less current portion	<u>(47,194)</u>	<u>(43,955)</u>
Net long-term notes payable	<u><u>\$ 672,528</u></u>	<u><u>\$ 719,778</u></u>

Principal payments in accordance with the debt terms years are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2022	\$ 47,194
2023	46,292
2024	<u>626,236</u>
	<u><u>\$ 719,722</u></u>

Note 7 - Lease Obligations

The Organization entered into a month-to-month lease agreement in 2016 with a third party for the Summer Kids Program. The monthly rent requirement is dependent on the number of children enrolled as follows:

Maximum of 15 children	750
Maximum of 30 children	2,400
Maximum of 45 children	3,600

The Organization is also responsible for the costs of utilities and janitorial supplies for the months when the building is being used. Total rent expense included on the statements of activities and changes in net assets for this location for the years ended December 31, 2021 and 2020, was \$18,551 and \$21,209, respectively.

The Organization entered into an operating lease agreement for the location on the Empower Campus in Sioux Falls. A portion of the lease was prepaid in 2020 with remaining amounts of \$45,390 payable through December 31, 2021 with estimated 3% annual increases each subsequent year through the maturity of May 2030. The lease agreement includes options to extend for two additional five-year periods. In addition, the Organization is responsible for costs such as cleaning, maintenance, internet, telephone, and other communication systems. The balance of the prepayment is being amortized over the initial term of the lease agreement.

	2021	2020
Lease obligation	\$ 5,191,269	\$ 5,735,949
Less prepaid rent	<u>(1,415,609)</u>	<u>(1,594,251)</u>
Total minimum lease payments	<u>\$ 3,775,660</u>	<u>\$ 4,141,698</u>

The future minimum lease payments are as follows:

Years Ending December 31,	Operating Leases
2022	\$ 366,030
2023	366,030
2024	366,030
2025	366,030
2026	366,030
Thereafter	<u>1,945,510</u>
Total future minimum lease payments	<u>\$ 3,775,660</u>

The balance of the prepaid lease is as follows as of December 31, 2021 and 2020:

	2021	2020
Prepaid lease	\$ 1,694,388	\$ 1,694,388
Less: amortization to date	<u>(278,779)</u>	<u>(100,137)</u>
	<u>\$ 1,415,609</u>	<u>\$ 1,594,251</u>

Note 8 - Retirement Plan

The Organization maintains a qualified cash or deferred compensation plan under Section 401(k) of the Internal Revenue Code. Under the plan, eligible employees may elect to defer up to ten percent (10%) of their salary, subject to Internal Revenue Service limits. The Organization contributes a matching fifty percent (50%) of employee contributions to a maximum of 2.5%. In addition, the plan allows for the Organization to make discretionary contributions based on the participant's salary.

Employer contributions and administrative fees were \$35,115 and \$32,497 for the years ended December 31, 2021 and 2020, respectively.

Note 9 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

	2021	2020
Subject to expenditure for specified purpose		
Scholarship	\$ 92,211	\$ 1,611
Facility repairs	31,846	3,000
Future chefs	9,871	9,871
Playground	15,000	-
Wellness	5,000	-
Workforce development	-	18,410
Stem	-	9,246
Other	13,162	11,039
	<u>167,090</u>	<u>53,177</u>
Perpetual in nature, not subject to spending policy or appropriation		
Beneficial interest in assets held by community foundation	<u>177,662</u>	<u>162,975</u>
	<u>\$ 344,752</u>	<u>\$ 216,152</u>

Note 10 - Support from Governmental Units

The Organization receives a substantial amount of support from grants and contracts with federal and state governments. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

Note 11 - COVID-19

The Organization has not had a significant impact on operations relating to COVID-19 and expects any future disruptive impacts to be temporary; however, the situation continues to evolve rapidly, and management is unable to predict the extent of which COVID-19 will impact operations. The negative global financial consequences and heightened uncertainty caused by COVID-19 may directly or indirectly impact the operations of the Organization in terms of donor pool, liquidity, and workforce availability, any of which could have a material adverse effect on the Organization's financial condition, results of operations, or cash flows.

