

Rural Office of Community Services, Inc.

**Independent Auditor's Report
and Financial Statements**

**For the Year Ended
September 30, 2022**

Rural Office of Community Services, Inc.

Board of Directors

September 30, 2022

Jim Kasten, Chairperson
Fred Kull, Vice Chairperson

Parker, South Dakota
Sioux Falls, South Dakota

Georgia Chicoine, Secretary
Jamies Deines, Treasurer

Spencer, Nebraska
Spring, South Dakota

Larry Miller, Board Member
Clint Bartlett, Board Member
Dallas Laffey, Board Member
Wendy Figland, Board Member
Robert Nuss, Board Member
Georgia Boyer, Board Member
Rachel Fischer, Board Member
April Charging Hawk, Board Member

Tripp, South Dakota
White River, South Dakota
Tripp, South Dakota
Mitchell, South Dakota
Yankton, South Dakota
Wagner, South Dakota
Mitchell, South Dakota
Mitchell, South Dakota

Peter Smith, Executive Director

Kelsie Shaffer, Financial Director

Rural Office of Community Services, Inc.

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**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

**Board of Directors
Rural Office of Community Services, Inc.**

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 Office of Community Services, Inc., (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, the related statement of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements and have issued our report thereon dated August 10, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rural Office of Community Services, Inc.’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rural Office of Community Services, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of Rural Office of Community Services, Inc.’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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Rural Office of Community Services, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of prior and current audit findings and questioned costs. Rural Office of Community Services, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Elk Point, South Dakota
August 10, 2023



Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Rural Office of Community Services, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rural Office of Community Services, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Rural Office of Community Services, Inc.'s major federal programs for the year ended September 30, 2022. Rural Office of Community Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs.

In our opinion, Rural Office of Community Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Rural Office of Community Services, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Rural Office of Community Services, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

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. As required by South Dakota Codified Law 4-11-11, this report and or report on compliance for each major federal program are matters of public record and their distribution is not limited.

A handwritten signature in cursive script that reads "CLO Prof LLC".

Elk Point, South Dakota
August 10, 2023

Rural Office of Community Services, Inc.
 Schedule of Prior and Current Audit Findings and Questioned Costs
 Year Ended September 30, 2022

Prior Audit Findings:

There are no prior audit findings.

Current Audit Findings:

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u>	Yes	<u> </u>	None reported
Significant deficiencies identified that are not considered to be material weakness(es)?	<u> </u>	Yes	<u> X </u>	None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	None reported
Significant deficiencies identified that are not material weaknesses?	<u> </u>	Yes	<u> X </u>	None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a). Yes X No

Identification of Major Programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
21.019/21.023	South Dakota Housing Development Rental Assistance - CRF, ERA 1, and ERA 2

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

Rural Office of Community Services, Inc.
Schedule of Prior and Current Audit Findings and Questioned Costs
Year Ended September 30, 2022 (Continued)

Section II - Financial Statement Findings

Finding Number 2022-001 - Internal Control Finding

Material Weakness

Financial Statement and Schedule of Expenditures of Federal Awards (SEFA) Preparation

Condition and Cause: We were requested to draft the audited financial statements, related footnote disclosures and the SEFA as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of the organization's financial statements, footnotes and SEFA. The responsibility of the audit is to determine the fairness of presentation of the those statements. From a practical standpoint, we do this for the organization at the same time as the audit, which is not unusual for organizations of this size.

Criteria and Effect: It is our responsibility to inform management and the board that this deficiency could result in a material misstatement to the financial statements, which could have been prevented or detected by management.

Repeat Finding from Prior Years: No

Recommendation: This circumstance is not unusual in an organization of this size. We have instructed management to review a draft of the auditor prepared financials in detail for accuracy. We have also answered any questions they may have asked and we have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in the financial statements. We are satisfied that the appropriate steps have been taken to provide the organization with the completed financial statements. It is the responsibility of management and the board to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response/Corrective Action Plan: Management agrees with the finding. A response can be found in the Corrective Action Plan.

