

VISIT RAPID CITY AND RAPID CITY SPORTS COMMISSION
COMBINED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2023 AND 2022



**Visit Rapid City
Table of Contents
December 31, 2023 and 2022**

	<u>PAGE</u>
Independent Auditor's Report	1 - 2
FINANCIAL STATEMENTS	
Combined Statements of Financial Position	4
Combined Statements of Activities.....	5
Combined Statement of Functional Expenses for the Year Ended December 31, 2023	6
Combined Statement of Functional Expenses for the Year Ended December 31, 2022	7
Combined Statements of Cash Flows	8
Notes to Financial Statements	9 - 16
SUPPLEMENTARY INFORMATION	
Combining Statement of Financial Position - December 31, 2023	18
Combining Statement of Activities for the Year Ended December 31, 2023	19
Combining Statement of Functional Expenses for the Year Ended December 31, 2023	20



810 Quincy Street
P.O. Box 3140, Rapid City, South Dakota 57709
Telephone (605) 342-5630 • e-mail: info@ktllp.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Visit Rapid City and Rapid City Sports Commission
Rapid City, South Dakota

Report on the Combined Financial Statements

Opinion

We have audited the accompanying combined financial statements of Visit Rapid City and Rapid City Sports Commission (collectively, 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 year 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 year 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 audit. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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.

Board of Directors

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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statement of financial position as of December 31, 2023, the combining statement of activities for the year ended December 31, 2023, and the combining statement of functional expenses for the year Ended December 31, 2023 are presented for purposes of additional analysis and are 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 information is fairly stated in all material respects in relation to the financial statements as a whole.



KETEL THORSTENSON, LLP
Certified Public Accountants

August 8, 2024

FINANCIAL STATEMENTS

**Visit Rapid City
Combined Statement of Financial Position
December 31, 2023 and 2022**

	2023	2022
ASSETS		
Cash	\$ 1,249,202	\$ 1,667,926
Investments	1,566,489	1,008,729
Taxes Receivable	420,250	384,034
Unconditional Promises to Give, Net of Discount	237,000	-
Inventory	1,931	-
Prepaid Expenses	136,164	8,592
Property and Equipment, Net of Depreciation	95,217	107,917
Operating Lease Right-of-use Asset	42,052	65,723
Financing Lease Right-of-use Asset, Net of Amortization	6,207	9,586
TOTAL ASSETS	\$ 3,754,512	3,252,507
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts Payable	\$ 44,525	88,918
Unearned Revenue	2,500	43,861
Amounts Held for Others	19,188	18,931
Operating Lease Liability	47,147	73,876
Financing Lease Liability	6,474	9,862
Total Liabilities	119,834	235,448
Net Assets:		
Net Assets with Donor Restrictions	242,508	-
Net Assets Without Donor Restrictions:		
Board-designated	750,000	1,000,000
Undesignated	2,642,170	2,017,059
Total Net Assets	3,634,678	3,017,059
TOTAL LIABILITIES AND NET ASSETS	\$ 3,754,512	\$ 3,252,507

The accompanying notes are an integral part of this statement.

**Visit Rapid City
Combined Statement of Activities
For the Years Ended December 31, 2023 and 2022**

	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support, Gains, and Other Revenues:		
Tax Revenues	\$ 3,093,928	\$ 2,993,019
Grant Revenues	250,000	-
Partnership Fees	48,400	26,225
Program Revenues	22,661	-
Net Investment Return	57,760	11,118
Interest	25,270	6,973
Total Support, Gains, and Other Revenues	3,498,019	3,037,335
Net Assets Released from Restrictions	6,492	-
Total Support, Gains, and Other Revenues Without Donor Restrictions	3,504,511	3,037,335
Expenses:		
Program Expenses	2,756,143	3,206,253
Management and General	373,257	360,748
Total Expenses	3,129,400	3,567,001
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	375,111	(529,666)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	249,000	-
Net Assets Released from Restrictions	(6,492)	-
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	242,508	-
TOTAL CHANGE IN NET ASSETS	617,619	(529,666)
NET ASSETS, BEGINNING	3,017,059	3,546,725
NET ASSETS, ENDING	\$ 3,634,678	\$ 3,017,059

The accompanying notes are an integral part of this statement.

