

VISIT RAPID CITY

COMBINED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2024

**Visit Rapid City
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December 31, 2024**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Visit Rapid City
Rapid City, South Dakota

Opinion

We have audited the accompanying combined financial statements of Visit Rapid City, Rapid City Sports Commission, and Main Street Square (collectively, the Organization), which comprise the statements of financial position as of December 31, 2024, 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2024 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 audit 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.

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, 2024, the combining statement of activities for the year ended December 31, 2024, and the combining statement of functional expenses for the year ended December 31, 2024 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.

Grooms & Harkins, PC

Grooms & Harkins, P.C.
Casper, Wyoming
October 9, 2025

FINANCIAL STATEMENTS

Visit Rapid City
Combined Statement of Financial Position
December 31, 2024

ASSETS

Cash	\$ 1,208,649
Investments	1,987,743
Taxes Receivable	423,336
Unconditional Promises to Give, Net of Discount	183,500
Inventory	11,196
Prepaid Expenses	191,817
Property and Equipment, Net of Depreciation	1,074,895
Operating Lease Right-of-use Asset	65,923
Financing Lease Right-of-use Asset, Net of Amortization	20,497
Assets Held by Community Foundation	<u>196,818</u>

TOTAL ASSETS	<u>\$ 5,364,374</u>
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LIABILITIES AND NET ASSETS

Liabilities:

Accounts Payable	\$ 82,150
Amounts Held for Others	19,953
Operating Lease Liability	67,961
Financing Lease Liability	<u>20,881</u>

Total Liabilities	<u>190,945</u>
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Net Assets:

Net Assets with Donor Restrictions	253,557
Net Assets Without Donor Restrictions:	
Board-designated for Endowment	176,818
Board-designated for Operating Reserve	750,000
Undesignated	<u>3,993,054</u>

Total Net Assets	<u>5,173,429</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,364,374</u>
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The accompanying notes are an integral part of this statement.

Visit Rapid City
Combined Statement of Activities
For the Year Ended December 31, 2024

NET ASSETS WITHOUT DONOR RESTRICTIONS

Support, Gains, and Other Revenues:

Tax Revenues	\$ 3,376,041
Grants and Contributions	377,865
Program Revenues	335,993
Less Cost of Goods Sold	<u>(16,551)</u>
Net Program Revenues	319,442

Net Investment Return	92,517
Interest	34,679
Insurance Proceeds	22,791
Advertising	15,750
Partnership Fees	15,300
Rental Income	12,650
Loss on Sale of Assets	<u>(7,289)</u>

Total Support, Gains, and Other Revenues	4,259,746
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Net Assets Released from Restrictions	<u>536,050</u>
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Total Support, Gains, and Other Revenues Without Donor Restrictions	<u>4,795,796</u>
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Expenses:

Program Expenses	4,082,491
Management and General	<u>635,475</u>

Total Expenses	<u>4,717,966</u>
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Change in Net Assets Without Donor Restrictions	<u>77,830</u>
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CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS

Contributions	458,000
Net Assets Released from Restrictions	<u>(536,050)</u>

Change in Net Assets with Donor Restrictions	<u>(78,050)</u>
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TOTAL CHANGE IN NET ASSETS	(220)
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NET ASSETS - BEGINNING	<u>5,173,649</u>
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NET ASSETS - ENDING	<u><u>\$ 5,173,429</u></u>
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The accompanying notes are an integral part of this statement.

Visit Rapid City
Combined Statement of Functional Expenses
For the Year Ended December 31, 2024

	Program	Management and General	Total
Salaries and Wages	\$ 1,156,984	\$ 289,246	\$ 1,446,230
Employee Benefits	128,256	32,064	160,320
Payroll Taxes	87,895	21,974	109,869
Total Wages and Benefits	1,373,135	343,284	1,716,419
Advertising	1,826,613	-	1,826,613
Professional Services	235,409	148,487	383,896
Occupancy	183,441	41,723	225,164
Depreciation and Amortization	96,234	23,391	119,625
Office	65,439	16,358	81,797
Events	69,846	-	69,846
Repair and Maintenance	148,367	37,092	185,459
Insurance	38,763	9,691	48,454
Training and Education	27,496	6,874	34,370
Dues	18,338	4,586	22,924
Travel	12,601	3,149	15,750
Donations	2,832	708	3,540
Interest	411	103	514
Credit Loss	117	29	146
	4,099,042	635,475	4,734,517
Less Expenses Included with Revenues on the Statement of Activities:			
Cost of Goods Sold	(16,551)	-	(16,551)
	<u>\$ 4,082,491</u>	<u>\$ 635,475</u>	<u>\$ 4,717,966</u>

The accompanying notes are an integral part of this statement.

