

RURAL AMERICA INITIATIVES
Rapid City, South Dakota

FINANCIAL REPORT

For the Year Ended December 31, 2020

RURAL AMERICA INITIATIVES
Rapid City, South Dakota

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Gardner, Loutzenhiser, and Ryan, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Rural America Initiatives

Report on the Financial Statements

We have audited the accompanying financial statements of Rural America Initiatives (a nonprofit organization) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rural America Initiatives as of December 31, 2020, 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.

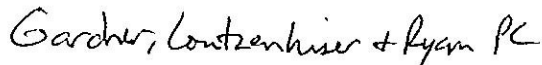
Other Matters

Other 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 on pages 19 - 21 and the Combining Statement of Activities on pages 22 - 33 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 39, as required by Title 2 U.S. *Code of Federal Regulations* (CRF) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2021 on our consideration of Rural America Initiatives' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Chadron, Nebraska
August 23, 2021

**Rural America Initiatives
Statement of Financial Position
December 31, 2020**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,144,558.94
Accounts Receivable, Net of Allowance of \$140,963	16,846.00
Grants Receivable	79,075.02
Current Portion of Pledges Receivable	53,315.00
Note Receivable	295,000.00
Prepaid Expenses	<u>109,603.17</u>
Total Current Assets	<u>1,698,398.13</u>

PROPERTY AND EQUIPMENT

Equipment	154,637.75
Leasehold Improvements	137,099.28
Vehicles	991,021.47
Buildings	8,439,185.67
Land	<u>495,751.31</u>
	10,217,695.48
Less: Accumulated Depreciation	<u>(2,145,249.06)</u>
Net Property and Equipment	<u>8,072,446.42</u>

Other Assets

Rental Deposits	7,889.00
Pledges Receivable	9,315.00
Capital Credits Receivable	<u>51,148.21</u>
Total Other Assets	<u>68,352.21</u>

TOTAL ASSETS

\$ 9,839,196.76

See independent auditor's report and notes to the financial statements.

Rural America Initiatives
Statement of Financial Position (Continued)
December 31, 2020

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued Payroll	\$ 88,426.77
Accounts Payable	55,799.70
Payroll Taxes Payable	5,435.25
Retirement Payable	8,108.98
Accrued Interest	188.13
Deferred Revenue	23,041.55
Current Portion of Notes Payable	<u>18,605.00</u>
Total Current Liabilities	<u>199,605.38</u>

LONG-TERM LIABILITIES

Notes Payable	439,772.98
Less: Current Portion	<u>(18,605.00)</u>
Total Long-term Liabilities	<u>421,167.98</u>
Total Liabilities	620,773.36

NET ASSETS

Without Donor Restrictions	8,614,484.34
With Donor Restrictions	<u>603,939.06</u>

TOTAL LIABILITIES AND NET ASSETS \$ 9,839,196.76

See independent auditor's report and notes to the financial statements.

**Rural America Initiatives
Statement of Activities
For the Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Grant	\$ -	\$ 5,742,819.98	\$ 5,742,819.98
Interest Revenue	6,993.13	-	6,993.13
In-kind	-	205,203.77	205,203.77
Contributions	302,734.69	136,660.58	439,395.27
Reimbursements	54,226.83	6,746.78	60,973.61
Child Care	1,767.06	-	1,767.06
CANS Food Reimbursement	-	50,742.53	50,742.53
Total Revenues	365,721.71	6,142,173.64	6,507,895.35
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of Program Restrictions	5,538,234.58	(5,538,234.58)	-
Total Revenues and Reclassifications	5,903,956.29	603,939.06	6,507,895.35
EXPENSES			
Management and General:			
Rural America Initiatives	45,093.56	-	45,093.56
Rural America Initiatives - Indirect '19	172,455.63	-	172,455.63
Rural America Initiatives - Indirect '20	369,900.52	-	369,900.52
Fundraising	83,125.79	-	83,125.79
Program Expenses:			
Rapid City Head Start Year 13	711,309.66	-	711,309.66
Rapid City Head Start Year 14	647,048.75	-	647,048.75
Rapid City Early Head Start Year 13	242,846.10	-	242,846.10
Rapid City Early Head Start Year 14	354,220.87	-	354,220.87
Crow Creek Head Start Year 13	412,861.92	-	412,861.92
Crow Creek Head Start Year 14	388,190.56	-	388,190.56
Crow Early Creek Head Start Year 13	308,375.50	-	308,375.50
Crow Early Creek Head Start Year 14	181,725.06	-	181,725.06
Early Head Start Expansion Year 3	368,955.39	-	368,955.39
Early Head Start Expansion Year 4	389,911.14	-	389,911.14
Rapid City Head Start Construction Year 4	202,321.77	-	202,321.77
Ateyapi Teen Pregnancy Prevention Tier 1 Year 10	406,845.97	-	406,845.97
ANA Language Year 5	152,653.51	-	152,653.51
ANA Language Year 6	151,841.57	-	151,841.57
Wicozani Year 4	10,040.03	-	10,040.03
Wicozani Year 5	249,597.96	-	249,597.96
Wicozani Year 6	171,383.74	-	171,383.74
NoVo Year 2	161,831.40	-	161,831.40
NoVo Year 3	27,313.79	-	27,313.79
Vucurevich Year 1	51,951.76	-	51,951.76
Ateyapi Youth Engaged in Sports Year 1	265,557.17	-	265,557.17
Ateyapi Youth Engaged in Sports Year 2	71,519.30	-	71,519.30
Total Expenses	6,598,878.42	-	6,598,878.42
INCREASE (DECREASE) IN NET ASSETS	(694,922.13)	603,939.06	(90,983.07)
NET ASSETS, BEGINNING OF YEAR	9,309,406.47	-	9,309,406.47
NET ASSETS, END OF YEAR	<u>\$ 8,614,484.34</u>	<u>\$ 603,939.00</u>	<u>\$ 9,218,423.40</u>

See independent auditor's report and notes to the financial statements.

Rural America Initiatives
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
EXPENSES				
Staff Travel	\$ 2,183.98	\$ 388.88	\$ -	\$ 2,572.86
Advertising/Employment Ads	4,663.37	15.00	-	4,678.37
Vehicle Repairs	41,521.85	-	-	41,521.85
Vehicle Operation	34,481.45	-	-	34,481.45
Copies P.S.	1,734.75	(7,605.50)	-	(5,870.75)
Consultants P.S.	133,235.74	3,800.00	35,556.21	172,591.95
Consultants Admin	4,400.00	800.00	-	5,200.00
Salaries	2,758,640.67	235,443.75	-	2,994,084.42
Supplies - P.S.	310,918.02	-	-	310,918.02
Supplies - Admin	70,866.62	39,084.59	4,208.99	114,160.20
Donations Expended	37,208.57	12,239.30	750.00	50,197.87
Payroll Taxes	237,417.57	19,090.13	-	256,507.70
Food	11,889.92	-	-	11,889.92
Food - Children	161,590.11	2,330.47	634.97	164,555.55
Staff Training - P.S.	45,793.52	171.33	-	45,964.85
Staff Training - Admin	19,765.26	10,309.97	1,645.00	31,720.23
Employee Retirement	103,586.11	17,739.97	-	121,326.08
Bank Charges	3.50	2,911.18	5.00	2,919.68
Penalties	-	5,206.14	-	5,206.14
Depreciation	260,367.15	-	-	260,367.15
Classroom Supplies	250,924.97	-	-	250,924.97
Volunteer/Client Activities	328,324.45	7,579.17	-	335,903.62
Out-of-state Travel	3,086.77	-	-	3,086.77
Evaluation	98,185.43	-	-	98,185.43
Telephone	139,541.91	10,680.71	-	150,222.62
Postage Admin	-	4,661.45	-	4,661.45
Interest Expense	19,868.83	-	-	19,868.83
Office Rent	73,371.61	-	-	73,371.61
Insurance - Vehicle	19,598.99	-	-	19,598.99
Insurance - Health	47,304.20	3,796.59	-	51,100.79
Cultural Materials	18,224.41	1,250.00	-	19,474.41
Curriculum Materials	34.93	-	-	34.93
Maintenance	207,827.18	22,319.92	38,435.53	268,582.63
Cleaning Supplies	9,172.27	641.22	-	9,813.49
Insurance - Work Comp	-	34,564.00	-	34,564.00
Site Improvement	453.69	-	-	453.69
Copies Admin	-	8,234.08	-	8,234.08

See independent auditor's report and notes to the financial statements.