**Visit Rapid City
Combined Statement of Functional Expenses
For the Year Ended December 31, 2023**

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Wages	\$ 732,159	\$ 183,040	\$ 915,199
Employee Benefits	101,430	25,358	126,788
Payroll Taxes	<u>53,166</u>	<u>13,291</u>	<u>66,457</u>
Total Wages and Benefits	886,755	221,689	1,108,444
Advertising	1,523,061	-	1,523,061
Professional Services	132,111	98,016	230,127
Occupancy	72,596	18,149	90,745
Training and Education	25,818	6,455	32,273
Depreciation	24,207	6,052	30,259
Office	23,654	5,913	29,567
Information Technology	17,450	4,362	21,812
Dues	14,885	3,721	18,606
Insurance	14,338	3,584	17,922
Travel	10,346	2,586	12,932
Repair and Maintenance	7,949	1,987	9,936
Amortization	2,703	676	3,379
Interest	<u>270</u>	<u>67</u>	<u>337</u>
	<u>\$ 2,756,143</u>	<u>\$ 373,257</u>	<u>\$ 3,129,400</u>

The accompanying notes are an integral part of this statement.

**Visit Rapid City
Combined Statement of Functional Expenses
For the Year Ended December 31, 2022**

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Wages	\$ 680,302	\$ 170,076	\$ 850,378
Employee Benefits	99,248	24,811	124,059
Payroll Taxes	<u>50,830</u>	<u>12,708</u>	<u>63,538</u>
Total Wages and Benefits	830,380	207,595	1,037,975
Advertising	2,081,972	-	2,081,972
Professional Services	119,364	109,516	228,880
Occupancy	24,330	6,082	30,412
Training and Education	36,443	9,111	45,554
Depreciation	17,502	4,375	21,877
Office	38,608	9,654	48,262
Information Technology	13,819	3,455	17,274
Dues	20,353	5,089	25,442
Insurance	6,776	1,694	8,470
Travel	6,716	1,679	8,395
Repair and Maintenance	1,128	283	1,411
Amortization	4,862	1,215	6,077
Interest	<u>4,000</u>	<u>1,000</u>	<u>5,000</u>
	<u>\$ 3,206,253</u>	<u>\$ 360,748</u>	<u>\$ 3,567,001</u>

The accompanying notes are an integral part of this statement.

Visit Rapid City
Combined Statement of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 617,619	\$ (529,666)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation	30,259	21,877
Amortization	3,379	6,077
Gain on Investments	(57,760)	(8,729)
(Increase) Decrease in:		
Taxes Receivable	(36,216)	197,967
Promises to Give	(237,000)	-
Inventory	(1,931)	-
Prepaid Expenses	(127,572)	85
Increase (Decrease) in:		
Accounts Payable	(44,393)	26,586
Unearned Revenue	(41,361)	20,435
Amounts Held for Others	257	2,632
Lease Liability/ Right-of-use Asset - Net	<u>(3,058)</u>	<u>204</u>
Net Cash Provided (Used) by Operating Activities	<u>102,223</u>	<u>(262,532)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(17,559)	(33,769)
Purchase of Investments	<u>(500,000)</u>	<u>(1,000,000)</u>
Net Cash Used in Investing Activities	<u>(517,559)</u>	<u>(1,033,769)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Finance Lease Liability	<u>(3,388)</u>	<u>(6,067)</u>
NET DECREASE IN CASH	(418,724)	(1,302,368)
CASH - BEGINNING OF YEAR	<u>1,667,926</u>	<u>2,970,294</u>
CASH - END OF YEAR	<u>\$ 1,249,202</u>	<u>\$ 1,667,926</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Paid for Amounts Included in Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Lease	<u>\$ 29,352</u>	<u>\$ 26,091</u>

The accompanying notes are an integral part of this statement.