Visit Rapid City
Combined Statement of Cash Flows
For the Year Ended December 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (220)
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by (Used in) Operating Activities:	
Depreciation Expense	116,956
Amortization of Right-of-Use Asset	74,107
Gain on Investments	(114,061)
Loss on Disposal of Equipment	7,705
Loss on Termination of Lease	(7,436)
(Increase) Decrease in:	
Receivables	60,616
Inventory	(6,228)
Prepaid Expenses	(55,653)
Increase (Decrease) in:	
Accounts Payable	1,375
Unearned Revenue	(2,500)
Amounts Held for Others	765
Net Cash Provided by Operating Activities	<u>75,426</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Fixed Assets	(475,593)
Proceeds on Sale of Assets	8,000
Purchase of Investments	(547,942)
Sale of Investments	<u>222,314</u>
Net Cash Used in Investing Activities	<u>(793,221)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payment on Leases	<u>(69,874)</u>
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NET DECREASE IN CASH

(787,669)

CASH - BEGINNING

1,249,202

CASH - BEGINNING MAIN STREET SQUARE ACQUISITION

747,116

CASH - ENDING

\$ 1,208,649

SUPPLEMENTAL CASH FLOW INFORMATION

Right-of-use Assets Obtained in Exchange for Lease Liabilities:

Operating Leases	<u>\$ 75,273</u>
Finance Leases	<u>\$ 24,205</u>

Cash Paid for Amounts Included in Measurement of Lease Liabilities:

Operating Cash Flows from Operating Leases	<u>\$ 69,390</u>
Operating Cash Flows from Finance Leases	<u>\$ 997</u>
Financing Cash Flows from Finance Leases	<u>\$ 4,686</u>

Interest Paid

\$ 997

The accompanying notes are an integral part of this statement.

Visit Rapid City

Notes to the Financial Statements

December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Visit Rapid City (VRC), Rapid City Sports Commission (RCSC), and Main Street Square, Inc. (MSS), (collectively, the Organization), are non-profit organizations. VRC, RCSC, and MSS are classified by the Internal Revenue Service as tax-exempt under Sections 501(c)(6), 501(c)(3), 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 area. MSS was formed in 2010 and 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 Board of Directors of RCSC is the Executive Committee of the Board of Directors of VRC. During the year ended December 31, 2024, VRC and MSS came under common control. The Board of Directors of MSS became the Executive Committee of the Board of Directors of VRC after the transition. The organizations also share management. Accordingly, the entities are under common control and combined financial statements have been prepared for the Organization.

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 upon tourism and local support.

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.

Principles of Combination

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

Cash

For financial statement purposes, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash allocated to the investment portfolio as part of the Organization's investment strategy is reported as investments. 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

Investments are reported at fair value and are based primarily on quoted market prices or estimated fair values in the Statement of Financial Position. 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.

Visit Rapid City
Notes to the Financial Statements
December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

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

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 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 - 10 years
Leasehold Improvements	5 - 15 years
Buildings	7 - 40 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. The VRC Board has designated, from net assets without donor restrictions, an operating reserve in the amount of \$750,000. The MSS Board has designated, as an endowment, the funds held with Black Hills Area Community Foundation and South Dakota Community Foundation, except for \$20,000 which is restricted.

Net Assets with Donor Restrictions - The part of the 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.

The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

Visit Rapid City
Notes to the Financial Statements
December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give

Promises to give consist of pledge commitments that are long-term or annual in nature. 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, the amortization of the discount is included in contribution revenue in the combined statements of activities. The allowance for uncollectible 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, 2024, all promises to give were determined by management to be collectible and no allowance was recorded.

Tax Receivables and Revenues

The City of Rapid City collects sales taxes and lodging taxes within specified zones and remits those collections to the Organization. Statutes and ordinances require the taxes to be used to support the 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

The Organization collects partnership fees from a third party that prepares a guidebook of local businesses. The third party pays the Organization a percentage of revenues. Revenue is recognized when received. At December 31, 2024, there were no continuing obligations by the Organization.

Program Revenues

Program revenues consist of trolley ticket sales, net merchandise revenue, Certified Tourism Ambassador (CTA) class registration fees, sports event sponsorships, ice skating passes and equipment rentals, and tickets, food, and beverage sales for various events held at Main Street Square. Program revenues are recorded and collected at the time of the transaction when tickets are sold, when merchandise, food, or beverages are purchased, when a participant registers for a CTA class, or at the time of sporting events. Sporting event sponsorships may be collected in advance of the event, resulting in the recording of a contract liability.