Rural Office of Community Services, Inc.
Schedule of Prior and Current Audit Findings and Questioned Costs
Year Ended September 30, 2022 (Continued)

Finding Number 2022-002 - Internal Control Finding

Material Weakness

Bank statement, bank reconciliation preparation and lack of segregation of duties

Condition and Cause: During our review of internal controls and in testing of those controls, we noted that the bank statements were not being reviewed and the related bank reconciliations were not prepared timely during the year.

Criteria and Effect: Internal controls should be continually monitored to ensure they have been implemented as designed. A strong review and segregation of duties function are a necessary part of any internal control system and the effectiveness of the internal control system relies on enforcement by management. Additionally, the lack of preparation of bank reconciliations without exceptions on a timely basis does not ensure the financial statements presented to the board are complete to make sound business decisions.

Repeat Finding from Prior Years: No

Recommendation: Supervision and review functions must be performed continually during all phases of the accounting cycle. Additional training should be provided on internal control policies and procedures and best business practices. We recommend the board strengthen monitoring controls of the financial director's duties to ensure controls are in place and enforced. In addition, bank reconciliations should be prepared and reviewed timely. Management should review the bank statements and bank reconciliations monthly. This review includes identifying any significant or unusual transactions by scanning the detail and cancelled checks. Also looking at the outstanding checks for old items and significant or unusual items.

Response/Corrective Action Plan: Management agrees with the finding. A response can be found in the Corrective Action Plan.

Section III - Federal Award Findings and Questioned Costs

There are no findings or questioned costs relating to federal award programs which are required to be reported in accordance with 2 CFR 200.516(a).

RURAL OFFICE OF COMMUNITY SERVICES, INC.
WAGNER, SD

Corrective Action Plan (Unaudited)

For the Year Ended 09-30-22

2022-001: Financial Statement and Schedule of Expenditures of Federal Awards (SEFA) Preparation

Corrective Action Plan: The Board and management understand that the auditor has prepared these statements and based on our review of them, are confident that the amounts and disclosures are accurate, and are willing to accept the risk of not preparing them ourselves.

Anticipated Completion Date: August, 2023

2022-002: Lack of Segregation of Duties

Corrective Action Plan: The board hired a new finance manager and will, along with the CEO, review bank statements and reconcile accounts in a timely manner.

Anticipated Completion Date: August, 2023

Name and address of independent public accounting firm:

ELO Prof. LLC
110 W Main
Elk Point, SD 57025

Name of Responsible Person: Peter Smith, CEO
Name of Department Contact: Peter Smith, CEO
Anticipated Date: Ongoing



Independent Auditor's Report

Board of Directors
Rural Office of Community Services, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Rural Office of Community Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2022, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rural Office of Community Services, Inc. as of September 30, 2022, and the respective changes in its net assets and, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Rural Office of Community Services, Inc.'s ability to continue as a going within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rural Office of Community Services, Inc.'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 Rural Office of Community Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rural Office of Community Service's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic 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 10, 2023, on our consideration of Rural Office of Community Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rural Office of Community Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rural Office of Community Services, Inc.'s internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "CLO of RLC".

Elk Point, South Dakota
August 10, 2023

Rural Office of Community Services, Inc.

Statement of Financial Position

September 30, 2022

Assets

Current Assets

Cash and cash equivalents	\$ 390,800
Grants receivable	548,051
Total Current Assets	<u>938,851</u>

Property, Plant and Equipment

Buildings	377,818
Equipment	3,000,611
Less: Accumulated Depreciation	(2,697,142)
Total Property, Plant and Equipment	<u>681,287</u>

Total Assets \$ 1,620,138

Liabilities and Net Assets

Current and Accrued Liabilities

Accounts payable	\$ 352,718
Accrued expenses	69,836
Notes payable - current portion	35,957
Deferred revenue	370,831
Total Current and Accrued Liabilities	<u>829,342</u>

Long Term Liabilities

Accrued leave payable	88,961
Notes payable	128,941
Less: current portion	(35,957)
Total Long Term Liabilities	<u>181,945</u>

Total Liabilities 1,011,287

Net Assets

Without donor restrictions	608,851
Total Liabilities and Net Assets	<u><u>\$ 1,620,138</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Rural Office of Community Services, Inc.