During 2020, the Organization received a Paycheck Protection Program (PPP) loan from the Small Business Administration (SBA) in the amount of \$749,277. The Organization complied with the criteria established by the SBA and received full forgiveness on December 23, 2020. The debt forgiveness is reported in 2020 as other income on the statements of activities.

During 2020, the Organization received a COVID-19 related grant from the State of South Dakota in the amount of \$227,756. The grant is reported in 2020 as other income on the statements of activities.

Note 12 - Subsequent Events

The Organization has evaluated subsequent events through September 29, 2022, the date the financial statements were available to be issued.

Subsequent to year end, the Organization entered into an agreement for purchase of certain playground equipment for approximately \$165,000.



Federal Awards Reports in Accordance
with the Uniform Guidance
December 31, 2021

Boys & Girls Clubs of the Sioux Empire

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
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
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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 Clubs of the Sioux Empire
Sioux Falls, 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 Clubs of the Sioux Empire, which comprise the statement of financial position as of December 31, 2021, 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 September 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Boys & Girls Clubs of the Sioux Empire'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 Boys & Girls Clubs of the Sioux Empire's internal control. Accordingly, we do not express an opinion on the effectiveness of Boys & Girls Clubs of the Sioux Empire's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as finding 2021-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2021-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boys & Girls Clubs of the Sioux Empire'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*.

Boys & Girls Clubs of the Sioux Empire's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Boys & Girls Clubs of the Sioux Empire's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Boys & Girls Clubs of the Sioux Empire'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 black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota
September 29, 2022



**Independent Auditor's Report on Compliance for Each 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 Clubs of the Sioux Empire
Sioux Falls, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Boys & Girls Clubs of the Sioux Empire's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Boys & Girls Clubs of the Sioux Empire's major federal programs for the year ended December 31, 2021. Boys & Girls Clubs of the Sioux Empire's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Boys & Girls Clubs of the Sioux Empire complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each 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 Boys & Girls Clubs of the Sioux Empire and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Boys & Girls Clubs of the Sioux Empire'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 Boys & Girls Clubs of the Sioux Empire's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Boys & Girls Clubs of the Sioux Empire'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 Boys & Girls Clubs of the Sioux Empire'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 Boys & Girls Clubs of the Sioux Empire'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 Boys & Girls Clubs of the Sioux Empire'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 Boys & Girls Clubs of the Sioux Empire'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 2021-006. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Boys & Girls Clubs of the Sioux Empire's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Boys & Girls Clubs of the Sioux Empire'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 certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-004, 2021-005, 2021-006 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-003 and 2021-007 to be significant deficiencies.

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 Boys & Girls Clubs of the Sioux Empire's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Boys & Girls Clubs of the Sioux Empire'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 Boys & Girls Clubs of the Sioux Empire as of and for the year ended December 31, 2021, and have issued our report thereon dated September 29, 2022, 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.

Handwritten signature of Erik Bailly LLP in cursive script.

Sioux Falls, South Dakota
September 29, 2022

Boys & Girls Clubs of the Sioux Empire
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
Department of Education			
Passed through State of South Dakota			
Department of Education			
Twenty-First Century Community		21-80064-22	
Learning Centers	84.287C	S287C200042	\$ 247,752
COVID-19 -Education Stabilization Fund	84.425C	2021G-798	400,176
Total Department of Education			<u>647,928</u>
Department of Agriculture			
Passed through State of South Dakota			
Department of Education			
Child Nutrition Cluster		NSLP-80064-22	
National School Lunch Program	10.555	NSLP-80064-21	185,861
Total Department of Agriculture			<u>185,861</u>
Department of Health and Human Services			
Passed through State of South Dakota			
Department of Social Services			
CCDF Cluster			
COVID-19 Child Care and Development			
Block Grant- CARES	93.575	Unknown	92,880
Child Care and Development Block Grant	93.575	22SC087704	3,985
COVID-19 - Child Care and			
Development Block Grant	93.575	CRRSA-21	248,400
Total CCDF Cluster			<u>345,265</u>
Passed through Boys and Girls Club of America			
Affordable Care Act (ACA) Abstinence		2001SDSRAE;	
Education Program	93.235	2101SDSRAE	5,536
Opiod STR	93.788	Unknown	49,950
Total Department of Health and Human Services			<u>400,751</u>
Department of Justice			
Passed through Boys and Girls Club of America			
Juvenile Mentoring Program	16.726	2020-48937; 2020-48935; 2020-48938	26,439
Total Federal Financial Assistance			<u>\$ 1,260,979</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Boys & Girls Clubs of the Sioux Empire (the Organization) under programs of the federal government for the year ended December 31, 2021. 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 Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