Rural America Initiatives
Statement of Functional Expenses (Continued)
For the Year Ended December 31, 2020

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Parent Activities	13,786.66	-	-	13,786.66
Utilities	104,496.92	6,244.70	-	110,741.62
Classroom Supplies - COVID 19	72,221.39	85.50	-	72,306.89
Supplies PS - COVID 19	81,683.73	1,984.49	-	83,668.22
Maintenance - COVID 19	3,110.00	-	-	3,110.00
Pers Protective Supp - COVID 19	7,274.65	531.93	-	7,806.58
Net Payroll Taxes	3,890.85	129.41	-	4,020.26
Bad Debt	23,800.88	-	-	23,800.88
Disability Services	44.00	-	-	44.00
Disability Supplies	9,768.89	-	-	9,768.89
Kitchen Supplies	40,937.24	-	-	40,937.24
Postage P.S.	495.00	-	-	495.00
Disability Contractual	1,691.75	-	-	1,691.75
CDA Operating	4,659.00	-	-	4,659.00
Insurance Admin	103,404.51	33,748.76	-	137,153.27
Equipment Admin	849.65	-	-	849.65
Fundraising Activities	-	-	1,890.09	1,890.09
Accounting Fees	-	109,072.57	-	109,072.57
TOTAL EXPENSES	<u>\$ 5,928,302.92</u>	<u>\$ 587,449.71</u>	<u>\$ 83,125.79</u>	<u>\$ 6,598,878.42</u>

See independent auditor's report and notes to the financial statements.

**Rural America Initiatives
Statement of Cash Flows
For the Year Ended December 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in Net Assets	\$ (90,983.07)
Adjustments to Reconcile Increase in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation	260,367.15
Donations Restricted for Property and Equipment Purchases	(32,540.13)
(Increase) Decrease in Operating Assets:	
Accounts Receivable, Net of Allowance	27,371.68
Grants Receivable	427,428.64
Prepaid Expenses	23,145.15
Accrued Interest Receivable	15,780.88
Capital Credit Receivable	1,347.70
Increase (Decrease) in Operating Liabilities:	
Accrued Payroll	(87,679.93)
Accounts Payable	(15,765.89)
Payroll Taxes Payable	(12,363.92)
Retirement Payable	2,896.83
Accrued Interest	(60.14)
Deferred Revenue	<u>(472,833.56)</u>
Net Cash Provided by Operating Activities	<u>46,111.39</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Donations Restricted for Property and Equipment Purchases	32,540.13
Proceeds from Pledges Restricted for Property and Equipment Purchases	50,000.00
Payments on Notes Payable	<u>(159,954.99)</u>
Net Cash Used by Financing Activities	<u>(77,414.86)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (31,303.47)

CASH AND CASH EQUIVALENTS, BEGINNING 1,175,862.41

CASH AND CASH EQUIVALENTS, ENDING \$ 1,144,558.94

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Interest Paid with Cash	<u>\$ 19,928.97</u>
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See independent auditor's report and notes to the financial statements.

Rural America Initiatives
Notes to the Financial Statements
December 31, 2020

NOTE 1 - PURPOSE OF ORGANIZATION AND DESCRIPTION OF PROGRAMS AND SUPPORTING SERVICES

Purpose

Rural America Initiatives (“the Organization”) is a not-for-profit organization operating various programs to provide economic, human, and educational services to Native Americans in Rapid City and Fort Thompson, South Dakota.

Program Services

The primary programs operated by the Organization include (1) Head Start, a comprehensive program providing services for preschool children whose families have recently moved from the reservation and wish to acquire kindergarten readiness skills; (2) Early Head Start, a comprehensive program providing educational, health, nutritional and family services for infants and toddlers from low-income families; (3) Ateyapi Teen Pregnancy Prevention, committed to helping Native American teens practice safe sex and avoid pregnancy before marriage; (4) ANA Language, a program providing education in the Lakota language to students and the community; and (5) Wicozani, a program developing culturally appropriate, sustainable life-skills education and support processes for American Indian youth and their families.

Supporting Services

Includes the functions necessary to maintain the Organization’s stated purpose and manage the fiscal responsibilities of the entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting; consequently, certain revenue and the related assets are recognized when earned rather than when received and certain expenses are recognized when incurred rather than when the obligation is paid.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets without donor restrictions are amounts that are not subject to donor-imposed stipulations and are available for operations. Net assets with donor restrictions are those whose use has been limited by donors and grantors to a specific time period or purpose.

Restricted and Unrestricted Revenue and Support

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. Unconditional promises to give are recorded as revenues or gains in the period in which the contribution is promised. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Rural America Initiatives
Notes to the Financial Statements
December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

The Organization receives contributions to support operating activities and capital projects. These contributions can be from individuals, foundations, corporations, or trusts. The Organization records contributions (pledges) receivable, net of allowances for estimated uncollectable amounts when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. Conditional gifts, with a measurable performance or other barrier 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 discounts multi-year pledges that are expected to be collected after one year using a risk-adjusted discount rate. Multi-year pledges are recorded at fair value at the date of the pledge.

Government Grants and Contracts: The Organization receives grant and contract funding from various federal, state, and local governments to provide a variety of program services to the public based on specific requirements included in the agreement, including eligibility, procurement, reimbursement, curriculum, staffing, and other requirements. These program services include child-care programs, teen programs, family programs, and educational programs. These government grants and contracts are nonreciprocal transactions and include conditions stipulated by the government agencies and are, therefore, accounted for as conditional contributions. Public support is recognized as conditions are satisfied, primarily as expenses are incurred. Cash received on government grants and contracts prior to incurring allowable expenses are recorded as advances upon receipt.

Government grants and contracts receivable are recorded in grant receivables. All other donations are recorded in contributions receivable. The allowance for doubtful accounts is determined by the age of the balance, historical collection rates, and specific identification of uncollectible accounts. Uncollectible receivables are charged to the allowance. An expense is recorded at the time the allowance is adjusted.

At December 31, 2020, the Organization also had unexpended contributions and grants of approximately \$2.7 million that have not been recognized pending the fulfillment of conditions associated with the awards.

In-kind contributions: The Organization recognizes contributions of services received if such services: (a) create or enhance nonfinancial assets (b) require specialized skills (c) are provided by individuals possessing those skills, and (d) would typically need to be purchased if not contributed.

The Organization receives services from many volunteers who give significant amounts of their time to the programs of the Organization. No amounts have been reflected for these types of donated services, as there is no objective basis available to measure the value of such services. In-kind contributions are used by the Organization to satisfy the cost-sharing requirements of contracts. Contributions of assets other than cash are recorded at estimated fair value.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Rural America Initiatives
Notes to the Financial Statements
December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Organization has revenue streams that are accounted for as reciprocal exchange transactions. Because the Organization's performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), *Revenue from Contracts with Customers*, and, therefore, is not required to disclose the aggregate amount on the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no incremental costs of obtaining a contract and no significant financing components.

Childcare: Childcare revenues consist of amounts families pay to participate in childcare the Organization's provides outside of the program's hours. Childcare fees are due monthly after services have been provided.

Government Contract Revenue: The Organization has contracts with various governmental agencies to provide a variety of program services to the public based on contract requirements. Such contracts from government agencies are recorded as revenue as performance obligations are satisfied, which is generally when the related expenditures are incurred over the period the service is provided.

Advances are recorded as deferred revenue from government contracts upon receipt.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on management's experience and other circumstances, which may affect the ability of individuals to meet their obligations. It is the Organization's policy to charge off uncollectible accounts receivable when management determines that the receivable will not be collected.

Property and Equipment

Property and equipment are capitalized at cost. The Organization has the policy of capitalizing items with lives greater than one year and costs exceeding \$5,000. Depreciation is computed over the estimated service lives of the respective assets on a straight-line basis as follows:

Buildings	5 - 39 Years
Vehicles	3 - 7 Years
Equipment	5 - 10 Years
Land Improvements	10 Years
Leasehold Improvements	3 - 20 Years

All federal grantors retain a reversionary interest in the selected property purchased with their respective contract funds. A portion of the property and equipment reported by the Organization has been acquired with federal funds.