Statement of Activities

September 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue			
Public support:			
Contributions	\$ --	\$ 672,967	\$ 672,967
Revenue:			
Grant and contracts from government agencies	14,080,221	--	14,080,221
Other revenue:			
Interest income	486	--	486
Program service fees	2,081,009	--	2,081,009
Miscellaneous	54,213	--	54,213
Total Public Support and Revenue	<u>16,215,929</u>	<u>672,967</u>	<u>16,888,896</u>
Net assets released from restrictions	<u>672,967</u>	<u>(672,967)</u>	<u>--</u>
Total Public Support and Revenue	<u>16,888,896</u>	<u>--</u>	<u>16,888,896</u>
Operating Expenses			
Program Expenses:			
Weatherization	1,275,228	--	1,275,228
Transportation	1,792,003	--	1,792,003
Nutrition	1,772,764	--	1,772,764
Other programs	10,849,870	--	10,849,870
Supporting services:			
Management and general	1,424,825	--	1,424,825
Total Operating Expenses Before Depreciation	<u>17,114,690</u>	<u>--</u>	<u>17,114,690</u>
Depreciation	<u>127,360</u>	<u>--</u>	<u>127,360</u>
Total Operating Expenses	<u>17,242,050</u>	<u>--</u>	<u>17,242,050</u>
Changes in Net Assets	<u>(353,154)</u>	<u>--</u>	<u>(353,154)</u>
Net Assets, Beginning of Year	<u>962,005</u>	<u>--</u>	<u>962,005</u>
Net Assets, End of Year	<u>\$ 608,851</u>	<u>\$ --</u>	<u>\$ 608,851</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Rural Office of Community Services, Inc.

Statement of Cash Flows

September 30, 2022

Cash Flows From Operating Activities:

Cash collected from users and grants	\$ 17,250,471
Cash paid to employees, consultants, and suppliers	<u>(16,876,064)</u>
Net Cash Provided by Operating Activities	<u>374,407</u>

Cash Flows From Investing Activities:

Cash paid for capital expenditures	<u>(412,562)</u>
Net Cash (Used) by Investing Activities	<u>(412,562)</u>

Cash Flows From Financing Activities:

Payments on long-term debt	(25,177)
Proceeds from long-term debt	<u>77,394</u>
Net Cash Provided by Financing Activities	<u>52,217</u>

Increase in Cash, Cash Equivalents, and Restricted Cash 14,062

Cash, Cash Equivalents, and Restricted Cash, Beginning of Year 376,738

Cash, Cash Equivalents, and Restricted Cash, End of Year \$ 390,800

The accompanying Notes to the Financial Statements are an integral part of this statement.

Rural Office of Community Services, Inc.
Statement of Cash Flows
September 30, 2022 (Continued)

Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:	
Change in net assets	\$ (353,154)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	127,360
Decrease (Increase) in:	
Grants receivable	(9,256)
Inventories	19,309
Prepaid expenses	40,700
Increase (decrease) in:	
Accounts payable	337,784
Accrued compensated absences	(60,861)
Deferred Revenue	370,831
Other accrued expenses	(98,306)
Net Cash Provided by Operating Activities	<u><u>\$ 374,407</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Rural Office of Community Services, Inc.