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 Organization has not 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	Yes
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	Yes
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:	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing/CFDA Number</u>
COVID-19 -Education Stabilization Fund	84.425C
Twenty-First Century Community Learning Centers	84.287C
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

**2021-001 Preparation of Financial Statements and Schedule of Expenditures of Federal Awards and
Material Audit Adjustments
Material Weakness**

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 that are materially correct.

Condition: The Organization 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 appropriately present expenditures by federal award. We also proposed material audit adjustments that would not have been identified as a result of the Organization's existing internal controls; and therefore, could have resulted in a material misstatement within the financial statements.

Cause: The Organization has limited staff. The Organization cannot justify incurring the costs necessary for preparing the financial statements and accompanying notes to the financial statements.

Effect: There is a reasonable possibility that the Organization would not be able to draft the financial statements, SEFA and accompanying notes to the financial statements that are materially correct 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 Organization 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 Organization and changes in accounting and reporting requirements.

Views of Responsible Officials: Management is in agreement.

**2021-002 Segregation of Duties
Significant Deficiency**

Criteria: In order to achieve an appropriate level of internal control, the functions of executing transactions, recording transactions, and maintaining accountability for the records should be performed by different employees or be maintained under dual control.

Condition: The Organization did not have an internal control system to allow for proper segregation of duties across all areas of the accounting function.

Cause: A number of accounting functions are performed by the financial account manager with no separate independent review or approval. Accounting functions include: monthly grant draws, preparation of statement of functional expenses, preparation of SEFA, and a number of monthly reconciliations of: bank account, beneficial interest in community foundation, accounts receivable, prepaid expenses, property and equipment, accrued payroll, debt and net assets.

Effect: Inadequate segregation of duties could adversely affect the Organization's ability to detect and correct misstatements in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation: While we recognize that the Organization's current processes did not allow optimal internal control, it is important that the Organization is aware of this condition. Management should periodically assess the allocation of duties to determinate if maximum segregation of duties is achieved with the current office staff. Under this condition, the most effective control is management and the board's oversight and knowledge of matters relating to the operations of the Organization.

Views of Responsible Officials: Management is in agreement.

Section III – Federal Award Findings and Questioned Costs

2021-003 Department of Education and Passed through State of South Dakota Department of Education

**Federal Financial Assistance Listing / CFDA #84.425C, 2021G-798, 03/13/2020 – 09/30/2022
COVID-19 Education Stabilization Fund - Governor's Emergency Education Relief (GEER) Fund**

**Federal Financial Assistance Listing / CFDA #84.287C, 21-80064-22, S287C200042, 7/1/2020 –
6/30/2021, 7/1/2021 – 6/30/2022**

Twenty-First Century Community Learning Centers Program

**Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Significant Deficiency in Internal Control over Compliance**

Criteria: The Organization is required to have procedures in place to ensure that federal awards are expended only for allowable costs in accordance with Subpart E – Cost Principles of the Uniform Guidance. Allowable costs are supported by appropriate documentation and correctly charged as to account, amount, and period. 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 the terms and conditions of the federal award. 2 CFR 200.430(i) establishes the standards for documentation of personnel expenses including charges to Federal awards for salaries and wages (applicable to Twenty First Century Program only). Charges must be based on records that accurately reflect the work performed with the records meeting the following standards:

- a) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.
- b) Be incorporated into the official records of the non-Federal entity.
- c) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities.
- d) Encompass both federally assisted, and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy.
- e) Comply with the established accounting policies and practices of the non-Federal entity.
- f) Support the distribution of the employee's salary or wages among specific activities or cost objectives.
- g) Budget estimates alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes.