Visit Rapid City

Notes to the Financial Statements

December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Visit Rapid City (VRC) and Rapid City Sports Commission (RCSC), (collectively, the Organization), are non-profit organizations. VRC and RCSC are classified by the Internal Revenue Service as tax-exempt under Sections 501(c)(6) and 501(c)(3), respectively. VRC was formed in 1971 and promotes leisure travel, group travel and tours, and meetings and convention events in the Rapid City, South Dakota and the Black Hills areas. RCSC began operating in 2023 and promotes sporting events and partner programs in the Rapid City, South Dakota and the Black Hills areas.

The Board of Directors of RCSC is the executive committee of the Board of Directors of VRC. Accordingly, the entities are under common control and combined financial statements have been prepared for the Organization.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America. Therefore, they reflect all significant receivables, payables, and other liabilities.

Principles of Combination

The accompanying combined financial statements include the accounts of VRC and RCSC. All material intercompany balances and transactions have been eliminated in combination.

Cash

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

Investments

The Organization reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations. The guidance prescribes that covered investments be reported on the Statement of Financial Position at fair value. Investment income is recognized as revenue in the period it is earned, and gains and losses are recognized as changes in net assets in the accounting period in which they occur. Net investment return (loss) is reported on the Statement of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Realized gains and losses are determined on a specific identity basis.

Inventory

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

Visit Rapid City
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$2,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets. Purchased property and equipment are carried at cost. Donated property and equipment are recorded as contributions or grant revenue at their estimated fair value at the date of the donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Furniture, Equipment, and Vehicles	5 - 7 years
Leasehold Improvements	5 years

Net Assets

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

Net Assets Without Donor Restrictions - Net assets of the Organization that are not subject to donor-imposed restrictions and are available for general operations. For the years ended December 31, 2023 and 2022, the Board has designated, from net assets without donor restrictions, an operating reserve in the amount of \$750,000 and \$1,000,000, respectively.

Net Assets with Donor Restrictions - The part of net assets of the Organization that are subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Promises to Give

Promises to give consist of pledge commitments. The Organization records amounts based on donor notification of unconditional promises to give. Those expected to be collected in more than one year are measured at their present value using a 4% discount rate at the date the promise was made. Conditional gifts, with measurable performance or other barriers and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor.

The Organization receives promises to give from government and corporate entities. Unconditional promises to give are as follows at December 31, 2023:

Due in Less Than One Year	\$	100,000
Due in One to Five Years		150,000
		250,000
Less Discount to Net Present Value		(13,000)
Net Unconditional Promises to Give	\$	237,000

There were no unconditional promises to give at December 31, 2022.

Visit Rapid City
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Receivables and Revenues

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

Partnership Fees

Partnership fees are billed to local businesses that wish to partner with the Organization in advertising campaigns. Partnership revenues are billed according to contracts with each business. Partnership fees are recognized ratably over the period the partnership is provided on a straight-line basis in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. All of the Organization's revenue from contracts with customers is from performance obligations satisfied over time. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. Partnership fees paid to the Organization in advance represent contract liabilities and are recorded as unearned revenue. Amounts billed but unpaid are contract assets and recorded as accounts receivable.

The following table provides information about significant changes in the contract liabilities for the years ended December 31.

	2023	2022
Unearned Partnership Revenues, Beginning of Year	\$ 43,861	\$ 23,426
Partnership Revenues Earned During the Year	(43,861)	(23,426)
Sports Sponsorships Paid in Advance	2,500	-
Increase in Unearned Partnership Fees, Due to Cash Received During the Year	-	43,861
Unearned Revenues, End of Year	\$ 2,500	\$ 43,861

Program Revenues

Program revenues consist of trolley ticket sales, net merchandise revenue, and Certified Tourism Ambassador (CTA) class registration fees. Program revenues are recorded and collected at the time of the transaction when a trolley ticket is sold, merchandise is purchased, or when a participant registers for a CTA class.

Contributions

The Organization receives contributions to support operating and program activities. Contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Visit Rapid City
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grant Revenues

Based on the terms of individual grant agreements, revenue is considered to be a contribution or an exchange transaction. No grants were recognized as exchange transactions during the years ended December 31, 2023 and 2022. Grants are recognized as revenues when received based on reimbursement requests for eligible expenses incurred. Any grant funds received in advance of eligible expenses are also recorded as revenue in the accompanying statements unless such funds have a right of return and a performance barrier. Eligible expenses are defined as those that have met the allowable criteria for revenue under the grant agreements. As of December 31, 2023 and 2022, the Organization did not have any awarded but unexpended grant funds.