Statement of Functional Expenses

September 30, 2022

Expenses	Weatherization	Transportation	Nutrition	Other Programs	Total	Management and General	Total Expenses
Salaries and wages	\$ 93,470	\$ 912,690	\$ 552,128	\$ --	\$ 1,558,288	\$ 452,848	\$ 2,011,136
Fringe benefits	86,222	360,539	281,596	--	728,357	126,430	854,787
Contract services	363,436	--	121,549	--	484,985	7,670	492,655
Judgements	--	--	--	--	--	320,000	320,000
Professional services	2,766	3,794	7,877	--	14,437	65,261	79,698
Fuel	1,084	154,839	--	--	155,923	2,514	158,437
Maintenance	1,081	106,755	19,025	--	126,861	5,159	132,020
Travel	63,393	28,671	21,867	--	113,931	30,624	144,555
Space costs	24,966	12,130	7,596	--	44,692	57,548	102,240
Utilities	13,664	39,378	44,026	--	97,068	217,992	315,060
Supplies	52,700	10,310	118,429	--	181,439	87,145	268,584
Equipment	10,260	3,000	48,362	--	61,622	--	61,622
Training	13,465	2,938	1,164	--	17,567	11,405	28,972
Dues	2,082	2,371	2,344	--	6,797	--	6,797
Insurance	17,624	57,942	22,689	--	98,255	19,677	117,932
Printing and advertising	--	21,097	6,227	--	27,324	445	27,769
Telephone	4,238	16,947	10,528	--	31,713	14,130	45,843
Postage	1,431	645	3,135	--	5,211	4,456	9,667
Materials	522,821	--	--	--	522,821	--	522,821
Miscellaneous	525	57,957	3,224	2,711	64,417	1,521	65,938
Food	--	--	500,998	24,585	525,583	--	525,583
Garden project	--	--	--	1,056	1,056	--	1,056
Transit passes	--	--	--	13,886	13,886	--	13,886
SDHDA & ERA 1	--	--	--	10,075,897	10,075,897	--	10,075,897
Other projects	--	--	--	411,027	411,027	--	411,027
Basic needs	--	--	--	320,708	320,708	--	320,708
Total operating expenses before depreciation and other expenses	1,275,228	1,792,003	1,772,764	10,849,870	15,689,865	1,424,825	17,114,690
Depreciation	20,441	86,557	10,408	254	117,660	9,700	127,360
Total Expenses	\$ 1,295,669	\$ 1,878,560	\$ 1,783,172	\$ 10,850,124	\$ 15,807,525	\$ 1,434,525	\$ 17,242,050

The accompanying Notes to the Financial Statements are an integral part of this statement.

Rural Office of Community Services, Inc.

Notes to the Financial Statements

September 30, 2022

1. Summary of Significant Accounting Policies:

The accounting policies of the Organization conform to generally accepted accounting principles applicable to non-profit entities in the United States of America.

Financial Reporting Entity:

The Rural Office of Community Services, Inc., is incorporated as a non-profit corporation under the laws of the state of South Dakota. The corporation was formed for the purpose of providing a wide range of community services to the low income and elderly population in twenty-two counties in Southcentral and Southeastern South Dakota.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles. Basis of accounting refers to the timing or recognition of revenues and expenses in the accounts and their reporting in the financial statements. Revenue is recognized when it is earned and expenses are recognized when the obligation is incurred.

Net Assets:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions: Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net Assets with Donor Restrictions: Net assets subject to donor or grantor restrictions. When a restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Use of 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.

Cash Equivalents:

For purposes of the statement of cash flows, the Organization considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Income Taxes:

The Organization has received an exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code under a group exemption letter granted to the Organization by the Internal Revenue Service.

Rural Office of Community Services, Inc.

Notes to the Financial Statements

September 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Functional Allocation of Expenses:

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated including officials' expense and salaries and benefits are allocated on the basis of estimates of time and effort.

Contribution Receivable:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Property and Equipment:

All property and equipment are stated at historical cost on the date of purchase or fair market value at the date of the gift. Depreciation is computed on a straight-line basis over the useful lives of the assets as indicated.

Below is a table listing the Organization's current property and equipment:

	<u>Estimated Useful Life</u>
Land*	NA
Buildings	25-30 years
Vehicles	10 years
Furniture and Equipment	5-7 years

*Land is an inexhaustible capital asset and is not depreciated

Additions and betterments of \$3,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Advertising:

The Organization uses advertising to promote its programs. The costs of advertising are expensed as incurred.

Rural Office of Community Services, Inc.

Notes to the Financial Statements

September 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Revenue Recognition:

Revenue is reported at the amount that reflects the consideration to which the organization expects to be entitled in exchange for providing client services. These amounts are due from clients, third-party payers including government programs, and others. Generally, the organization bills the clients and third-party payors on a monthly basis. Performance obligations are determined based on the nature of the services provided and recognized over time as services are provided or at a point when production sales are made.

Subsequent Events:

The Organization has evaluated subsequent events through August 10, 2023, the date the financial statements were available to be issued.

Inventory:

Inventory is valued at the lower of cost or market using the first-in, first-out method. The inventories held by the organization include food supplies in the nutrition programs.

2. Economic Dependence:

Rural Office of Community Services, Inc. (a nonprofit organization) receives a significant amount of its funding from through contracts with the Federal agencies funded through the State of South Dakota. Therefore, its future is dependent on continued funding of the programs.