Rental Deposits

Rental deposits consist of amounts paid by the Organization as part of various agreements to lease space for programs and administrative offices. Upon termination of the various leases, the deposit will either be returned to the Organization or applied to the Organization's last lease payments.

Rural America Initiatives
Notes to the Financial Statements
December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Credit Receivable

The Organization earns capital credits from its utility service cooperatives. The cooperative calculates the amount of capital credits earned by the Organization based on usage and applies this amount to the Organization's capital credits account. Annually, the cooperative determines an amount of capital credits to be distributed from the Organization's capital credits account to the Organization. Capital credit payments are usually in the form of credits applied to the Organization's billing invoice. The timeline of distributions is unknown. The Organization records capital credits at cost reported by the cooperative.

Tax Status

The Organization is exempt from federal income taxes under section 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, though 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 an adjustment in the tax-exempt purpose or income from unrelated business activities is ultimately determined by the taxing authorities. The Organization recognizes tax positions in the financial statements when it is more likely than not the positions will be sustained upon examination by the taxing authorities.

As of December 31, 2020, the Organization had no uncertain tax positions that qualify 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 2017. 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.

Emerging Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which supersedes FASB ASC Topic 840, *Leases (Topic 840)* and provides principles for the recognition, measurement, presentation, and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. If the available accounting election is made, leases with a term of twelve months or less can be accounted for similarly to the existing guidance for operating leases. The standard is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on the financial statements.

Rural America Initiatives
Notes to the Financial Statements
December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated rent is reflected as a contribution in the accompanying financial statements at its estimated value. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as contributed services are offset by like amounts included in expenses.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

Expenses are charged directly to program, management and general, or fundraising based on specific identification. Indirect expenses have been allocated based on management's estimate of functions benefited based on staff-related expenses.

Advertising

Advertising costs are expensed when incurred. Advertising expenses for the year ended December 31, 2020 were \$4,678.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial Assets Available for Use:	
Cash and Cash Equivalents	\$ 1,144,559
Accounts Receivable	16,846
Current Portion of Pledges Receivable	53,315
	<u>\$ 1,214,720</u>

The Organization's assets available for use consist of cash in bank and receivables expected to be collected currently. As explained in Note 7, the Organization has a line of credit available to fund operating cash flows.

NOTE 4 - PROPERTY AND EQUIPMENT

A summary of the changes in property and equipment is as follows:

	12/31/2019	Additions	Dispositions	12/31/2020
Buildings	\$ 8,439,186	\$ -	\$ -	\$ 8,439,186
Leasehold Improvements	137,099	-	-	137,099
Vehicles	991,022	-	-	991,022
Equipment	154,638	-	-	154,638
Land	495,751	-	-	495,751
Total Fixed Assets	10,217,696	-	-	10,217,696
Less: Accumulated Depreciation	1,884,882	260,368	-	2,145,250
Net Property and Equipment	<u>\$ 8,332,814</u>	<u>\$ (260,368)</u>	<u>\$ -</u>	<u>\$ 8,072,446</u>

**Rural America Initiatives
Notes to the Financial Statements
December 31, 2020**

NOTE 4 - PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense for the year ended December 31, 2020 was \$260,367.

Land, as reported in the above schedule, represents the Organization's payment for a right to purchase 8 acres of land. The Organization is required to pay an additional \$1 to exercise the option to purchase within 5 years of the agreement. Should the Organization fail to exercise the option, the amount paid for the option will not be refunded.

NOTE 5 - LEASE OBLIGATIONS

The Organization leased classroom space for \$2,500 per month beginning July 1, 2011. The original lease has expired and continues on a month-to-month basis. The amount included in expenses for the year ended December 31, 2020 was \$2,500.

The Organization leases land on which a building is located under a twenty-year lease requiring \$500 per month until the lease expired on June 30, 2014, after which it continued month-to-month. The amount included in expenses for the year ended December 31, 2020 was \$6,000.

The Organization leased property under a three-year agreement expiring in August of 2018, after which continued month-to-month. The lease requires monthly payments of \$1,500. The amount included in expenses for the year ended December 31, 2020 was \$18,000.

The Organization leased property under a one-year agreement that expires on June 30, 2021. The lease requires monthly payments of \$1,200. Rent expense for the year ended December 31, 2020 was \$7,200. Future rent expense related to this lease is \$7,200.

NOTE 6 - RETIREMENT PLAN

The Organization offers its full-time employees a simplified employee pension plan. The Organization makes discretionary contributions each year. For the year ended December 31, 2020, contributions were \$118,109.

NOTE 7 - LINE OF CREDIT

The Organization maintains a \$100,000 unsecured line of credit with US Bank. The agreement calls for monthly interest payments at 1.25 percent over the bank's index rate and is renewable annually. At December 31, 2020, the Organization had no outstanding borrowings under this line of credit.

NOTE 8 - NOTES PAYABLE

Notes payable consisted of the following as of December 31, 2020:

Note payable to Black Hills Community Bank, requiring monthly payments of \$2,953 including interest at 3.85% with a balloon payment upon maturity in September of 2030 of \$225,663. Note is secured by the Rapid City Head Start building.	\$ 439,773
Less: Current Portion	<u>(18,605)</u>
Long-term Portion	<u><u>\$ 421,168</u></u>

Rural America Initiatives
Notes to the Financial Statements
December 31, 2020

NOTE 8 - NOTES PAYABLE (CONTINUED)

Maturities of long-term debt are as follows:

Year Ended December 31,		
2021	\$	18,605
2022		19,345
2023		20,114
2024		20,871
2025		21,742
Thereafter		<u>339,096</u>
	\$	<u><u>439,773</u></u>

NOTE 9 - IN-KIND MATERIALS AND SERVICES

The fair value of donated goods and services included as in-kind contributions in the financial statements for the year ended December 31, 2020 is as follows:

Professional Services	\$	119,695
Goods		<u>85,509</u>
Total In-kind Donations	\$	<u><u>205,204</u></u>

In addition to these amounts, services in the amount of \$119,460 were donated to the Organization that do not qualify under FASB Codification 958-605-25 to be recorded in the accompanying financial statements. They do, however, qualify as in-kind matching contributions under the terms of grant programs. There was also \$177,032 of cash donations received that qualify as in-kind matching contributions.

NOTE 10 - NOTE RECEIVABLE

During the year ended December 31, 2019, the Organization sold 40 acres of land to a third party. The land was exchanged for a note receivable in the amount of \$395,000. The agreement required one payment of \$100,000 prior to December 31, 2019. Interest is calculated quarterly at the Wall Street Journal prime rate. The remaining balance at December 31, 2020 was \$295,000. The note is secured by 127 acres of land. Payments are to be made on the note as properties are developed and sold. The balance plus any accrued interest is due in full on or before December 31, 2021. The note balance of \$295,000 was paid in full on May 12, 2021. Accrued interest was waived.

NOTE 11 - PLEDGES RECEIVABLE

Pledges receivable at December 31, 2020 were as follows:

Receivable in Less Than One Year	\$	53,315
Receivable in One to Five Years		<u>9,315</u>
Total Pledges Receivable	\$	<u><u>62,630</u></u>

Management continually evaluates the collectability of pledges receivable. Management records an allowance for uncollectible pledges receivable upon evaluation of individual donor payment history and the likelihood of payment. Management has determined that no allowance for uncollectible pledges receivable is necessary at this time.

Rural America Initiatives
Notes to the Financial Statements
December 31, 2020

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2020, the Organization's net assets with donor restrictions consisted of the following restrictions and purposes:

Restricted Purpose:	
Head Start Program	\$ 48,053.81
Early Head Start Expansion Program	259,647.58
Ateyapi Teen Pregnancy Prevetion Program	45,397.63
Novo Language Program	194,845.82
Vucurevich Program	47,312.40
Ateyapi Youth Engaged in Sports Program	8,681.85
	<u>\$ 603,939.09</u>

Amounts released from restriction for the year related to the Organization incurring eligible expenses as required by various funding sources.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The Organization was the recipient of pass-through funds from Crow Creek Sioux Tribe for the Organization's Head Start Program in prior years. As of December 31, 2020, the Organization had a \$140,963 account receivable for pass-through funds due from Crow Creek Sioux Tribe for the operation of its Head Start program. As of the report date, the Organization had not received the funds due from the Crow Creek Sioux Tribe. The Organization has been in contact with the Crow Creek Sioux Tribe and the funds are now passed through the Community Development Institute. The Organization established an allowance for the entire \$140,963 receivable balance. Management believes there is a chance of collecting the debt and therefore has not completely written off the debt.

