

MAIN STREET SQUARE, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2023 AND 2022**

MAIN STREET SQUARE, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Main Street Square, Inc.
Rapid City, South Dakota

Opinion

We have audited the accompanying financial statements of Main Street Square, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements were available to be issued.

Auditor's Responsibilities for the Audit of the 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 there is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Main Street Square, Inc.

In performing an audit in accordance with generally accepted 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 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 other internal control matters that we identified during the audit.

A handwritten signature in dark ink, reading "Ketel Thorstenson, LLP". The signature is fluid and cursive, with the letters "K", "T", and "L" being particularly prominent.

KETEL THORSTENSON, LLP
Certified Public Accountants

August 2, 2024

MAIN STREET SQUARE, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Current Assets		
Cash	\$ 747,116	\$ 779,957
Miscellaneous Receivables	10,202	6,189
Inventory	3,037	3,600
Total Current Assets	760,355	789,746
Amounts Held by Foundations	178,383	158,895
Property and Equipment		
Building and Building Improvements	458,110	458,110
Equipment	1,040,077	960,569
	1,498,187	1,418,679
Less Accumulated Depreciation	(861,441)	(788,593)
	636,746	630,086
Other Assets		
Finance Lease Right-of-Use Asset	17,099	23,317
Operating Lease Right-of-Use Asset	50,149	67,922
	67,248	91,239
TOTAL ASSETS	\$ 1,642,732	\$ 1,669,966
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts Payable	\$ 6,082	\$ 26,374
Accrued Expenses	30,168	10,454
Current Portion of Finance Lease Liability	6,238	6,153
Current Portion of Operating Lease Liability	18,018	17,773
Total Current Liabilities	60,506	60,754
Long-Term Liabilities		
Finance Lease Liability, Net of Current Portion	11,124	17,362
Operating Lease Liability, Net of Current Portion	32,131	50,149
	43,255	67,511
Net Assets		
Without Donor Restrictions:		
Unrestricted	1,291,488	1,313,868
Board Designated Endowment	158,383	138,895
Total Net Assets without Donor Restrictions	1,449,871	1,452,763
With Donor Restrictions:		
Contributions and Grants	69,100	68,938
Endowment Fund	20,000	20,000
Total Net Assets with Donor Restrictions	89,100	88,938
Total Net Assets	1,538,971	1,541,701
TOTAL LIABILITIES AND NET ASSETS	\$ 1,642,732	\$ 1,669,966

The accompanying notes are an integral part of these statements.

MAIN STREET SQUARE, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions and Grants	\$ 424,805	\$ 114,000	\$ 538,805
Business Improvement District Management			
Fees	180,000	-	180,000
Main Street Square Event Fees	148,941	-	148,941
Ice Skating Fees and Rentals	176,016	-	176,016
Other Income	15,748	-	15,748
Business Improvement District Management			
Project Grants	14,161	50,000	64,161
Advertising	42,255	-	42,255
Net Investment Return	34,933	-	34,933
Net Assets Released from Restriction	163,838	(163,838)	-
Total Support and Revenues	1,200,697	162	1,200,859
Expenses			
Program	845,914	-	845,914
Management and General	278,466	-	278,466
Fundraising	79,209	-	79,209
Total Expenses	1,203,589	-	1,203,589
Increase (Decrease) in Net Assets	(2,892)	162	(2,730)
Net Assets -- Beginning of Year	1,452,763	88,938	1,541,701
Net Assets -- End of Year	\$ 1,449,871	\$ 89,100	\$ 1,538,971

The accompanying notes are an integral part of this statement.

MAIN STREET SQUARE, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions and Grants	\$ 470,812	\$ 100,000	\$ 570,812
Business Improvement District Management			
Fees	180,000	-	180,000
Main Street Square Event Fees	151,801	-	151,801
Ice Skating Fees and Rentals	111,375	-	111,375
Other Income	12,641	-	12,641
Business Improvement District Management			
Project Grants	-	44,229	44,229
Advertising	26,585	-	26,585
Net Investment Return	(19,542)	-	(19,542)
Net Assets Released from Restriction	141,854	(141,854)	-
Total Support and Revenues	1,075,526	2,375	1,077,901
Expenses			
Program	786,714	-	786,714
Management and General	248,205	-	248,205
Fundraising	30,672	-	30,672
Total Expenses	1,065,591	-	1,065,591
Increase in Net Assets	9,935	2,375	12,310
Net Assets -- Beginning of Year	1,442,828	86,563	1,529,391
Net Assets -- End of Year	\$ 1,452,763	\$ 88,938	\$ 1,541,701

The accompanying notes are an integral part of this statement.