3. Description of Programs and Support Services:

Weatherization:

This program is designed to help low-income households, especially the elderly, the handicapped and families with small children, to overcome the high cost of energy, through conservation. The program is funded by the US Departments of Energy and Health and Human Services. Assistance is provided to twenty-two counties in South Dakota. During the period October 1, 2021 to September 30, 2022, 295 people were served, 47 homes were weatherized, and 9 furnaces were replaced.

Elderly Nutrition Program:

This program helps to provide the elderly with low cost nutritious meals, appropriate nutrition education and other services. It is funded with grants from the Department of Health and Human Services. 20 communities are benefited by this program and 949 people were served during the fiscal year. During the year, the total number of congregate meals served was 83,304 as well as 62,668 home delivered meals.

Rural Office of Community Services, Inc.

Notes to the Financial Statements

September 30, 2022

3. Description of Programs and Support Services: (Continued)

Rural Transportation Program:

The objective of this program is to provide public transportation services to individuals to and from medical facilities, nutrition sites, employment, education, social and recreational centers. Grants from the Department of Transportation and Health and Human Services help fund the program. During the fiscal year, this program provided services to 1,766 unduplicated persons and covered a total of 595,849 miles for a total of 73,090 rides.

Other Programs: With grants from the Dept. of Health and Human Services. ROCS also offers the following programs:

Basic Needs (CSBG, Emergency Food and Shelter and Local Funds): Offering a one-time only assistance for temporary shelter, rental and utility assistance to individuals and families who lack a fixed, regular and adequate nighttime residence. In the Fiscal Year, assistance was provided to 11571 individuals in 570 households. Food pantry assistance was provided to 9,884 individuals in 12,013 households.

CSBG CARES — ROCS was allocated CARES funds to provide emergency assistance related to the COVID-19 pandemic. Funds were available for basic needs, internet or cell phones, vehicle registration or insurance, education needs. Services provided to 33 households and 107 individuals.

HAF - The Homeowner Assistance Fund (HAF) is a federal program to help households who are behind on their mortgages and other housing-related expenses due to the impacts of COVID-19. The HAF program is overseen by the U.S. Treasury Department and administered by the states, territories, and tribes. 800 homeowners were assisted with these funds to assist with mortgages or utilities.

ERA 1 & ERA 2 - Two separate ERA programs were established: the ERA1 program was authorized by the [Consolidated Appropriations Act, 2021](#) and provided assistance to eligible households and housing stability services. The ERA2 program was authorized by the [American Rescue Plan Act of 2021](#) and provides eligible households with financial assistance, housing stability services, and as applicable, to cover the costs for other affordable rental housing and eviction prevention activities. ROCS has assisted the following with rental and housing assistance through SD Cares: ERA1 we have assisted 620 individuals, ERA2 we have assisted 5,002 individuals, and HAF we have assisted 266 individuals.

School Supply Program: This program offers assistance to children of low income families with school supplies. During the fiscal year, 722 school aged children (K-12) received a school supply package.

Special Projects: With special grants from the Department of Social Services. The Rural Offices of Community Services undertook the following Special projects during the year:

New Employment Program: This program is designed to assist clients who have recently started a new job with a gasoline voucher. 59 clients were served with this program.

Public Transportation Program: This program provides a public transportation voucher for low income individuals and families to utilize local public transportation programs. During the fiscal year, assistance was provided to 1,655 people.

Rural Office of Community Services, Inc.

Notes to the Financial Statements

September 30, 2022

3. Description of Programs and Support Services: (Continued)

Garden Project: This program assists families with seeds, equipment and plant vouchers and tilling vouchers to grow their own food. During the fiscal year, assistance was provided to 53 households and 114 individuals.

Commodity Supplemental Food Program: For low-income and elderly individuals. 685 boxes were delivered by the ROCS office and ROCS Dining Services programs.

Volunteer Income Tax program: Free tax preparation provided to qualified households. During the fiscal year, 98 clients were served.