Condition: Two instances in which the amount of payroll taxes allocated to the GEER program exceeded the amount of payroll taxes actually paid. One instance in which there was a manual error in calculating the monthly wages charged to the Twenty First Century Program.

Cause: Tracking of grant-related payroll is a manual process which increases the likelihood of error.

Effect: Payroll and related costs were not properly reported by an insignificant amount.

Questioned Costs: None reported

Context: For the GEER program, a non-statistical sample of 8 employees were selected for testing of approximately 24 total employees whose time was charged to the federal award. The 8 employees selected for testing accounted for \$131,000 of the \$293,900 payroll costs charged to the federal award in the fiscal year. For the Twenty First Century Community Learning Centers Program, a non-statistical sample of 60 expenditures were selected for testing, including 53 payroll transactions and 7 nonpayroll transactions. The 53 payroll transactions accounted for \$28,700 of \$218,600 total payroll costs charged to the federal award.

Repeat Finding from Prior Year: No

Recommendation: We recommend management implement procedures and control processes to comply with the federal requirements noted above.

Views of Responsible Officials: Management is in agreement.

2021-004 Department of Education and Passed through State of South Dakota Department of Education

**Federal Financial Assistance Listing / CFDA #84.425C, 2021G-798, 03/13/2020 – 09/30/2022
COVID-19 Education Stabilization Fund - Governor's Emergency Education Relief (GEER) Fund**

**Federal Financial Assistance Listing / CFDA #84.287C, 21-80064-22, S287C200042, 7/1/2020 –
6/30/2021, 7/1/2021 – 6/30/2022
Twenty-First Century Community Learning Centers Program**

**Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Material Weakness in Internal Control over Compliance**

Criteria: The Organization is required to have procedures in place to ensure that federal awards are expended only for allowable costs in accordance with Subpart E – Cost Principles of the Uniform Guidance. Allowable costs are supported by appropriate documentation and correctly charged as to account, amount, and period. 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 the terms and conditions of the federal award. In addition, 2 CFR 200.302 establishes that the financial management system of the entity must provide written procedures for determining allowability of costs in accordance with Subpart E – Cost Principles of this part and the terms and conditions of the Federal award.

Condition: The Organization did not have written policies and procedures covering Activities Allowed or Unallowed and Allowable Costs and Cost Principles. Additionally, in our sample of expenditures selected for testing, 12 instances identified in which documentation could not be provided to support a formal review and approval of the expenditures prior to payment.

Cause: The Organization hasn't formally implemented written policies and procedures over the compliance requirement. Documentation to support the review of expenditures prior to payment was not retained.

Effect: Without the review and approval of disbursements, demonstrating that costs comply with laws, regulations, and other compliance requirements is difficult.

Questioned Costs: None reported.

Context: For the GEER Program, a non-statistical sample of 5 non-payroll transactions were selected for testing out of approximately 13 total nonpayroll transactions, accounting for approximately \$70,975 of \$106,280 total nonpayroll costs charged to the federal award. For the Twenty First Century Community Learning Centers Program, a non-statistical sample of 60 expenditures were selected for testing, including 53 payroll transactions and 7 nonpayroll transactions. The 7 nonpayroll transactions accounted for \$8,370 of \$30,870 total nonpayroll costs charged to the federal award.

Repeat Finding from Prior Year: No

Recommendation: We recommend that management implement procedures and control processes to comply with the federal requirements noted above and retain documentation to support the review was performed.

Views of Responsible Officials: Management is in agreement.