MAIN STREET SQUARE, INC.

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

	Program Services	Management and General	Fundraising	Total
<i>Main Street Square Event Costs</i>				
Entertainment	\$ 35,415	\$ -	\$ -	\$ 35,415
Food and Beverage	15,867	-	-	15,867
Supplies	16,971	-	-	16,971
Licenses	6,541	-	-	6,541
<i>Total Main Street Square Event Costs</i>	<i>74,794</i>	<i>-</i>	<i>-</i>	<i>74,794</i>
<i>Park Operations</i>				
Repairs and Supplies	42,626	-	-	42,626
<i>Ice Skating</i>				
Ice Rink Repairs and Supplies	3,585	-	-	3,585
<i>General Operations</i>				
Employee Wages	386,595	131,023	60,300	577,918
Advertising and Promotion	75,270	-	8,716	83,986
Depreciation and Amortization	63,016	16,751	-	79,767
Professional Fees	10,687	67,739	-	78,426
Payroll Taxes	31,688	10,740	4,943	47,371
Insurance	36,601	9,150	-	45,751
Utilities	32,029	8,007	-	40,036
Office Supplies	21,827	11,106	226	33,159
Rent	18,855	4,714	-	23,569
Employee Benefits	15,611	5,291	2,435	23,337
Maintenance and Vehicle	16,444	-	-	16,444
Travel, Meals and Entertainment	2,590	3,454	2,589	8,633
Credit Card Fees	-	7,899	-	7,899
Contributions	7,055	-	-	7,055
Staff Training and Uniforms	3,841	1,251	-	5,092
Dues and Subscriptions	1,341	1,341	-	2,682
Miscellaneous	1,459	-	-	1,459
Total Expenses	\$ 845,914	\$ 278,466	\$ 79,209	\$ 1,203,589

The accompanying notes are an integral part of this statement.

MAIN STREET SQUARE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Services	Management and General	Fundraising	Total
<i>Main Street Square Event Costs</i>				
Entertainment	\$ 40,196	\$ -	\$ -	\$ 40,196
Food and Beverage	14,331	-	-	14,331
Supplies	13,086	-	-	13,086
Licenses	1,810	-	-	1,810
<i>Total Main Street Square Event Costs</i>	69,423	-	-	69,423
<i>Park Operations</i>				
Repairs and Supplies	40,548	-	-	40,548
<i>Ice Skating</i>				
Ice Rink Repairs and Supplies	1,441	-	-	1,441
<i>General Operations</i>				
Employee Wages	366,709	115,301	17,512	499,522
Advertising and Promotion	69,104	-	7,678	76,782
Depreciation and Amortization	49,106	13,053	-	62,159
Professional Fees	6,307	61,371	-	67,678
Payroll Taxes	28,958	9,105	1,383	39,446
Insurance	37,661	9,415	-	47,076
Utilities	24,170	6,042	-	30,212
Office Supplies	13,744	4,754	118	18,616
Rent	22,894	5,723	-	28,617
Employee Benefits	20,014	6,293	956	27,263
Maintenance and Vehicle	20,058	-	-	20,058
Travel, Meals and Entertainment	3,024	4,033	3,025	10,082
Credit Card Fees	-	7,420	-	7,420
Contributions	-	-	-	-
Staff Training and Uniforms	4,016	2,018	-	6,034
Dues and Subscriptions	3,677	3,677	-	7,354
Miscellaneous	5,860	-	-	5,860
Total Expenses	\$ 786,714	\$ 248,205	\$ 30,672	\$ 1,065,591

The accompanying notes are an integral part of this statement.

MAIN STREET SQUARE, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ (2,730)	\$ 12,310
<i>Adjustments to Reconcile Increase (Decrease) in Net Assets to Net</i>		
<i>Cash Flows Provided by Operating Activities:</i>		
Depreciation and Amortization	79,767	62,159
Gain on Sale of Property & Equipment	(1,000)	-
Net Realized and Unrealized (Gain) Loss on Investments	(19,393)	24,590
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>		
Miscellaneous Receivables	(4,013)	902
Promises to Give	-	37,371
Grant Receivable, Employee Retention Tax Credit	-	56,440
Inventory	563	5
Accounts Payable	(20,292)	6,020
Accrued Expenses	19,714	(3,855)
Net Cash Flows Provided by Operating Activities	52,616	195,942
Cash Flows from Investing Activities		
Proceeds from Sale of Investments Held by Foundation	1,968	1,799
Purchase of Investments Held by Foundations	(2,063)	(1,777)
Proceeds on Sale of Property & Equipment	1,000	-
Purchase of Property and Equipment	(80,209)	(109,028)
Net Cash Flows Used in Investing Activities	(79,304)	(109,006)
Cash Flows from Financing Activities		
Principal Payments on Finance Lease	(6,153)	(6,020)
Net Increase (Decrease) in Cash	(32,841)	80,916
Cash -- Beginning of Year	779,957	699,041
Cash -- End of Year	\$ 747,116	\$ 779,957
Supplemental Cash Flow Information		
Cash Paid for Amounts Included in Measurement of Lease Liabilities		
Operating Cash Flows from Operating Lease	\$ 18,592	\$ 18,592
Operating Cash Flows from Finance Lease	284	367
Financing Cash Flows from Finance Lease	6,153	6,069