Concentrations

The Organization receives substantially all of its revenues from taxes related to sales and hotel occupancy in Rapid City, South Dakota. Changes in Rapid City ordinances pledging revenues to the Organization could negatively impact the financial condition of the Organization.

Functional Expenses

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

Implementation of FASB ASC 326

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the organization that are subject to the guidance in FASB ASC 326 were accounts receivable.

The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new or enhanced disclosures.

Leases

The Organization has entered into operating and finance leases for office space and equipment. The obligations associated with these leases have been recognized as a liability in the statement of financial position based on future lease payments, discounted by the incremental borrowing rate for the operating leases and the rate implicit in the lease for finance leases. Lease terms may include options to extend or terminate certain leases and are reflected in the valuation if it is reasonably certain management will exercise an option to extend or terminate a lease.

Visit Rapid City
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the term of the lease.

Federal Income Taxes

The Organization qualifies as exempt organizations under Section 501(c)(6) and 501(c)(3) of the Internal Revenue Code. The Organization is not liable for income taxes if it operates within the confines of its exempt status. However, the Organization may be responsible for taxes on unrelated business activities. In the event of an examination of the income tax returns, the tax liability of the Organization could be changed if taxing authorities adjust the tax-exempt purpose of the Organization or if taxing authorities determine activities are subject to unrelated business income.

As of December 31, 2023, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statement. The Organization's income tax filings are subject to audit by various taxing authorities. The Organization is no longer subject to federal and state income tax examinations by taxing authorities for years before fiscal year 2020. Management continually evaluates expiring statutes of limitation, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Organization believes its estimates are appropriate based on current facts and circumstances. Interest and penalties assessed by income taxing authorities, if any, are included in interest expense.

Advertising

The Organization's main purpose is to promote the Rapid City area. Advertising costs are expensed as incurred. Advertising expense was \$1,523,061 and \$2,081,972 for the years ended December 31, 2023 and 2022, respectively.

Liquidity

Assets and liabilities are presented in the order of liquidity in the statement of financial position. Any further restrictions are disclosed in the notes to the financial statements.

Use of Estimates

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

Visit Rapid City
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	<u>2023</u>	<u>2022</u>
Financial Assets Available for Use:		
Cash	\$ 1,249,202	\$ 1,667,926
Investments	1,566,489	1,008,729
Taxes Receivable	420,250	384,034
Unconditional Promises to Give, Current	<u>100,000</u>	<u>-</u>
	<u>\$ 3,335,941</u>	<u>\$ 3,060,689</u>

The Organization's assets available for use consist of cash, investments, and unconditional promises to give expected to be collected currently. The Organization's tax and partnership revenues are sufficient to cover operating costs.

NOTE 3 - AMOUNTS HELD FOR OTHERS

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

NOTE 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Furniture, Equipment, and Vehicles	\$ 139,823	\$ 122,264
Leasehold Improvements	<u>29,000</u>	<u>29,000</u>
Total Property and Equipment	168,823	151,264
Less: Accumulated Depreciation	<u>(73,606)</u>	<u>(43,347)</u>
Total Property and Equipment, Net	<u>\$ 95,217</u>	<u>\$ 107,917</u>

NOTE 5 - LEASES

The right-of-use asset and corresponding liability associated with future lease payments as of December 31 are shown below:

	<u>2023</u>		<u>2022</u>	
	<u>Operating Leases</u>	<u>Finance Leases</u>	<u>Operating Leases</u>	<u>Finance Leases</u>
Right-of-use Assets	\$ 42,052	\$ 6,207	\$ 65,723	\$ 9,586
Lease Liability	47,147	6,474	73,876	9,862
Weighted Average:				
Discount Rate	4.16%	4.25%	4.16%	4.25%
Remaining Lease Term (Months)	20	20	38	32

Visit Rapid City
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 5 - LEASES (CONTINUED)

Lease Cost

Lease costs reported in the statement of functional expenses under office, occupancy, and amortization were comprised of the following as of December 31:

	2023	2022
Finance:		
Amortization of Right-of-use Assets	\$ 3,379	\$ 6,077
Interest on Lease Liability	291	402
Operating	26,729	26,691
Short-term (Less than 12 Months)	3,388	3,161
	\$ 33,787	\$ 36,331

Some equipment finance leases require additional payments based on the usage of equipment. These variable payments are recognized as operating expenses as they are incurred.