NOTE 14 - CONCENTRATIONS

The Organization's deposits in financial institutions may at times during the year exceed FDIC limits. Management has not experienced any losses to date related to this concentration and does not believe a significant risk exists.

The Organization received 88% of its support from federal grants during the year ended December 31, 2020. The disbursement of funds under federal programs generally requires compliance with terms and conditions specified in federal regulations and is subject to audit and possible disallowance of certain expenditures. The Organization has not had any disallowance of financial awards in the past and management does not expect any future amounts to be disallowed.

NOTE 15 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization has unconditional rights to distributions from assets held by the Black Hills Area Community Foundation (the Community Foundation). The Community Foundation makes annual distributions based on the rolling 16-quarter average of investments held on behalf of the organization at a percentage determined by the Community Foundation's Board of Directors. The value of the investment held by the Community Foundation on the Foundation's behalf was \$28,126 as of December 31, 2020. The interest in the Community Foundation is reported at fair market value each year.

The Organization has unconditional rights to distributions from assets held by the South Dakota Community Foundation (SDCF). SDCF makes annual distributions based on the rolling 16-quarter average of investments held on behalf of the Organization at a percentage determined by SDCF's Board of Directors. The value of the investment held by SDCF on the Foundation's behalf was \$1,357 as of December 31, 2020. The interest in the SDCF is reported at fair market value each year.

Rural America Initiatives
Notes to the Financial Statements
December 31, 2020

NOTE 16 - SUBSEQUENT EVENTS

On May 12, 2021, the note receivable balance of \$295,000 was paid in full. Accrued interest was waived.

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.

RURAL AMERICA INITIATIVES
Rapid City, South Dakota

SUPPLEMENTARY INFORMATION

Rural America Initiatives
Combining Statement of Financial Position
December 31, 2020

	Rural America Initiatives General	Rural America Initiatives Indirect 20	Head Start Year 14	Early Head Start Expansion Year 4
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents - Pooled Cash	\$ 1,058,702.04	\$ (373,380.99)	\$ 44,553.81	\$ 259,647.58
Accounts Receivable, Net of Allowance	16,846.00	-	-	-
Grants Receivable	-	-	65,831.40	10,129.45
Current Portion of Pledges Receivable	-	-	-	-
Note Receivable	-	-	-	-
Prepaid Expenses	-	45,930.56	18,616.01	6,473.94
Total Current Assets	<u>1,075,548.04</u>	<u>(327,450.43)</u>	<u>129,001.22</u>	<u>276,250.97</u>
PROPERTY AND EQUIPMENT				
Equipment	-	-	98,388.81	56,248.94
Leasehold Improvements	1,674.42	-	135,424.86	-
Vehicles	456,912.94	-	465,906.53	55,452.00
Buildings	-	-	3,415,119.41	-
Land	-	-	-	-
Land Improvements	-	-	-	-
	458,587.36	-	4,114,839.61	111,700.94
Less: Accumulated Depreciation	<u>(458,587.36)</u>	<u>-</u>	<u>(1,270,642.74)</u>	<u>(75,764.50)</u>
Net Property and Equipment	<u>-</u>	<u>-</u>	<u>2,844,196.87</u>	<u>35,936.44</u>
OTHER ASSETS				
Rental Deposits	139.00	2,750.00	3,500.00	-
Pledges Receivable	-	-	-	-
Capital Credits Receivable	<u>51,148.21</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Assets	<u>51,287.21</u>	<u>2,750.00</u>	<u>3,500.00</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,126,835.25</u>	<u>\$ (324,700.43)</u>	<u>\$ 2,976,698.09</u>	<u>\$ 312,187.41</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accrued Payroll	\$ -	\$ 9,398.35	\$ 56,934.93	\$ 7,956.80
Accounts Payable	5,349.63	10,720.30	18,062.75	8,070.24
Payroll Taxes Payable	-	413.82	3,539.70	576.35
Retirement Payable	4,732.20	3,216.78	160.00	-
Accrued Interest	-	-	-	-
Deferred Revenue	-	-	5,750.03	-
Current Portion of Long-term Debt	-	-	-	-
Total Current Liabilities	<u>10,081.83</u>	<u>23,749.25</u>	<u>84,447.41</u>	<u>16,603.39</u>
LONG-TERM LIABILITIES				
Notes Payable	-	-	-	-
Less: Current Portion	-	-	-	-
Total Long-term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	10,081.83	23,749.25	84,447.41	16,603.39
NET ASSETS	<u>1,116,753.42</u>	<u>(348,449.68)</u>	<u>2,892,250.68</u>	<u>295,584.02</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,126,835.25</u>	<u>\$ (324,700.43)</u>	<u>\$ 2,976,698.09</u>	<u>\$ 312,187.41</u>

See independent auditor's report.

Rural America Initiatives
Combining Statement of Financial Position (Continued)
December 31, 2020

	Rapid City Head Start Construction Year 4	Ateyapi Teen Pregnancy Prevention Tier 1 Year 10	ANA Language Year 6	Wicozani Year 6
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents - Pooled Cash	\$ (80,066.89)	\$ 45,397.63	\$ (3,507.25)	\$ (61,860.57)
Accounts Receivable, Net of Allowance	-	-	-	-
Grants Receivable	-	1,230.32	1,883.85	-
Current Portion of Pledges Receivable	53,315.00	-	-	-
Note Receivable	295,000.00	-	-	-
Prepaid Expenses	-	-	5,817.33	14,928.00
Total Current Assets	<u>268,248.11</u>	<u>46,627.95</u>	<u>4,193.93</u>	<u>(46,932.57)</u>
PROPERTY AND EQUIPMENT				
Equipment	-	-	-	-
Leasehold Improvements	-	-	-	-
Vehicles	-	-	12,750.00	-
Buildings	5,024,066.26	-	-	-
Land	495,751.31	-	-	-
Land Improvements	-	-	-	-
	<u>5,519,817.57</u>	<u>-</u>	<u>12,750.00</u>	<u>-</u>
Less: Accumulated Depreciation	<u>(336,216.94)</u>	<u>-</u>	<u>(4,037.52)</u>	<u>-</u>
Net Property and Equipment	<u>5,183,600.63</u>	<u>-</u>	<u>8,712.48</u>	<u>-</u>
OTHER ASSETS				
Rental Deposits	-	-	1,500.00	-
Pledges Receivable	9,315.00	-	-	-
Capital Credits Receivable	-	-	-	-
Total Other Assets	<u>9,315.00</u>	<u>-</u>	<u>1,500.00</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 5,461,163.74</u>	<u>\$ 46,627.95</u>	<u>\$ 14,406.41</u>	<u>\$ (46,932.57)</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accrued Payroll	\$ -	\$ 1,230.32	\$ 3,664.99	\$ 4,233.30
Accounts Payable	-	-	3,798.04	2,409.37
Payroll Taxes Payable	-	-	238.15	242.43
Retirement Payable	-	-	-	-
Accrued Interest	188.13	-	-	-
Deferred Revenue	-	-	-	8,042.90
Current Portion of Long-term Debt	<u>18,605.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>18,793.13</u>	<u>1,230.32</u>	<u>7,701.18</u>	<u>14,928.00</u>
LONG-TERM LIABILITIES				
Notes Payable	439,772.98	-	-	-
Less: Current Portion	<u>(18,605.00)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Long-term Liabilities	<u>421,167.98</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	439,961.11	1,230.32	7,701.18	14,928.00
NET ASSETS	<u>5,021,202.63</u>	<u>45,397.63</u>	<u>6,705.23</u>	<u>(61,860.57)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,461,163.74</u>	<u>\$ 46,627.95</u>	<u>\$ 14,406.41</u>	<u>\$ (46,932.57)</u>

See independent auditor's report.