The accompanying notes are an integral part of these statements.

MAIN STREET SQUARE, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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

Nature of Operations

Main Street Square, Inc. (the Organization) oversees the development, maintenance, management and promotion of downtown Rapid City, and the operations of a publicly-owned plaza (the Square) located at the corner of 6th and Main Street in Rapid City, South Dakota. The Square is an outdoor events venue in downtown Rapid City that provides an active gathering place for the entire community. The Square is owned by the City of Rapid City (the City) and operated via a management agreement with the Organization. Square activities include performers, celebrations and festivals, movies, and ice skating activities.

In addition, the Organization attracts visitors to the City, as well as provides information about the City to visitors and locals alike by promoting awareness of local businesses, supporting area events, and providing informational materials to the public.

The Organization is dependent on both tourism and local support for events.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements. Actual results could differ from those estimates.

Financial Statement Presentation

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

Net Assets with Donor Restrictions – Donor-imposed restrictions may be 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 may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net Assets without Donor Restrictions – Net assets without donor-imposed restrictions are available for general operations. The governing board may designate net assets without donor restrictions for specific purposes.

Cash Concentration

The balances in the cash accounts exceed the federally-insured limits. The Organization has not experienced any losses in such accounts and believes no significant credit risk on cash exists.

Revenue Recognition

Contributions of cash and other assets are recognized as support in the period received at their fair values. Promises to give are not typically received, but unconditional amounts are recognized as assets and revenues in the period pledged, net of any applicable allowance for uncollectible amounts. Contributions are distinguished between those that increase net assets with and without donor restriction.

Unpaid volunteers contribute their time to support the Organization's program services, which include various events held at the Square. The value of the contributed time, though significant, does not meet the criteria for recognition in these statements.

MAIN STREET SQUARE, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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

Revenue Recognition

Grants are received from the City, Downtown Business Improvement District Board (BID) and private foundations. Each grant is analyzed to determine whether it is deemed an exchange transaction (where both the grantee and grantor receive commensurate benefits) or a contribution. All grants are considered to be contributions.

Event fees and ice skating fees and rentals are recognized at the time of admission. Fees include food and beverage sales that are recognized at the point of sale. Event fees include **\$67,459** and \$53,050 related to sponsorships in 2023 and 2022, respectively. No significant commensurate value is received in exchange for sponsorships. As such, they are deemed to be contributions under revenue recognition guidance.

Business Improvement District Management fees (Note 8), and advertising revenues are recognized over the terms of the related agreements under the input method (time passed). Performance obligations include operation and maintenance of the Square, assistance in developing downtown business plans, and publication of advertising materials, respectively. Payments are received prior to services being performed, and no remaining contract liabilities exist at December 31, 2023 or 2022.

Amounts Held by Foundations

Amounts Held by Foundations (Note 2) are invested in accordance with the Foundations' internal investment policies and are recorded at net asset value per share. Net investment return includes interest, dividends, realized and unrealized gains and losses, net of investment fees as reported by the Foundations.

Inventory

Inventory consists of merchandise and beverages and is stated at the lower of cost (first-in, first out) or net realizable value.

Property and Equipment

Property and equipment purchases in excess of \$1,000 are capitalized and carried at cost. Depreciation is calculated using the straight-line method with an estimated useful life between five and ten years for equipment and between ten and forty years for buildings and improvements. Improvements to City property are retained by the City and, as such, are expensed in the accompanying financial statements (Note 5).

Leases

The Organization determines if an arrangement is or contains a lease at inception or modification of the agreement. An election has been made for all asset classes to treat any non-lease components such as maintenance and insurance as part of the lease contract. The right-of-use assets and lease liabilities primarily relate to office facilities and office equipment. The office equipment lease includes an option to renew. The exercise of lease renewal is at management's discretion, and this option is included in the expected lease term if it is reasonably certain of being exercised. None of the Organization's lease agreements contain material residual value guarantees, restrictions or covenants.