The following table provides information about significant changes in the contract liabilities for the years ended December 31, 2024:

Unearned Sports Sponsorships, Beginning of Year	\$ 2,500
Sports Sponsorships Earned During the Year	<u>(2,500)</u>
Unearned Revenues, End of Year	\$ <u>-</u>

Visit Rapid City
Notes to the Financial Statements
December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized when cash, securities, other assets, unconditional promises to give, or 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 substantially met. No conditional grants have been received, nor have any grants been received in advance of meeting performance requirements.

Nonfinancial Contributions

Contributed nonfinancial assets include donated professional services, donated equipment, and other items, which are recorded at the respective fair values of goods and services received. Volunteers contribute significant amounts of time to program services; however, the combined 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 nonfinancial assets are recorded at fair value at the date of donation. No significant contributions of non-financial assets were received during the year ended December 31, 2024.

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, 2024. Grants are recognized as revenues when received based on reimbursement requests for eligible expenses incurred. Eligible expenses are defined as those that have met the allowable criteria for revenue recognition under the grant agreements. As of December 31, 2024, the Organization was awarded \$28,000 for capital improvements to Main Street Square that had not yet been spent and is considered a conditional contribution.

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 costs of program and supporting services activities have been summarized on a functional basis in the combined statement of activities. The combined statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated to the program and the supporting services benefited. The combined 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 are allocated based on management's estimate of total staff time and effort benefiting each program.

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. Lease terms may include options to extend or terminate certain leases and are reflected in the valuation if it is reasonably certain that management will exercise an option to extend or terminate a lease.

Visit Rapid City
Notes to the Financial Statements
December 31, 2024

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 that activities are subject to unrelated business income.

As of December 31, 2024, the Organization had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements. 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 2021. 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 \$1,826,613 for the year ended December 31, 2024.

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.

NOTE 2 - PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows as of December 31, 2024:

Due in Less Than One Year	\$ 90,500
Due in One to Five Years	<u>100,000</u>
	190,500
Less Discount to Net Present Value	<u>(7,000)</u>
Net Unconditional Promises to Give	<u>\$ 183,500</u>

As of December 31, 2024, 79% of promises to give are from two donors.

Visit Rapid City
Notes to the Financial Statements
December 31, 2024

NOTE 3 - 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, 2024:

Financial Assets Available for Use:	
Cash	\$ 1,208,649
Investments	1,987,743
Taxes Receivable	423,336
Unconditional Promises to Give, Current	90,500
Assets Held by Community Foundation	176,818
	<u>\$ 3,887,046</u>

The beneficial interest in assets held by the community foundations was designated by the board as an endowment. The Community Foundations allow for quarterly income distributions based on the performance of assets. It is the intent of the Board to allow these assets to grow and not take distributions.

As part of liquidity management, excess cash is invested in short-term investments including money markets. Tax revenues collected by the Organization are sufficient to fund operations.

NOTE 4 - AMOUNTS HELD FOR OTHERS

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

NOTE 5 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2024 is as follows:

Furniture, Equipment, and Vehicles	\$ 1,266,844
Buildings	459,634
Leasehold Improvements	<u>174,901</u>
Total Property and Equipment	1,901,379
Less: Accumulated Depreciation	<u>(826,484)</u>
Total Property and Equipment, Net	<u>\$ 1,074,895</u>

NOTE 6 - LEASES

The Organization leases certain office facilities and equipment at various terms under long-term non-cancelable operating lease and finance lease agreements. The leases expire at various dates through 2027 and provide renewal options. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The Organization's operating lease requires the Organization to pay real estate taxes, insurance, and repairs.

The weighted average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, the Organization estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Organization's applicable borrowing rates and the contractual lease term.

Visit Rapid City
Notes to the Financial Statements
December 31, 2024

NOTE 6 - LEASES (CONTINUED)

The lease payments used to determine the lease liability and right-of-use assets include any residual guarantees the Organization is probable to pay at the termination of the lease term.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

The right-of-use asset and corresponding liabilities as of December 31, 2024 are as follows:

	Operating Leases	Finance Leases
Right-of-use Assets	\$ 65,923	\$ 20,497
Lease Liability	67,961	20,881
Weighted Average:		
Discount Rate	6.24%	8.21%
Remaining Lease Term (Months)	12.9	27.2

Lease costs for the year ended December 31, 2024 were as follows:

Finance:	
Amortization of Right-of-use Assets	\$ 4,686
Interest on Lease Liability	997
Operating	69,390
	<u>\$ 75,073</u>

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

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of December 31, 2024:

	Operating Leases	Finance Leases
2025	\$ 55,210	\$ 9,552
2026	10,180	9,169
2027	4,480	3,821
	69,870	22,542
Less: Discount	(1,909)	(1,661)
	<u>\$ 67,961</u>	<u>\$ 20,881</u>

Visit Rapid City

Notes to the Financial Statements

December 31, 2024

NOTE 7 - INVESTMENTS

Certain assets are reported at fair value in the combined 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 or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level I - Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level II - 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 in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level III - Unobservable inputs for the asset. In these situations, inputs are developed using the best information in the circumstances.

The Organization uses net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate fair values of assets held by community foundations, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

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, 2024:

	Level I	NAV	Total
U.S. Treasuries	\$ 1,971,938	\$ -	\$ 1,971,938
Assets Held by Community Foundations	-	196,818	196,818
Money Market Funds	15,805	-	15,805
	<u>\$ 1,987,743</u>	<u>\$ 196,818</u>	<u>\$ 2,184,561</u>

The fair value of assets held by Community Foundations is measured at fair value using NAV per share as a practical expedient and is as follows at December 31, 2024:

	Number of Investments	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Assets Held by Community Foundations	2	\$ 196,818	\$ -	Monthly	30 days

Visit Rapid City

Notes to the Financial Statements

December 31, 2024

NOTE 8 - ASSETS HELD BY COMMUNITY FOUNDATION

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, 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 were available but no distribution was taken in the year ended December 31, 2024. The Organization annually elects whether to receive earnings available for distribution from BHACF based on current operational needs. The BHACF and SDCF 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 judgment of the governing body, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the BHACF or SDCF. Because the Organization has named itself the beneficiary of these funds, the amounts have been recorded as assets held by the Community Foundations on the accompanying combined statements of financial position.

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 value 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, 2023	\$ 158,383	\$ 20,000	\$ 178,383
Net Investment Return	18,435	-	18,435
Endowment Net Assets, December 31, 2024	<u>\$ 176,818</u>	<u>\$ 20,000</u>	<u>\$ 196,818</u>

Visit Rapid City
Notes to the Financial Statements
December 31, 2024

NOTE 8 - ASSETS HELD BY COMMUNITY FOUNDATION (CONTINUED)

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

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31, 2024:

Subject to the Passage of Time:	
Promises to Give that are not Restricted by Donors	\$ 143,000
Required to be Held in Perpetuity:	
Endowment	20,000
Subject to Expenditure for Specified Purpose:	
Ambassador Program	51,042
Ice Skating Passes	11,515
Capital Improvements	28,000
	<u>90,557</u>
Total Net Assets with Donor Restrictions	<u>\$ 253,557</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2024:

Expiration of Time Restrictions	\$ 94,000
Satisfaction of Purpose Restrictions:	
Marketing	250,000
Capital Improvements	139,391
Sporting Events	5,508
Ambassador Program	20,008
Ice Skating Passes	27,143
	<u>\$ 536,050</u>

Visit Rapid City
Notes to the Financial Statements
December 31, 2024

NOTE 10 - 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 matching contributions totaled \$30,771 for the year ended December 31, 2024.

NOTE 11 - OPERATIONS OF MAIN STREET SQUARE

During the year ended December 31, 2024, the Main Street Square Board of Directors voted to cede control of the organization to the board of directors of Visit Rapid City. The purpose of Main Street Square is to improve the quality of life and bring residents and visitors to downtown Rapid City. Due to the overlapping mission of both organizations, it was determined that combined management and oversight would eliminate administrative burden and duplication of efforts. A separate corporation and tax-exempt status will be maintained by each entity. The change in control results in issuing combined financial statements.