Rural America Initiatives
Combining Statement of Financial Position (Continued)
December 31, 2020

	NoVo Year 3	Vucurevich Year 1	Ateyapi Youth Engaged in Sports Year 2	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents - Pooled Cash	\$ 196,882.00	\$ 49,509.76	\$ 8,681.82	\$ 1,144,558.94
Accounts Receivable, Net of Allowance	-	-	-	16,846.00
Grants Receivable	-	-	-	79,075.02
Current Portion of Pledges Receivable	-	-	-	53,315.00
Note Receivable	-	-	-	295,000.00
Prepaid Expenses	-	-	17,837.33	109,603.17
Total Current Assets	<u>196,882.00</u>	<u>49,509.76</u>	<u>26,519.15</u>	<u>1,698,398.13</u>
PROPERTY AND EQUIPMENT				
Equipment	-	-	-	154,637.75
Leasehold Improvements	-	-	-	137,099.28
Vehicles	-	-	-	991,021.47
Buildings	-	-	-	8,439,185.67
Land	-	-	-	495,751.31
Land Improvements	-	-	-	-
	-	-	-	10,217,695.48
Less: Accumulated Depreciation	-	-	-	<u>(2,145,249.06)</u>
Net Property and Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,072,446.42</u>
OTHER ASSETS				
Rental Deposits	-	-	-	7,889.00
Pledges Receivable	-	-	-	9,315.00
Capital Credits Receivable	-	-	-	51,148.21
Total Other Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,352.21</u>
TOTAL ASSETS	<u>\$ 196,882.00</u>	<u>\$ 49,509.76</u>	<u>\$ 26,519.15</u>	<u>\$ 9,839,196.76</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accrued Payroll	\$ 1,896.11	\$ 1,059.26	\$ 2,052.71	\$ 88,426.77
Accounts Payable	-	1,082.70	6,306.67	55,799.70
Payroll Taxes Payable	140.07	55.40	229.33	5,435.25
Retirement Payable	-	-	-	8,108.98
Accrued Interest	-	-	-	188.13
Deferred Revenue	-	-	9,248.62	23,041.55
Current Portion of Long-term Debt	-	-	-	18,605.00
Total Current Liabilities	<u>2,036.18</u>	<u>2,197.36</u>	<u>17,837.33</u>	<u>199,605.38</u>
LONG-TERM LIABILITIES				
Notes Payable	-	-	-	439,772.98
Less: Current Portion	-	-	-	<u>(18,605.00)</u>
Total Long-term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>421,167.98</u>
Total Liabilities	2,036.18	2,197.36	17,837.33	620,773.36
NET ASSETS	<u>194,845.82</u>	<u>47,312.40</u>	<u>8,681.82</u>	<u>9,218,423.40</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 196,882.00</u>	<u>\$ 49,509.76</u>	<u>\$ 26,519.15</u>	<u>\$ 9,839,196.76</u>

See independent auditor's report.

**Rural America Initiatives
Combining Statement of Activities
For the Year Ended December 31, 2020**

	Rural America Initiatives General	Rural America Initiatives Indirect 19	Rural America Initiatives Indirect 20	Head Start Year 13
REVENUES				
Grant	\$ -	\$ -	\$ -	\$ 1,687,172.09
Interest Revenue	6,993.13	-	-	-
In-kind	-	-	-	205,203.77
Contributions	102,734.69	-	-	5,113.84
Reimbursements	54,226.83	-	2,043.06	1,903.74
Child Care	-	-	-	1,296.70
CANS Food Reimbursements	-	-	-	14,354.95
Total Revenue	<u>163,954.65</u>	<u>-</u>	<u>2,043.06</u>	<u>1,915,045.09</u>
EXPENSES				
Staff Travel	-	170.40	218.48	1,629.95
Advertising/Employment Ads	-	-	15.00	-
Vehicle Repairs	-	-	-	1,310.61
Vehicle Operation	-	-	-	1,565.02
Copies P.S.	-	-	(7,605.50)	-
Consultants P.S.	3,210.00	-	590.00	119,695.24
Consultants Admin	800.00	-	-	-
Salaries	-	77,883.35	157,560.40	922,490.48
Supplies - P.S.	-	-	-	125,514.11
Supplies - Admin	3,218.60	5,418.81	30,447.18	8,560.92
Donations Expended	12,231.94	7.36	-	-
Payroll Taxes	-	6,972.07	12,118.06	65,406.48
Food	-	-	-	-
Food - Children	2,330.47	-	-	29,062.49
Staff Training - P.S.	-	171.33	-	9,344.96
Staff Training - Admin	1,221.30	7,829.56	1,259.11	365.00
Employee Retirement	-	2,483.38	15,256.59	14,713.18
Bank Charges	1,888.18	1,023.00	-	-
Penalties	5,206.14	-	-	-
Depreciation	-	-	-	-
Classroom Supplies	-	-	-	156,327.34
Volunteer/Client Activities	7,579.17	-	-	-
Out-Of-State Travel	-	-	-	-
Evaluation	-	-	-	-
Telephone	-	2,563.79	8,116.92	8,544.79
Postage Admin	2,919.03	264.11	1,478.31	-
Interest Expense	-	-	-	-
Office Rent	-	-	-	1,200.00
Insurance - Vehicle	-	-	-	-
Insurance - Health	-	2,000.56	1,796.03	10,006.59

See independent auditor's report.

Rural America Initiatives
Combining Statement of Activities (Continued)
For the Year Ended December 31, 2020

	Rural America Initiatives General	Rural America Initiatives Indirect 19	Rural America Initiatives Indirect 20	Head Start Year 13
Cultural Materials	1,250.00	-	-	-
Curriculum Materials	-	-	-	-
Maintenance	-	2,901.27	19,418.65	95,182.39
Cleaning Supplies	-	64.49	576.73	391.49
Insurance - Work Comp	-	10,503.00	24,061.00	-
Site Improvements	-	-	-	-
Copies Admin	-	8,455.11	(221.03)	-
Parent Activities	-	-	-	6,208.53
Utilities	-	1,920.53	4,324.17	20,088.28
Classroom Supplies - COVID 19	-	-	85.50	-
Supplies PS - COVID 19	1,410.73	-	573.76	-
Maintenance - COVID 19	-	-	-	-
Pers Protective Supp - COVID 19	-	-	531.93	-
Net Payroll Taxes	-	129.41	-	2,875.41
Bad Debt	-	-	-	-
Repairs	-	-	-	-
Disability Supplies	-	-	-	1,677.63
Kitchen Supplies	-	-	-	13,727.05
Postage P.S.	-	-	-	-
Disability Contractual	-	-	-	-
CDA Operating	-	-	-	2,247.00
Insurance Admin	1,828.00	17,469.43	14,451.33	57,258.24
Equipment Admin	-	-	-	-
Fundraising Activities	-	-	-	-
Accounting Fees	-	24,224.67	84,847.90	-
Total Expenses	<u>45,093.56</u>	<u>172,455.63</u>	<u>369,900.52</u>	<u>1,675,393.18</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS AND ALLOCATIONS	118,861.09	(172,455.63)	(367,857.46)	239,651.91
TRANSFERS	80,890.96	225,970.22	(225,970.22)	(1,969,551.27)
INDIRECT COST ALLOCATION	<u>-</u>	<u>173,441.00</u>	<u>245,378.00</u>	<u>(131,055.00)</u>
INCREASE (DECREASE) IN NET ASSETS	199,752.05	226,955.59	(348,449.68)	(1,860,954.36)
NET ASSETS, BEGINNING OF YEAR	<u>917,001.37</u>	<u>(226,955.59)</u>	<u>-</u>	<u>1,860,954.36</u>
NET ASSETS, END OF YEAR	<u>\$ 1,116,753.42</u>	<u>\$ -</u>	<u>\$ (348,449.68)</u>	<u>\$ -</u>

See independent auditor's report.