4. Defined Contribution Pension Plan:

The organization has a defined contribution plan covering all employees who are over 21 years of age and have completed one year of service and who agree to make contributions to the plan. The organization makes a contribution to the plan each pay period equal to 3% of all participants' compensation. The organization's contributions for each employee are fully vested after five years of continuous service. Should an employee leave before the completion of five years of service, the organization's share of the contributions is forfeited and are used to fund the current period contribution requirements. Employer contributions for the year ended September 30, 2022 totaled \$67,413.

5. Changes in Capital Assets:

A summary of changes in capital assets for the year ended September 30, 2022 is as follows:

	Balance October 1, 2021	Additions	Deletions	Balance September 30, 2022
Buildings	\$ 377,818	\$ --	\$ --	\$ 377,818
Equipment and Vehicles	2,588,049	412,562	--	3,000,611
Total	<u>2,965,867</u>	<u>412,562</u>	<u>--</u>	<u>3,378,429</u>
Accumulated Depreciation	<u>(2,569,782)</u>	<u>(127,360)</u>	<u>--</u>	<u>(2,697,142)</u>
Total Capital Assets, Net	<u>\$ 396,085</u>	<u>\$ 285,202</u>	<u>\$ --</u>	<u>\$ 681,287</u>

Rural Office of Community Services, Inc.

Notes to the Financial Statements

September 30, 2022

6. In-Kind Donations:

Rural Office of Community Services, Inc. owns the bus barn buildings in the cities of Chamberlain, Winner, Viborg and Canton. The land on which the bus barns are built is owned by the respective cities and is leased to the Rural Office of Community Services free of charge. It is estimated that the approximate fair value of the annual rental for these long-lived assets would be \$4,700.00 and it is included in the contributions and expenses in the statement of activities.

7. Concentration of Credit Risk:

The Rural Office of Community Services, Inc. maintains accounts with various banking institutions. Accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of September 30, 2022, the organization had a total of \$620,632 in uninsured deposits held at Commercial State Bank of Wagner, SD.

8. Future Accounting Standard Update:

June 2016, FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326), commonly known as CECL. CECL's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. This ASU is effective for periods beginning after December 15, 2022, including interim periods within those fiscal years. The Organization is currently evaluating this guidance to determine the impact, if any, it may have on the financial statements.

Rural Office of Community Services, Inc.

Notes to the Financial Statements

September 30, 2022

9. Long-Term Debt:

Long term debt consisted of the following at September 30, 2022:

Promissory Notes Payable:

Note Payable to Ally Financial	Agreement was signed in December of 2018 for a 2018 Dodge Jeep Ram with an interest rate of 6.09%. This note matures and final payment due December, 2023. This debt is serviced by the Weatherization Program Fund.	\$ 9,677
Note Payable to Commercial State Bank	Agreement was signed in August of 2019 for a Ford van for the Nutrition Program with an interest rate of 3.5%. This note matures on July 15, 2024. This debt is serviced by the Nutrition Program Fund.	9,334
Note Payable to Commercial State Bank	Agreement was signed in May of 2021 for a 2021 Ford van with an interest rate of 2.15%. This note matures on May 6, 2027. This debt is serviced by the Weatherization Program Fund.	37,039
Note Payable to Commercial State Bank	Agreement was signed in March of 2022 for a 2022 Dodge Durango with an interest rate of 2.15%. This note matures on March 3, 2028. This debt is serviced by the Corporate Fund.	38,468
Note Payable to Commercial State Bank	Agreement was signed in August of 2022 for a 2022 Ford Escape with an interest rate of 4.45%. This note matures on August 25, 2026. This debt is serviced by the Corporate Fund.	<u>34,423</u>
Total Notes Payable		<u><u>\$ 128,941</u></u>

Rural Office of Community Services, Inc.

Notes to the Financial Statements

September 30, 2022

9. Long-Term Debt: (Continued)

Accrued Leave Payable	The liability for accrued leave represents leave benefits earned as of September 30, 2022. This debt is serviced by the Corporate account.	\$	88,961
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The annual requirements for the organization to amortize all debt outstanding are as follows:

<u>Years Ending Sept. 30,</u>	<u>Promissory Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 35,957	\$ 3,606
2024	28,415	2,237
2025	24,010	1,457
2026	23,937	727
2027	12,884	211
2028-2032	3,738	23
Total	<u>\$ 128,941</u>	<u>\$ 8,261</u>

10. Available Resources and Liquidity:

The organization strives to maintain liquid financial assets sufficient to cover 120 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term investments.