2021-005 Department of Education and Passed through State of South Dakota Department of Education

**Federal Financial Assistance Listing / CFDA #84.425C, 2021G-798, 03/13/2020 – 09/30/2022
COVID-19 Education Stabilization Fund - Governor's Emergency Education Relief (GEER) Fund**

**Federal Financial Assistance Listing / CFDA #84.287C, 21-80064-22, S287C200042, 7/1/2020 –
6/30/2021, 7/1/2021 – 6/30/2022**

Twenty-First Century Community Learning Centers Program

Cash Management

Material Weakness in Internal Control over Compliance

Criteria: 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 the terms and conditions of the federal award. In addition, 2 CFR 200.302(b)(6) establishes that the financial management system of the entity must provide written procedures to implement the requirements of 2 CFR 200.305 Payment.

Condition: The Organization did not have written policies and procedures covering Cash Management. Additionally, there is no evidence of independent review and approval prior to submission of draw request.

Cause: The Organization hasn't formally implemented written policies and procedures over the compliance requirement resulting in no independent review and approval completed prior to submission of draw request.

Effect: Without established controls over cash management, this could result in a reasonable possibility that the Organization would not detect errors in the normal course of performing duties and correct them in a timely manner.

Questioned Costs: None reported

Context: For the GEER fund, all three cash draws submitted within the fiscal year were tested, For Twenty First Century Community Learning Centers Program, cash draws were reviewed for four months in the Organization's fiscal year.

Repeat Finding from Prior Year: No

Recommendation: We recommend that management implement procedures and control processes to incorporate an independent review and approval of cash draws and retain documentation to support the review was performed.

Views of Responsible Officials: Management is in agreement.

**2021-006 Department of Education and Passed through State of South Dakota Department of Education
Federal Financial Assistance Listing / CFDA #84.425C, 2021G-798, 03/13/2020 – 09/30/2022
COVID-19 Education Stabilization Fund - Governor's Emergency Education Relief (GEER) Fund**

**Equipment and Real Property Management
Material Weakness 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) Documentation could not be provided to support an independent review and approval of equipment purchases.
- c) Federal-funded equipment is not distinguished separately from non-federal-funded equipment within the Organization's fixed asset listing.

Cause: The Organization 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, this increases the risk equipment could be misappropriated, unallowable equipment purchases could be charged to the federal award and increased risk federal agency wouldn't be reimbursed if federal-funded equipment was disposed of.

Questioned Costs: None reported

Context: There were three fixed asset purchases charged to the federal award within the fiscal year, all were tested.

Repeat Finding from Prior Year: No

Recommendation: We recommend that management review and implement control processes to conform with the Uniform Guidance Equipment and Real Property Management requirements noted above to ensure the Organization is within compliance.

Views of Responsible Officials: Management is in agreement.

2021-007 Department of Education and Passed through State of South Dakota Department of Education

Federal Financial Assistance Listing / CFDA #84.287C, 21-80064-22, S287C200042, 7/1/2020 – 6/30/2021, 7/1/2021 – 6/30/2022

Twenty-First Century Community Learning Centers Program

Reporting

Significant Deficiency in Internal Control over 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. 2 CFR 200.327 and 2 CFR 200.328 require the auditee to collect financial information and monitor its activities under federal awards to assure compliance with applicable federal requirements and performance expectations are being achieved and report these items in accordance with the program requirements.

Condition: The individual preparing the annual report is also reviewing and submitting the close-out report.

Cause: The Organization has not implemented controls over reporting to comply with federal requirements.

Effect: Not having a formal oversight process over reporting results in a reasonable possibility that reports that are inaccurate or incomplete could be submitted.

Questioned Costs: None reported

Context: The one required report filed in the fiscal year was tested.

Repeat Finding from Prior Year: No

Recommendation: We recommend that management implement procedures and control processes to incorporate an independent review and approval of reporting and retain documentation to support the review was performed.

Views of Responsible Officials: Management is in agreement.



BOYS & GIRLS CLUBS
OF THE SIOUX EMPIRE

Management's Response to Auditor's Findings:
Corrective Action Plan
December 31, 2021

Prepared by Management of
Boys & Girls Clubs of the Sioux Empire

GREAT FUTURES START [HERE.](#)

Corrective Action Plan

Finding 2021-001

Finding Summary: Eide Bailly LLP prepared our draft financial statements and accompanying notes to the financial statements. They also proposed material audit adjustments that would not have been identified because of our existing controls and, therefore, could have resulted in a material misstatement of our financial statements. In addition, they revised the Schedule of Expenditures of Federal Awards.