Rural America Initiatives
Combining Statement of Activities (Continued)
For the Year Ended December 31, 2020

	Head Start Year 14	Early Headstart Expansion Year 3	Early Headstart Expansion Year 4	Crow Creek Head Start Construction Year 2
REVENUES				
Grant	\$ 1,480,855.37	\$ 737,752.84	\$ 300,660.45	\$ -
Interest Revenue	-	-	-	-
In-kind	-	-	-	-
Contributions	47,503.61	-	-	-
Reimbursements	435.35	-	115.00	-
Child Care	70.00	400.36	-	-
CANS Food Reimbursements	30,482.34	1,970.00	3,935.24	-
Total Revenue	<u>1,559,346.67</u>	<u>740,123.20</u>	<u>304,710.69</u>	<u>-</u>
EXPENSES				
Staff Travel	152.19	72.66	-	-
Advertising/Employment Ads	113.37	-	-	-
Vehicle Repairs	6,175.52	5,793.24	633.75	-
Vehicle Operation	4,555.88	2,815.82	417.00	-
Copies P.S.	-	-	-	-
Consultants P.S.	1,500.00	4,195.50	-	-
Consultants Admin	-	-	-	-
Salaries	940,485.31	105,653.61	173,150.50	-
Supplies - P.S.	47,112.24	48,743.58	5,137.72	-
Supplies - Admin	7,657.44	1,457.35	(3,045.08)	-
Donations Expended	-	68.74	-	-
Payroll Taxes	94,225.06	9,492.19	14,869.29	-
Food	-	-	-	-
Food - Children	10,655.30	53,528.13	67,741.10	-
Staff Training - P.S.	16,122.99	2,548.63	1,410.21	-
Staff Training - Admin	1,110.13	3,726.13	-	-
Employee Retirement	62,125.96	1,816.67	6,263.64	-
Bank Charges	-	-	-	-
Penalties	-	-	-	-
Depreciation	60,643.47	-	29,065.22	-
Classroom Supplies	3,063.88	80,709.82	10,823.93	-
Volunteer/Client Activities	-	-	-	-
Out-Of-State Travel	-	-	-	-
Evaluation	-	-	-	-
Telephone	19,985.50	1,525.57	4,328.83	-
Postage Admin	-	-	-	-
Interest Expense	-	-	-	-
Office Rent	385.00	-	-	-
Insurance - Vehicle	9,307.99	-	581.33	-
Insurance - Health	30,488.68	223.46	480.70	-

See independent auditor's report.

Rural America Initiatives
Combining Statement of Activities (Continued)
For the Year Ended December 31, 2020

	Head Start Year 14	Early Headstart Expansion Year 3	Early Headstart Expansion Year 4	Crow Creek Head Start Construction Year 2
Cultural Materials	-	-	-	-
Curriculum Materials	-	-	-	-
Maintenance	59,013.65	8,672.96	43,522.18	-
Cleaning Supplies	3,178.30	2,680.43	2,922.05	-
Insurance - Work Comp	-	-	-	-
Site Improvements	-	-	-	-
Copies Admin	-	-	-	-
Parent Activities	3,994.19	3,341.33	-	-
Utilities	44,229.55	9,048.96	11,291.93	-
Classroom Supplies - COVID 19	34,250.64	-	9,839.34	-
Supplies PS - COVID 19	65,499.88	-	7,192.06	-
Maintenance - COVID 19	3,110.00	-	-	-
Pers Protective Supp - COVID 19	2,524.65	-	-	-
Net Payroll Taxes	-	320.67	-	-
Bad Debt	-	8,020.00	-	-
Repairs	-	44.00	-	-
Disability Supplies	-	8,091.26	-	-
Kitchen Supplies	23,736.46	1,981.84	1,491.89	-
Postage P.S.	495.00	-	-	-
Disability Contractual	-	1,691.75	-	-
CDA Operating	808.00	1,604.00	-	-
Insurance Admin	14,479.01	1,087.09	1,793.55	-
Equipment Admin	-	-	-	-
Fundraising Activities	-	-	-	-
Accounting Fees	-	-	-	-
Total Expenses	<u>1,571,185.24</u>	<u>368,955.39</u>	<u>389,911.14</u>	<u>-</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS AND ALLOCATIONS	(11,838.57)	371,167.81	(85,200.45)	-
TRANSFERS	3,013,437.25	(403,791.47)	403,791.47	(1,043,885.98)
INDIRECT COST ALLOCATION	<u>(109,348.00)</u>	<u>(32,378.00)</u>	<u>(23,007.00)</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	2,892,250.68	(65,001.66)	295,584.02	(1,043,885.98)
NET ASSETS, BEGINNING OF YEAR	<u>-</u>	<u>65,001.66</u>	<u>-</u>	<u>1,043,885.98</u>
NET ASSETS, END OF YEAR	<u>\$ 2,892,250.68</u>	<u>\$ -</u>	<u>\$ 295,584.02</u>	<u>\$ -</u>

See independent auditor's report.

Rural America Initiatives
Combining Statement of Activities (Continued)
For the Year Ended December 31, 2020

	Rapid City Head Start Construction Year 4	Ateyapi Teen Pregnancy Prevention Tier 1 Year 10	ANA Language Year 6	ANA Language Year 5
REVENUES				
Grant	\$ -	\$ 485,323.69	\$ 114,128.85	\$ 179,115.52
Interest Revenue	-	-	-	-
In-kind	-	-	-	-
Contributions	32,540.13	-	26,503.00	-
Reimbursements	-	561.91	335.50	148.94
Child Care	-	-	-	-
CANS Food Reimbursements	-	-	-	-
Total Revenue	<u>32,540.13</u>	<u>485,885.60</u>	<u>140,967.35</u>	<u>179,264.46</u>
EXPENSES				
Staff Travel	-	201.18	-	-
Advertising/Employment Ads	-	903.00	-	-
Vehicle Repairs	-	3,980.88	-	-
Vehicle Operation	-	8,530.58	3,624.13	1,131.36
Copies P.S.	-	1,734.75	-	-
Consultants P.S.	35,556.21	-	-	-
Consultants Admin	-	-	-	-
Salaries	-	128,737.82	44,560.04	79,158.21
Supplies - P.S.	-	32,804.86	237.87	117.00
Supplies - Admin	4,208.99	6,708.80	2,268.09	2,891.25
Donations Expended	750.00	(11,333.15)	39,800.45	-
Payroll Taxes	-	11,744.51	3,518.69	6,944.55
Food	-	-	1,647.07	370.03
Food - Children	634.97	-	603.09	-
Staff Training - P.S.	-	4,654.20	2,700.00	2,307.00
Staff Training - Admin	1,645.00	-	651.10	3,140.28
Employee Retirement	-	4,948.05	1,867.46	1,537.27
Bank Charges	5.00	-	-	-
Penalties	-	-	-	-
Depreciation	168,108.46	-	2,550.00	-
Classroom Supplies	-	-	-	-
Volunteer/Client Activities	-	96,956.11	16,251.69	(3,580.65)
Out-Of-State Travel	-	-	-	1,532.77
Evaluation	-	44,666.66	-	11,000.00
Telephone	-	52,177.98	11,836.16	24,383.05
Postage Admin	-	-	-	-
Interest Expense	19,868.83	-	-	-
Office Rent	-	7,001.24	(3,045.00)	325.28
Insurance - Vehicle	-	-	2,908.67	-
Insurance - Health	-	837.25	167.20	301.82

See independent auditor's report.

Rural America Initiatives
Combining Statement of Activities (Continued)
For the Year Ended December 31, 2020

	Rapid City Head Start Construction Year 4	Ateyapi Teen Pregnancy Prevention Tier 1 Year 10	ANA Language Year 6	ANA Language Year 5
Cultural Materials	-	283.53	3,000.00	9,170.92
Curriculum Materials	-	-	-	-
Maintenance	38,435.53	-	981.00	205.00
Cleaning Supplies	-	-	-	-
Insurance - Work Comp	-	-	-	-
Site Improvements	453.69	-	-	-
Copies Admin	-	-	-	-
Parent Activities	-	-	-	-
Utilities	-	-	6,126.30	4,799.89
Classroom Supplies - COVID 19	-	-	5,239.67	-
Supplies PS - COVID 19	-	534.94	354.64	-
Maintenance - COVID 19	-	-	-	-
Pers Protective Supp - COVID 19	-	-	2,500.00	-
Net Payroll Taxes	-	115.30	-	-
Bad Debt	15,780.88	-	-	-
Repairs	-	-	-	-
Disability Supplies	-	-	-	-
Kitchen Supplies	-	-	-	-
Postage P.S.	-	-	-	-
Disability Contractual	-	-	-	-
CDA Operating	-	-	-	-
Insurance Admin	-	10,657.48	643.60	6,918.48
Equipment Admin	-	-	849.65	-
Fundraising Activities	-	-	-	-
Accounting Fees	-	-	-	-
Total Expenses	<u>285,447.56</u>	<u>406,845.97</u>	<u>151,841.57</u>	<u>152,653.51</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS AND ALLOCATIONS	(252,907.43)	79,039.63	(10,874.22)	26,610.95
TRANSFERS	(80,890.96)	-	27,924.45	(27,924.45)
INDIRECT COST ALLOCATION	-	(33,642.00)	(10,345.00)	(9,949.00)
INCREASE (DECREASE) IN NET ASSETS	(333,798.39)	45,397.63	6,705.23	(11,262.50)
NET ASSETS, BEGINNING OF YEAR	<u>5,355,001.02</u>	<u>-</u>	<u>-</u>	<u>11,262.50</u>
NET ASSETS, END OF YEAR	<u>\$ 5,021,202.63</u>	<u>\$ 45,397.63</u>	<u>\$ 6,705.23</u>	<u>\$ -</u>

See independent auditor's report.