Future Lease Payments

The following operating and finance lease payments are expected to be paid for each of the following years ending December 31:

	Operating Leases	Finance Leases
2024	\$ 29,532	\$ 3,679
2025	19,568	3,010
	49,100	6,689
Less: Discount	(1,953)	(215)
	\$ 47,147	\$ 6,474

NOTE 6 - INVESTMENTS

The Organization uses a three-level hierarchy for the disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level I - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments that would generally be included in Level I include listed equities and listed derivatives. To the extent that it holds such investments, the Organization does not adjust the quoted price of these investments.

Level II - Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level I. Fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category include corporate bonds and loans, less liquid and restricted securities, and certain over-the-counter derivatives.

Visit Rapid City
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 6 - INVESTMENTS (CONTINUED)

Level III - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, debt funds, hedge funds, distressed debt, and non-investment grade residual interests in securitizations and collateralized debt obligations.

The fair value of each financial instrument in the table below was measured using input guidance and valuation techniques. The following table sets forth the inputs used and the estimated fair values of financial instruments at December 31:

	2023	
	Level I	Total
U.S. Treasuries	\$ 1,550,515	\$ 1,550,515
Money Market Funds	15,974	15,974
	\$ 1,566,489	\$ 1,566,489
	2022	
	Level I	Total
U.S. Treasuries	\$ 978,146	\$ 978,146
Money Market Funds	30,583	30,583
	\$ 1,008,729	\$ 1,008,729

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2023 include promises to give from donors that are not available to be used to support operations in the amount of \$237,000 and donations that are to be used to support sports activities in a future period of \$5,508. Amounts released from restriction during the current year represent donations spent on sports activities. There were no net assets with donor-imposed restrictions at December 31, 2022.

NOTE 8 - SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2023, the Organization entered into an agreement with the Board of Directors of Main Street Square (MSS) to integrate the operation of MSS, along with their programmatic and marketing efforts, into the Organization's operations. Beginning April 17, 2024, the day-to-day operation of the public square, capital investments (maintenance or new), marketing, fundraising, events, and staff will be the responsibility of the Organization, with oversight by the MSS board, until such a time the board dissolves or votes to reestablish MSS as a separate operating entity.

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

SUPPLEMENTARY INFORMATION

**Visit Rapid City
Combining Statement of Financial Position
December 31, 2023**

	Visit Rapid City	Rapid City Sports Commission	Total
ASSETS			
Cash	\$ 1,241,331	\$ 7,871	\$ 1,249,202
Investments	1,566,489	-	1,566,489
Taxes Receivable	420,250	-	420,250
Unconditional Promises to Give	-	237,000	237,000
Inventory	1,931	-	1,931
Prepaid Expenses	116,709	19,455	136,164
Property and Equipment, Net of Depreciation	95,217	-	95,217
Operating Lease Right-of-use Asset	42,052	-	42,052
Financing Lease Right-of-use Asset			
Asset, Net of Amortization	<u>6,207</u>	<u>-</u>	<u>6,207</u>
TOTAL ASSETS	<u>\$ 3,490,186</u>	<u>\$ 264,326</u>	<u>\$ 3,754,512</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts Payable	\$ 36,175	\$ 8,350	\$ 44,525
Unearned Revenue	-	2,500	2,500
Amounts Held for Others	19,188	-	19,188
Operating Lease Liability	47,147	-	47,147
Financing Lease Liability	<u>6,474</u>	<u>-</u>	<u>6,474</u>
Total Liabilities	<u>108,984</u>	<u>10,850</u>	<u>119,834</u>
Net Assets:			
Net Assets Without Donor Restrictions			
Board-designated	750,000	-	750,000
Donor-restricted	-	242,508	242,508
Undesignated	<u>2,631,202</u>	<u>10,968</u>	<u>2,642,170</u>
Total Net Assets	<u>3,381,202</u>	<u>253,476</u>	<u>3,634,678</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,490,186</u>	<u>\$ 264,326</u>	<u>\$ 3,754,512</u>

See independent auditor's report.