Responsible Individuals: Stacy Jones, CEO and Scott Hupke, CFO

Corrective Action Plan: It is not cost effective 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, prepared 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 with and agree with the material adjustments proposed during the audit.

Anticipated Completion Date: Ongoing

Finding 2021-002

Finding Summary: The organization did not have internal control system to allow for proper segregation of duties across all areas of the accounting function.

Responsible Individuals: Scott Hupke, CFO

Corrective Action Plan: It is not cost effective to have multiple members in the accounting office to have complete segregation of duties. We as an organization continue to evaluate the needs of the accounting department and will continue to add staff as we grow. Until we can fully segregate all the duties we will continually evaluate and maximize segregation of duties among the current office staff as well as oversight from the board led finance committee.

Anticipated Completion Date: Ongoing

Finding 2021-003

Federal Agency Name: Department of Education and Passed through State of South Dakota Department of Education

Program Names: COVID-19 Education Stabilization Fund- Governor's Emergency Education Relief (GEER) Fund and Twenty-First Century Community Learning Centers Program

CFDA # 84.425C and 84.287C

Finding Summary: Two instances in which the amount of payroll taxes allocated to the GEER program exceeded the amount of payroll taxes actually paid. One instance in which there was a manual error in calculating the monthly wages charged to the Twenty First Century Program.

Responsible Individuals: Scott Hupke CFO

Corrective Action Plan: We will continue to explore ways to automate the process from our payroll provider to the accounting software. At the same time, we will continue to have another person review the manual process for accuracy to eliminate the errors.

Anticipated Completion Date: October 2022 for the manual process review and ongoing for the ways to automate the process.

Finding 2021-004

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 and Twenty-First Century Community Learning Centers Program

CFDA # 84.425C and 84.287C

Finding Summary: The Organization did not have written policies and procedures covering Activities Allowed or Unallowed and Allowable Costs and Cost Principles. Additionally, in the sample of expenditures selected for testing, 12 instances identified in which documentation could not be provided to support a formal review and approval of the expenditures prior to payment.

Responsible Individuals: Scott Hupke CFO

Corrective Action Plan: We will continue to explore ways to automate the process with a document management software and a potential new accounting software. At the same time, we will continue to have another person review the purchase orders to ensure that the proper approval has been given before making payments and will retain documentation to support the review process.

Anticipated Completion Date: September 2022

Finding 2021-005

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 and Twenty-First Century Community Learning Centers Program

CFDA # 84.425C and 84.287C

Finding Summary: The Organization did not have written policies and procedures covering Cash Management. Additionally, there is no evidence of independent review and approval prior to submission of draw requests.

Responsible Individuals: Scott Hupke CFO

Corrective Action Plan: We have implemented a process to formally document the current review process to show that the review has been done prior to submitting the draw request.

Anticipated Completion Date: September 2022

Finding 2021-006

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

CFDA # 84.425C

Finding Summary: The Organization has not implemented controls over Equipment and Real Property Management to comply with federal requirements.

Responsible Individuals: Scott Hupke CFO

Corrective Action Plan: We will implement a physical inventory program for all federal-funded equipment and perform a review on such equipment at least every two years. We will also on our fixed asset list identify all equipment that was purchased with federal funds.

Anticipated Completion Date: October 2022

Finding 2021-007

Federal Agency Name: Department of Education and Passed through State of South Dakota Department of Education

Program Name: Twenty-First Century Community Learning Centers Program

CFDA # 84.287C

Finding Summary: The individual preparing the annual report is also reviewing and submitting the close-out report.

Responsible Individuals: Scott Hupke CFO

Corrective Action Plan: We will implement a review process for the annual report to ensure that it is been reviewed by another person independent of the individual that is submitting the report. We will also document that this review has been done prior to submitting the report.

Anticipated Completion Date: October 2022