NOTE 12 - SUBSEQUENT EVENTS

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

SUPPLEMENTARY INFORMATION

Visit Rapid City
Combining Statement of Financial Position
December 31, 2024

	Visit Rapid City	Rapid City Sports Commission	Main Street Square	Eliminations	Total
ASSETS					
Cash	\$ 833,400	\$ 4,489	\$ 370,760	\$ -	\$ 1,208,649
Investments	1,576,549	-	411,194	-	1,987,743
Taxes Receivable	423,336	-	-	-	423,336
Accounts Receivable	58,713	-	-	(58,713)	-
Unconditional Promises to Give, Net	-	143,000	40,500	-	183,500
Inventory	4,535	-	6,661	-	11,196
Prepaid Expenses	137,030	54,787	-	-	191,817
Property and Equipment, Net	406,013	30,065	638,817	-	1,074,895
Operating Lease Right-of-use Asset	65,923	-	-	-	65,923
Financing Lease Right-of-use Asset, Net	10,412	-	10,085	-	20,497
Assets Held by Community Foundation	-	-	196,818	-	196,818
Note Receivable	72,320	-	-	(72,320)	-
TOTAL ASSETS	\$ 3,588,231	\$ 232,341	\$ 1,674,835	\$ (131,033)	\$ 5,364,374
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts Payable	\$ 53,445	\$ -	\$ 87,418	\$ (58,713)	\$ 82,150
Loan Payable	-	-	72,320	(72,320)	-
Amounts Held for Others	19,953	-	-	-	19,953
Operating Lease Liability	67,961	-	-	-	67,961
Financing Lease Liability	10,589	-	10,292	-	20,881
Total Liabilities	151,948	-	170,030	(131,033)	190,945
Net Assets:					
Net Assets With Donor Restrictions	-	143,000	110,557	-	253,557
Net Assets Without Donor Restrictions:					
Board-designated for Endowment	-	-	176,818	-	176,818
Board-designated for Operating Reserve	750,000	-	-	-	750,000
Undesignated	2,686,283	89,341	1,217,430	-	3,993,054
Total Net Assets	3,436,283	232,341	1,504,805	-	5,173,429
TOTAL LIABILITIES AND NET ASSETS	\$ 3,588,231	\$ 232,341	\$ 1,674,835	\$ (131,033)	\$ 5,364,374

See independent auditor's report.

Visit Rapid City
Combining Statement of Activities
For the Year Ended December 31, 2024

	Visit Rapid City	Rapid City Sports Commission	Main Street Square	Eliminations	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Support, Gains, and Other Revenues:					
Tax Revenues	\$ 3,127,363	\$ -	\$ 248,678	\$ -	\$ 3,376,041
Grants and Contributions	646	-	387,219	(10,000)	377,865
Program Revenues	56,729	8,560	270,704	-	335,993
Less Cost of Goods Sold	(5,661)	-	(10,890)	-	(16,551)
Net Program Revenues	51,068	8,560	259,814	-	319,442
Net Investment Return	74,060	-	18,457	-	92,517
Interest	15,659	-	19,020	-	34,679
Insurance Proceeds	-	-	22,791	-	22,791
Advertising	-	-	15,750	-	15,750
Partnership Fees	15,300	-	-	-	15,300
Rental Income	-	-	12,650	-	12,650
Gain (Loss) on Sale of Assets	(8,517)	-	1,228	-	(7,289)
Intercompany Contributions	(513,269)	513,269	-	-	-
Total Support, Gains, and Other Revenues	2,762,310	521,829	985,607	(10,000)	4,259,746
Net Assets Released from Restrictions	250,000	99,508	186,542	-	536,050
Total Support, Gains, and Other Revenues Without Donor Restrictions	3,012,310	621,337	1,172,149	(10,000)	4,795,796
Expenses:					
Program Expenses	2,635,676	480,023	976,792	(10,000)	4,082,491
Management and General	321,553	62,941	250,981	-	635,475
Total Expenses	2,957,229	542,964	1,227,773	(10,000)	4,717,966
Change in Net Assets Without Donor Restrictions	55,081	78,373	(55,624)	-	77,830

See independent auditor's report.

Visit Rapid City
Combining Statement of Activities (Continued)
For the Year Ended December 31, 2024

	Visit Rapid City	Rapid City Sports Commission	Main Street Square	Eliminations	Total
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	250,000	-	208,000	-	458,000
Net Assets Released from Restrictions	<u>(250,000)</u>	<u>(99,508)</u>	<u>(186,542)</u>	<u>-</u>	<u>(536,050)</u>
Change in Net Assets With Donor Restrictions	<u>-</u>	<u>(99,508)</u>	<u>21,458</u>	<u>-</u>	<u>(78,050)</u>
TOTAL CHANGE IN NET ASSETS	55,081	(21,135)	(34,166)	-	(220)
NET ASSETS - BEGINNING	<u>3,381,202</u>	<u>253,476</u>	<u>1,538,971</u>	<u>-</u>	<u>5,173,649</u>
NET ASSETS - ENDING	<u>\$ 3,436,283</u>	<u>\$ 232,341</u>	<u>\$ 1,504,805</u>	<u>\$ -</u>	<u>\$ 5,173,429</u>

See independent auditor's report.

Visit Rapid City

Less Expenses Included with Revenues
on the Statement of Activities:

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