For leases with terms greater than 12 months or that contain a purchase option that is reasonably certain to be exercised, a right-of-use (ROU) asset and lease liability is recognized based on the present value of the future minimum lease payments over the lease term. The Organization has elected to use the risk-free interest rate for all asset classes to determine the lease present value when the implicit rate is not readily determinable. The initial measurement of the ROU asset also includes any initial direct costs and lease prepayments, net of lease incentives received. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively.

MAIN STREET SQUARE, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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

Leases

Leases with terms of 12 months or less or that are cancelable by the lessee and lessor without significant penalties, are not capitalized as right-of-use assets and lease liabilities, but are expensed on a straight-line basis over the lease term. The majority of the Organization's short-term leases relate to equipment used at events. These leases are entered into at periodic rental rates for a short period of time (generally less than a month).

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses presents the natural classification detail of expenses by function. Certain expenses can be directly allocated to program or supporting functions. Other categories of expenses are attributable to more than one program or supporting function and require allocation on a reasonable basis that is consistently applied. Specifically, wages are allocated based on estimates of time spent on each function, and occupancy expenses are allocated based on estimated square footage.

Advertising

Advertising costs are expensed as incurred. Advertising expenses totaled **\$83,986** and \$76,782 for the years ended December 31, 2023 and 2022, respectively.

Income Tax

The Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3), and is not considered to be a private foundation under section 509(a). As such, no federal income tax is paid unless net income is derived from activities that are unrelated to their exempt activities. No such significant activities are conducted. At December 31, 2023 and 2022, the Organization believes no material uncertain tax positions or liabilities, or interest and penalties associated with uncertain tax positions, exist.

Subsequent Events

The Organization has evaluated significant subsequent events through August 2, 2024, the date which the financial statements were available to be issued.

(2) Amounts Held by Foundations

The Organization transferred assets to the South Dakota Community Foundation (SDCF) and Black Hills Area Community Foundation (BHACF) to establish, on the books of SDCF and BHACF, an endowment fund in the name of Main Street Square, Inc. These funds are invested and distributed in accordance with the investment and spending policies of SDCF and BHACF. In addition, the Organization received a matching contribution of \$20,000 from BHACF with their initial investment during the year ended December 31, 2021, which is held in perpetuity. Earnings on endowment funds are designated until appropriated by the Board of Directors for use in operations. Any allocation to donor restricted amounts is not significant. Distributions from the SDCF fund became available in January 2023 but no distribution was taken in the year ended December 31, 2023. The Organization annually elects whether to receive earnings available for distribution from BHACF based on current operational needs. The Foundations have the power to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose or to specified organizations, if in the sole judgement of the governing body, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the Foundations. Because the Organization has named itself the beneficiary of these funds, the amounts have been recorded as other assets on the accompanying Statements of Financial Position.

MAIN STREET SQUARE, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

(2) Amounts Held by Foundations

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

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

	Board Designated Endowment	With Donor Restrictions	Total
Endowment Net Assets - December 31, 2021	\$ 160,975	\$ 22,531	\$ 183,506
Net Investment Return	(22,080)	(2,531)	(24,611)
Endowment Net Assets - December 31, 2022	138,895	20,000	158,895
Net Investment Return	19,488	-	19,488
Endowment Net Assets - December 31, 2023	\$ 158,383	\$ 20,000	\$ 178,383

The Organization considers the following factors in determining whether to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization;
- The investment policies of the Organization.

(3) Contributions and Grants

The Organization recognized **\$45,000** and \$89,534 of various contributions and grants from related parties for the years ended December 31, 2023 and 2022, respectively.

During the year-ended December 31, 2022, the Organization was awarded a conditional contribution totaling **\$70,000** in Vision funds from the City of Rapid City to be used for repairs of equipment, facilities, and capital investment. These funds are not available for use until 2024. Revenue from this contribution will be recognized once the conditions (budget availability and expenditure approval) are met.

MAIN STREET SQUARE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

(4) Restriction of Net Assets

Net assets with donor restrictions are restricted for the following purposes at December 31:

	2023	2022
Downtown Ambassador Program	\$ 31,051	\$ 30,310
Ice Skating	28,658	28,626
Amounts Held by Foundations (Note 2)	20,000	20,000
Purchases of Equipment	9,391	10,002
	\$ 89,100	\$ 88,938

(5) City Improvement Projects

Costs incurred for City Improvement Projects, which would normally be within the Organization's capitalization policy, are expensed in the accompanying financial statements. These costs are considered to be contributions to the City, as the City retains ownership of all real and personal property, buildings, improvements, and fixtures. Miscellaneous projects are completed each year. No remaining commitments exist on any projects at December 31, 2023.