The following table reflects the organization's financial assets as of September 30, 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. As of September 30, 2022, all financial assets were available to meet cash needs for general expenditures within one year.

11. Net Assets with Donor Restriction:

Net assets subject to donor or certain grantor-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. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Rural Office of Community Services, Inc.

Notes to the Financial Statements

September 30, 2022

11. Net Assets with Donor Restriction: (Continued)

Net assets were released from restrictions as follows:

Expenses incurred to satisfy donor restrictions:

Nutrition	\$	111,860
Transportation		414,464
CSBG		146,643
	\$	<u>672,967</u>

12. Grants Receivable:

Grants receivable at September 30, 2022 are comprised of the following:

Weatherization	\$	202,523
CSBG		137,392
Nutrition		135,125
Transportation		73,011
	\$	<u>548,051</u>

13. Leasing Activities:

The Organization also has certain leases for equipment and buildings for offices with terms less than 12 months for which the Organization has elected to recognize in operating expense on the straight-line basis. For the fiscal year ending September 30, 2022, the amount of these short-term leases recognized in the financial statements was \$77,050.

14. Litigation:

As of September 30, 2022, a provision for loss was accrued in the amount of \$320,000 for the estimated claims for an EEOC Conciliation Offer. These claims have been settled and was, consequently, paid out after year end in October, 2022. A payable for \$320,000 and a corresponding judgement expense is reflected in the statement of functional expenses.

Supplementary Information

Rural Office of Community Services, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Federal Assistance Listing Number</u>	<u>2022 Expenditures Amount</u>
U.S. Department of Agriculture:		
Pass-Through Feeding SD:		
Commodities Supplemental Food Program (CSFP)	10.565	\$ 37,750
Emergency Food Assistance Program (TEFAP)	10.569	1,750
Total U.S. Department of Agriculture		<u>39,500</u>
U.S. Department of Transportation:		
Pass-Through SD Department of Transportation		
Federal Transit - Formula Grants for Rural Areas	20.509	528,606
Bus and Bus Facilities Formula and Discretionary Programs	20.526	108,862
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	50
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	803
Transportation Emergency Relief Program	20.513	453,750
Total U.S. Department of Transportation		<u>1,092,071</u>
U. S. Department of Energy:		
Pass-Through the S.D. Department of Social Services:		
Weatherization Assistance for Low-Income Persons	81.042	737,886
Total U.S. Department of Energy		<u>737,886</u>
U. S. Department of Health and Human Services:		
Pass-Through the S.D. Department of Social Services - Aging Cluster:		
Special Programs for the Aging - Title III, Part C		
Nutrition Services	93.045	338,964
	93.045	134,525
Total Nutrition Services		<u>473,489</u>
Nutrition Services Incentive Program	93.053	68,613
Total Aging Cluster		<u>542,102</u>
Pass-Through the S.D. Department of Social Services		
Low-Income Home Energy Assistance	93.568	359,563
Total Low income Energy Assistance		<u>359,563</u>
Community Services Block Grant	93.569	603,405
COVID CSBG	93.569	554,582
Total Community Services Block Grant		<u>1,157,987</u>
Total U.S. Department of Health and Human Services		<u>2,059,652</u>
U.S. Department of Housing and Urban Development:		
Pass Through South Dakota Housing Development Authority:		
Emergency Solutions Grant	14.231	137,000
Total U.S. Department of Housing and Urban Development		<u>137,000</u>
Department of Treasury:		
Pass Through South Dakota Housing Development Authority:		
Homeowner Assistance Fund	21.026	312,424
South Dakota Housing Development Authority/Emergency		
Rental Assistance #1 and #2 Grants (Note 3)	21.019/21.023	9,288,215
		<u>9,600,639</u>
GRAND TOTAL		<u>\$ 13,666,748</u>

Rural Office of Community Services, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022 (Continued)

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Rural Office of Community Services, Inc. under programs of the federal government for the year ended September 30, 2022. 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).

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The organization has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Major Federal Financial Assistance Program

This represents a major federal award program.