Rural America Initiatives
Combining Statement of Activities (Continued)
For the Year Ended December 31, 2020

	Wicozani Year 6	Wicozani Year 5	Wicozani Year 4	NoVo Year 3
REVENUES				
Grant	\$ 95,667.10	\$ 257,091.78	\$ 31,675.00	\$ -
Interest Revenue	-	-	-	-
In-kind	-	-	-	-
Contributions	25,000.00	-	-	200,000.00
Reimbursements	20.00	1,183.28	-	-
Child Care	-	-	-	-
CANS Food Reimbursements	-	-	-	-
Total Revenue	<u>120,687.10</u>	<u>258,275.06</u>	<u>31,675.00</u>	<u>200,000.00</u>
EXPENSES				
Staff Travel	128.00	-	-	-
Advertising/Employment Ads	264.00	1,098.00	-	-
Vehicle Repairs	800.00	5,909.64	-	4,224.58
Vehicle Operation	1,137.66	5,899.62	-	67.00
Copies P.S.	-	-	-	-
Consultants P.S.	3,145.00	4,700.00	-	-
Consultants Admin	-	2,100.00	-	-
Salaries	39,183.14	77,954.87	-	31,504.81
Supplies - P.S.	27.00	9,844.61	-	1,075.18
Supplies - Admin	4,281.65	20,188.96	-	3,292.90
Donations Expended	7,429.93	-	-	-
Payroll Taxes	3,314.51	6,521.83	-	2,417.69
Food	-	-	-	240.09
Food - Children	-	-	-	-
Staff Training - P.S.	200.00	1,068.80	176.33	-
Staff Training - Admin	-	7,274.78	-	498.91
Employee Retirement	2,266.11	4,191.08	-	-
Bank Charges	-	3.50	-	-
Penalties	-	-	-	-
Depreciation	-	-	-	-
Classroom Supplies	-	-	-	-
Volunteer/Client Activities	89,275.95	46,106.91	-	(20,245.34)
Out-Of-State Travel	-	1,554.00	-	-
Evaluation	-	-	-	-
Telephone	2,964.02	9,037.97	-	-
Postage Admin	-	-	-	-
Interest Expense	-	-	-	-
Office Rent	-	31,530.00	-	441.60
Insurance - Vehicle	-	4,834.00	-	-
Insurance - Health	104.50	338.42	-	130.65

See independent auditor's report.

Rural America Initiatives
Combining Statement of Activities (Continued)
For the Year Ended December 31, 2020

	Wicozani Year 6	Wicozani Year 5	Wicozani Year 4	NoVo Year 3
Cultural Materials	-	-	-	843.92
Curriculum Materials	-	34.93	-	-
Maintenance	-	-	-	250.00
Cleaning Supplies	-	-	-	-
Insurance - Work Comp	-	-	-	-
Site Improvements	-	-	-	-
Copies Admin	-	-	-	-
Parent Activities	-	-	-	-
Utilities	425.74	4,729.07	3,757.20	-
Classroom Supplies - COVID 19	12,134.50	-	-	-
Supplies PS - COVID 19	4,012.41	3,720.80	-	-
Maintenance - COVID 19	-	-	-	-
Pers Protective Supp - COVID 19	-	-	-	2,250.00
Net Payroll Taxes	-	227.99	-	-
Bad Debt	-	-	-	-
Repairs	-	-	-	-
Disability Supplies	-	-	-	-
Kitchen Supplies	-	-	-	-
Postage P.S.	-	-	-	-
Disability Contractual	-	-	-	-
CDA Operating	-	-	-	-
Insurance Admin	289.62	728.18	6,106.50	321.80
Equipment Admin	-	-	-	-
Fundraising Activities	-	-	-	-
Accounting Fees	-	-	-	-
Total Expenses	<u>171,383.74</u>	<u>249,597.96</u>	<u>10,040.03</u>	<u>27,313.79</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS AND ALLOCATIONS	(50,696.64)	8,677.10	21,634.97	172,686.21
TRANSFERS	(5,896.93)	27,531.90	(21,634.97)	22,159.61
INDIRECT COST ALLOCATION	<u>(5,267.00)</u>	<u>(36,209.00)</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	(61,860.57)	-	-	194,845.82
NET ASSETS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ (61,860.57)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,845.82</u>

See independent auditor's report.

Rural America Initiatives
Combining Statement of Activities (Continued)
For the Year Ended December 31, 2020

	NoVo Year 2	Vucurevich Year 1	Ateyapi Youth Engaged in Sports Year 2	Ateyapi Youth Engaged in Sports Year 1
REVENUES				
Grant	\$ -	\$ -	\$ 68,178.38	\$ 305,198.91
Interest Revenue	-	-	-	-
In-kind	-	-	-	-
Contributions	-	-	-	-
Reimbursements	-	-	-	-
Child Care	-	-	-	-
CANS Food Reimbursements	-	-	-	-
Total Revenue	<u>-</u>	<u>-</u>	<u>68,178.38</u>	<u>305,198.91</u>
EXPENSES				
Staff Travel	-	-	-	-
Advertising/Employment Ads	-	-	1,856.00	429.00
Vehicle Repairs	7,039.76	-	290.60	5,363.27
Vehicle Operation	1,350.51	312.42	1,513.20	1,561.25
Copies P.S.	-	-	-	-
Consultants P.S.	-	-	-	-
Consultants Admin	-	-	-	2,300.00
Salaries	55,434.92	34,843.67	33,899.95	91,583.34
Supplies - P.S.	357.98	-	2,269.05	37,676.82
Supplies - Admin	8,875.98	2,791.95	-	4,936.41
Donations Expended	-	-	1,242.60	-
Payroll Taxes	5,199.69	2,940.51	2,697.31	8,125.26
Food	9,632.73	-	-	-
Food - Children	-	-	-	-
Staff Training - P.S.	1,055.50	-	863.00	3,341.90
Staff Training - Admin	1,408.78	290.15	-	1,300.00
Employee Retirement	-	-	832.86	3,023.83
Bank Charges	-	-	-	-
Penalties	-	-	-	-
Depreciation	-	-	-	-
Classroom Supplies	-	-	-	-
Volunteer/Client Activities	58,144.39	10,142.20	3,353.92	31,919.27
Out-Of-State Travel	-	-	-	-
Evaluation	-	-	10,000.00	32,518.77
Telephone	-	-	4,758.04	-
Postage Admin	-	-	-	-
Interest Expense	-	-	-	-
Office Rent	7,353.70	-	30.00	28,149.79
Insurance - Vehicle	-	-	-	1,967.00
Insurance - Health	236.77	125.78	73.15	3,789.23

See independent auditor's report.

Rural America Initiatives
Combining Statement of Activities (Continued)
For the Year Ended December 31, 2020

	NoVo Year 2	Vucurevich Year 1	Ateyapi Youth Engaged in Sports Year 2	Ateyapi Youth Engaged in Sports Year 1
Cultural Materials	4,926.04	-	-	-
Curriculum Materials	-	-	-	-
Maintenance	-	-	-	-
Cleaning Supplies	-	-	-	-
Insurance - Work Comp	-	-	-	-
Site Improvements	-	-	-	-
Copies Admin	-	-	-	-
Parent Activities	242.61	-	-	-
Utilities	-	-	-	-
Classroom Supplies - COVID 19	-	-	7,582.18	3,175.06
Supplies PS - COVID 19	-	-	-	369.00
Maintenance - COVID 19	-	-	-	-
Pers Protective Supp - COVID 19	-	-	-	-
Net Payroll Taxes	139.94	152.10	-	59.44
Bad Debt	-	-	-	-
Repairs	-	-	-	-
Disability Supplies	-	-	-	-
Kitchen Supplies	-	-	-	-
Postage P.S.	-	-	-	-
Disability Contractual	-	-	-	-
CDA Operating	-	-	-	-
Insurance Admin	432.10	352.98	257.44	2,078.44
Equipment Admin	-	-	-	-
Fundraising Activities	-	-	-	1,890.09
Accounting Fees	-	-	-	-
Total Expenses	<u>161,831.40</u>	<u>51,951.76</u>	<u>71,519.30</u>	<u>265,557.17</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS AND ALLOCATIONS	(161,831.40)	(51,951.76)	(3,340.92)	39,641.74
TRANSFERS	(22,159.61)	-	18,153.74	(18,153.74)
INDIRECT COST ALLOCATION	<u>-</u>	<u>-</u>	<u>(6,131.00)</u>	<u>(21,488.00)</u>
INCREASE (DECREASE) IN NET ASSETS	(183,991.01)	(51,951.76)	8,681.82	-
NET ASSETS, BEGINNING OF YEAR	<u>183,991.01</u>	<u>99,264.16</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 47,312.40</u>	<u>\$ 8,681.82</u>	<u>\$ -</u>

See independent auditor's report.