(6) Leases

The Organization leases its office facility under an operating lease which expires in September 2026. The lease requires monthly base rent of \$1,107, along with additional rent for overhead expenses, including property tax, maintenance of the common area, utilities, and business improvement district taxes. Additional rent is currently being paid at a rate of \$443 per month, plus utility costs. The lease provides for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index. Additionally, the Organization leases certain office equipment under a finance lease which expires in September 2026. The lease requires monthly payments of \$536.

Short term leases are entered into as needed for equipment used at Square events. These leases are included in various categories on the statements of functional expenses.

Total lease costs for the years ended December 31 were as follows:

	2023	2022
Operating Lease Cost	\$ 18,592	\$ 18,592
Variable Lease Cost	4,977	10,025
Short-Term Lease Cost	3,322	5,077
Finance Lease Cost - Interest Expense	284	367
Finance Lease Cost - Amortization of Right-to-Use Assets	6,218	6,218

The weighted-average remaining lease term for both finance and operating leases is **2.75** years and 3.75 years for the years ended December 31, 2023, and 2022, respectfully. The weighted-average discount rate is **1.37** percent at both December 31, 2023 and 2022.

Subsequent to year end, the Organization terminated its office equipment lease. No additional costs were required to be paid.

MAIN STREET SQUARE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

(6) Leases

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are as follows as of December 31, 2023:

	Operating	Financing
2024	\$ 18,592	\$ 6,437
2025	18,592	6,437
2026	13,944	4,827
Total Lease Payments	51,128	17,701
Less Interest	(979)	(339)
Present Value of Lease Liabilities	\$ 50,149	\$ 17,362

(7) Employee Benefits

The Organization maintains a Simple IRA plan. The plan provides for salary deferrals for all employees who meet certain eligibility requirements as to age and hours of service. Under the provisions of the plan, employees may elect to contribute a percentage of their compensation to the plan subject to limitations described by law. The plan provides for employer matching contributions of three percent. Employer contributions totaled **\$6,491** and \$7,868 for the years ended December 31, 2023 and 2022, respectively.

(8) Management Fees

The Organization received a management fee of **\$180,000** for each of the years ended December 31, 2023 and 2022, from the special assessment dollars raised by the BID, less any administrative costs and expenses incurred by the BID. Amounts received in excess of the management fee are generally made available in the form of grants for BID specified projects. During 2023 and 2022, excess amounts totaling **\$64,161** and \$44,229 were received, respectively. Amounts received were specified for capital projects and equipment, except for \$14,161 of unrestricted grants in 2023. Amounts received and not yet spent are included in net assets with donor restrictions as of December 31 (Note 4).

(9) Liquidity

The Organization receives significant contributions on an annual basis that are considered essential to meeting cash needs for general expenditures. Contributions are supplemented by Square events and ice skating fees charged to attendees. In addition, the City provides annual support through the management fee. The Organization focuses on budgeting controls and maintains adequate cash reserves. In the event of unanticipated liquidity needs, key donors and granting agencies would be contacted for assistance, and cash reserves would be utilized to cover shortfalls. At December 31, the Organization has the following financial assets available for general use within one year of the Statement of Financial Position date:

	2023	2022
Cash	\$ 747,116	\$ 779,957
Miscellaneous Receivables	10,202	6,189
Amounts Held by Foundations	178,383	158,895
Total Financial Assets	935,701	945,041
Less Assets with Donor Imposed Restrictions	(89,100)	(88,938)
Less Board Designated Endowment	(158,383)	(138,895)
Financial Assets Available for General Use Within One Year	\$ 688,218	\$ 717,208

MAIN STREET SQUARE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

(10) Subsequent Events

Subsequent to year-end, the Board of Directors voted to approve working more closely with Visit Rapid City, a 501(c)(6) not-for profit, to streamline tasks, reduce redundancies and save money. While the day-to-day operations of Main Street Square are now managed by Visit Rapid City (VRC), the Board of Directors for Main Street Square, Inc. will remain the governing board of the organization. The Board will revisit a potential merger at the end of calendar year 2024. If approved, Downtown Rapid City and Main Street Square will remain a 501(c)(3) under Visit Rapid City and will continue to do the work of driving quality of life and bringing residents and visitors downtown.