**Visit Rapid City
Combining Statement of Activities
For the Year Ended December 31, 2023**

	Visit Rapid City	Rapid City Sports Commission	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS			
Support, Gains, and Other Revenues:			
Tax Revenues	\$ 3,093,928	\$ -	\$ 3,093,928
Grant Revenues	250,000	-	250,000
Partnership Fees	48,400	-	48,400
Program Revenues	22,661	-	22,661
Net Investment Return	57,760	-	57,760
Interest	25,270	-	25,270
Intercompany Contributions	<u>(439,300)</u>	<u>439,300</u>	<u>-</u>
Total Support, Gains, and Other Revenues	3,058,719	439,300	3,498,019
Net Assets Released from Restrictions	<u>-</u>	<u>6,492</u>	<u>6,492</u>
Total Support, Gains, and Other Revenues Without Donor Restrictions	<u>3,058,719</u>	<u>445,792</u>	<u>3,504,511</u>
Expenses:			
Program Expenses	2,370,294	385,849	2,756,143
Management and General	<u>324,282</u>	<u>48,975</u>	<u>373,257</u>
Total Expenses	<u>2,694,576</u>	<u>434,824</u>	<u>3,129,400</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>364,143</u>	<u>10,968</u>	<u>375,111</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS			
Contributions	-	249,000	249,000
Net Assets Released from Restrictions	<u>-</u>	<u>(6,492)</u>	<u>(6,492)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>-</u>	<u>242,508</u>	<u>242,508</u>
TOTAL CHANGE IN NET ASSETS	<u>364,143</u>	<u>253,476</u>	<u>617,619</u>
NET ASSETS, BEGINNING	<u>3,017,059</u>	<u>-</u>	<u>3,017,059</u>
NET ASSETS, ENDING	<u>\$ 3,381,202</u>	<u>\$ 253,476</u>	<u>\$ 3,634,678</u>

See independent auditor's report.

Visit Rapid City
Combining Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program			Management and General		
	Visit Rapid City	Rapid City Sports Commission	Total	Visit Rapid City	Rapid City Sports Commission	Total
Salaries and Wages	\$ 626,462	\$ 105,697	\$ 732,159	\$ 156,616	\$ 26,424	\$ 183,040
Employee Benefits	97,473	3,957	101,430	24,369	989	25,358
Payroll Taxes	44,782	8,384	53,166	11,195	2,096	13,291
Total Wages and Benefits	<u>768,717</u>	<u>118,038</u>	<u>886,755</u>	<u>192,180</u>	<u>29,509</u>	<u>221,689</u>
Advertising	1,339,909	183,152	1,523,061	-	-	-
Professional Services	71,895	60,216	132,111	84,660	13,356	98,016
Occupancy	61,570	11,026	72,596	15,393	2,756	18,149
Training and Education	23,853	1,965	25,818	5,963	492	6,455
Depreciation	24,207	-	24,207	6,052	-	6,052
Office	20,766	2,888	23,654	5,191	722	5,913
Information Technology	14,957	2,493	17,450	3,739	623	4,362
Dues	11,536	3,349	14,885	2,884	837	3,721
Insurance	12,964	1,374	14,338	3,241	343	3,584
Travel	9,548	798	10,346	2,387	199	2,586
Repair and Maintenance	7,399	550	7,949	1,849	138	1,987
Amortization	2,703	-	2,703	676	-	676
Interest	270	-	270	67	-	67
	<u>\$ 2,370,294</u>	<u>\$ 385,849</u>	<u>\$ 2,756,143</u>	<u>\$ 324,282</u>	<u>\$ 48,975</u>	<u>\$ 373,257</u>

See independent auditor's report.