Rural America Initiatives
Combining Statement of Activities (Continued)
For the Year Ended December 31, 2020

	<u>Total</u>
REVENUES	
Grant	\$ 5,742,819.98
Interest Revenue	6,993.13
In-kind	205,203.77
Contributions	439,395.27
Reimbursements	60,973.61
Child Care	1,767.06
CANS Food Reimbursements	<u>50,742.53</u>
Total Revenue	<u>6,507,895.35</u>
EXPENSES	
Staff Travel	2,572.86
Advertising/Employment Ads	4,678.37
Vehicle Repairs	41,521.85
Vehicle Operation	34,481.45
Copies P.S.	(5,870.75)
Consultants P.S.	172,591.95
Consultants Admin	5,200.00
Salaries	2,994,084.42
Supplies - P.S.	310,918.02
Supplies - Admin	114,160.20
Donations Expended	50,197.87
Payroll Taxes	256,507.70
Food	11,889.92
Food - Children	164,555.55
Staff Training - P.S.	45,964.85
Staff Training - Admin	31,720.23
Employee Retirement	121,326.08
Bank Charges	2,919.68
Penalties	5,206.14
Depreciation	260,367.15
Classroom Supplies	250,924.97
Volunteer/Client Activities	335,903.62
Out-Of-State Travel	3,086.77
Evaluation	98,185.43
Telephone	150,222.62
Postage Admin	4,661.45
Interest Expense	19,868.83
Office Rent	73,371.61
Insurance - Vehicle	19,598.99
Insurance - Health	51,100.79

See independent auditor's report.

Rural America Initiatives
Combining Statement of Activities (Continued)
For the Year Ended December 31, 2020

	<u>Total</u>
Cultural Materials	19,474.41
Curriculum Materials	34.93
Maintenance	268,582.63
Cleaning Supplies	9,813.49
Insurance - Work Comp	34,564.00
Site Improvements	453.69
Copies Admin	8,234.08
Parent Activities	13,786.66
Utilities	110,741.62
Classroom Supplies - COVID 19	72,306.89
Supplies PS - COVID 19	83,668.22
Maintenance - COVID 19	3,110.00
Pers Protective Supp - COVID 19	7,806.58
Net Payroll Taxes	4,020.26
Bad Debt	23,800.88
Repairs	44.00
Disability Supplies	9,768.89
Kitchen Supplies	40,937.24
Postage P.S.	495.00
Disability Contractual	1,691.75
CDA Operating	4,659.00
Insurance Admin	137,153.27
Equipment Admin	849.65
Fundraising Activities	1,890.09
Accounting Fees	<u>109,072.57</u>
 Total Expenses	 <u>6,598,878.42</u>
 CHANGE IN NET ASSETS BEFORE TRANSFERS AND ALLOCATIONS	 (90,983.07)
 TRANSFERS	 -
 INDIRECT COST ALLOCATION	 -
 INCREASE (DECREASE) IN NET ASSETS	 (90,983.07)
 NET ASSETS, BEGINNING OF YEAR	 <u>9,309,406.47</u>
 NET ASSETS, END OF YEAR	 <u>\$ 9,218,423.40</u>

See independent auditor's report.

RURAL AMERICA INITIATIVES
Rapid City, South Dakota

SINGLE AUDIT REPORTS AND SCHEDULES



Gardner, Loutzenhiser, and Ryan, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Rural America Initiatives

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rural America Initiatives (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rural America Initiatives' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rural America Initiatives' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rural America Initiatives' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gardner, Loutzenhiser + Ryan PC

Chadron, Nebraska
August 23, 2021



Gardner, Loutzenhiser, and Ryan, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Rural America Initiatives

Report on Compliance for Each Major Federal Program

We have audited Rural America Initiatives' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Rural America Initiatives' major federal programs for the year ended December 31, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Rural America Initiatives' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rural America Initiatives' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Rural America Initiatives' compliance.

Basis for Qualified Opinion on CFDA 93.600 Head Start

As described in the accompanying schedule of findings and questioned costs, Rural America Initiatives' did not comply with requirements regarding 93.600 Head Start real property management as described in finding 2020-001. Compliance with such requirements is necessary, in our opinion, for Rural America Initiatives' to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 93.600 Head Start

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, Rural America Initiatives' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 93.600 Head Start for the year ended December 31, 2020.

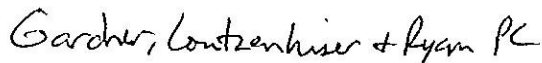
Report on Internal Control Over Compliance

Management of Rural America Initiatives is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rural America Initiatives' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rural America Initiatives' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Chadron, Nebraska
August 23, 2021

**Rural America Initiatives
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020**

CFDA Numbers	Direct Award	Cluster/ Program Name	Pass Through Entity	Pass-through Identifying Number	Federal Expenditures
<u>US Department of Health and Human Services</u>					
<i>Head Start Cluster</i>					
93.600	Y	Early Head Start			\$ 1,046,775
93.600	Y	Head Start			1,967,814
93.600	Y	Head Start COVID			105,385
93.600	Y	Early Head Start Expansion			778,766
		<i>Total Head Start Cluster</i>			<u>3,898,740</u>
93.587	Y	Promote the Survival and Continuing Vitality of Native American Languages			295,252
93.612	Y	Native American Programs			446,294
93.137	Y	Community Programs to Improve Minority Health			364,695
93.297	Y	Teen Pregnancy Prevention Program Tier I			<u>439,926</u>
		Total US Department of Health and Human Services			5,444,907
<u>US Department of Agriculture</u>					
10.558	N	Child and Adult Care Food Program (Note 2)	SD Department of Education	unknown	<u>50,743</u>
		Total Federal Financial Assistance			<u>\$ 5,495,650</u>

Note 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Note 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 3: The Organization has an approved indirect cost rate and as such, does not use the 10 percent de minimus rate allowed under the Uniform Guidance.

Note 4: No funds were passed down to subrecipients.

See independent auditor's report.

RURAL AMERICA INITIATIVES
Rapid City, South Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2020

A. Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____yes X none reported

Noncompliance material to financial statements noted?

_____yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____yes X none reported

Type of auditors' report issued on compliance for major federal programs:

modified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X yes _____no

Identification of major federal programs:

CFDA Number

Name of Federal Program

93.600

Head Start, Early Head Start, Early Head Start Expansion

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X yes _____no

See accompanying independent auditors' report.

RURAL AMERICA INITIATIVES
Rapid City, South Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended December 31, 2020

B. Findings – Financial Statement Audit

None

C. Findings and Questioned Costs – Major Federal Award Program Audit

Finding 2020-001 CFDA 93.600 Head Start: Filing of Federal Interest

Condition: The Organization did not file a notice of federal interest on the completed building project.

Criteria: 45 CFR section Chapter XIII, Part 1303.46 of the Uniform Guidance requires that the Organization file notices of federal interest on real estate purchased with federal funds.

Effect of the Condition: The Organization is not in compliance with the requirements

Cause of the Condition: The Organization was waiting for completion of the project and sample notice of interest language.

Recommendation: Have the notice of federal interest filed as soon as possible

Auditee Response: Management will complete the filing.

See accompanying independent auditors' report.

RURAL AMERICA INITIATIVES
Rapid City, South Dakota

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Year Ended December 31, 2020

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Program Audit

None

See accompanying independent auditors' report.