

BLACK HILLS WORKS, INC.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2022 AND 2021



Ketel Thorstenson, LLP

Certified Public Accountants/Business & Personal Consultants

ktllp.com

BLACK HILLS WORKS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Black Hills Works, Inc.
Rapid City, South Dakota

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of **BLACK HILLS WORKS, INC.** (the Organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statement of activities and changes in net assets, cash flows, and functional expense, for the year ended June 30, 2022, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **BLACK HILLS WORKS, INC.** as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year ended June 30, 2022 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements were available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and there is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Board of Directors

In performing an audit in accordance with generally accepted auditing standards 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 procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the Organization's consolidated financial statements. The accompanying consolidating statement of financial position, consolidating statement of activities, cost report and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 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 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 consolidating financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2023 on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.



KETEL THORSTENSON, LLP
Certified Public Accountants

January 30, 2023

BLACK HILLS WORKS, INC.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

ASSETS	2022	2021
Current Assets		
Cash and Cash Equivalents (Note 2)	\$ 9,709,312	\$ 4,275,291
Certificates of Deposit, At Cost	-	10,996
Accounts Receivable (Note 3)	2,803,071	2,780,548
Inventory	49,573	93,620
Prepaid Expenses	7,427	122,476
Total Current Assets	12,569,383	7,282,931
Investments (Note 4)	1,389,088	3,342,590
Property and Equipment (Notes 5 and 6)	21,753,250	19,559,995
Less Accumulated Depreciation	12,510,584	11,870,805
	9,242,666	7,689,190
Other Assets		
Cash Held for Persons Served (Note 8)	544,106	917,756
Restricted Cash (Note 2)	352,338	451,965
Other	4,241	1,895
	900,685	1,371,616
TOTAL ASSETS	\$ 24,101,822	\$ 19,686,327
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current Maturities of Long-Term Obligations (Note 6)	\$ 42,850	\$ 35,388
Accounts Payable	803,628	653,866
Accrued Payroll	647,212	1,267,388
Accrued Vacation Payable	1,319,933	1,231,535
Other Accrued Liabilities	308,722	414,739
Deferred Revenue	7,500,387	-
Total Current Liabilities	10,622,732	3,602,916
Long-Term Obligations , Net of Current Maturities (Note 6)	2,149,916	1,115,466
Other Liabilities		
Persons Served Trust Deposits (Note 8)	544,106	917,756
Net Assets		
Undesignated Net Assets Without Donor Restrictions	9,515,068	12,780,189
Board Designated -- Property and Equipment Without Donor Restrictions (Note 1)	1,270,000	1,270,000
Total Net Assets	10,785,068	14,050,189
TOTAL LIABILITIES AND NET ASSETS	\$ 24,101,822	\$ 19,686,327

The accompanying notes are an integral part of these statements.

BLACK HILLS WORKS, INC.

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022**

Net Assets Without Donor Restrictions

Revenues and Other Support

Tuition Revenue	\$ 26,176,470
Room, Board, and Transportation	1,803,697
Administrative Fee Revenue - BHW Foundation	481,134
Miscellaneous	457,799
Housing Projects Rental Income	394,382
Administrative Fee Revenue - BH Services, Inc.	325,000
In-Kind Contributions (Note 11)	250,299
Contributions	202,818
Gain on Sale of Property and Equipment	102,715
Production Contracts	72,601
Grant Income	22,268
Investment Return, Net	(199,164)
Total Revenues and Other Support Without Donor Restrictions	30,090,019

Expenses

Personnel Services	19,822,813
Personnel Benefits and Taxes (Note 7)	5,025,998
Occupancy (Note 9)	2,915,398
Professional Fees/Contract Services	2,655,847
Equipment	916,036
Supplies	883,096
Depreciation and Amortization	856,436
Travel/Transportation	219,287
Miscellaneous	60,229
Total Expenses Without Donor Restrictions	33,355,140

Change in Net Assets (3,265,121)

Net Assets -- Beginning of Year 14,050,189

Net Assets -- End of Year \$ 10,785,068

The accompanying notes are an integral part of this statement.

BLACK HILLS WORKS INC.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

Cash Flows From Operating Activities

Change in Net Assets	\$ (3,265,121)
<i>Adjustments to Reconcile Change in Net Assets to Net Cash Flows Provided By Operating Activities:</i>	
Depreciation and Amortization	856,436
Gain on Sale of Property and Equipment	(102,715)
Unrealized Loss on Investments	205,253
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>	
Accounts Receivable	(22,523)
Inventory	44,047
Prepaid Expenses	115,049
Accounts Payable	149,762
Accrued Expenses	(637,795)
Deferred Revenue	7,500,387
Net Cash Flows Provided by Operating Activities	4,842,780

Cash Flows From Investing Activities

Purchase of Investments	(1,751)
Proceeds from Sale of Investments	1,750,000
Redemption of Certificates of Deposit	10,996
Proceeds from Sale of Property and Equipment	124,080
Change in Other Asset	(2,346)
Purchases of Property and Equipment	(2,431,277)
Net Cash Flows Used in Investing Activities	(550,298)

Cash Flows From Financing Activities

Proceeds from Long-Term Obligation	1,071,596
Principal Repayments of Long-Term Obligations	(29,684)
Net Cash Flows Provided by Financing Activities	1,041,912

Change in Cash, Cash Equivalents and Restricted Cash **5,334,394**

Cash, Cash Equivalents and Restricted Cash -- Beginning of Year **4,727,256**

Cash, Cash Equivalents and Restricted Cash -- End of Year **\$ 10,061,650**

See Note 2 for Cash and Restricted Cash Reconciliation

The accompanying notes are an integral part of this statement.

BLACK HILLS WORKS, INC.

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Account Number and Title</u>	<u>Administrative and Support</u>	<u>Fund Raising</u>	<u>Program</u>	<u>Total</u>
<i>1000 PERSONNEL SERVICES:</i>				
1010 Administrative	\$ 679,971	\$ 132,856	\$ -	\$ 812,827
1020 Professional/Program Staff	640,051	-	15,057,425	15,697,476
1040 Support Staff	1,270,784	244,220	1,784,495	3,299,499
1050 Client Wages	12,197	-	814	13,011
TOTAL PERSONNEL SERVICES	2,603,003	377,076	16,842,734	19,822,813
<i>1100 PERSONNEL BENEFITS AND TAXES:</i>				
1110 Retirement Plans (Note 7)	116,185	16,806	491,846	624,837
1120 Insurance Benefits (Note 1)	309,441	60,370	2,101,658	2,471,469
1140 FICA Taxes	189,387	26,882	1,215,573	1,431,842
1150 Unemployment Insurance	944	-	(5,484)	(4,540)
1160 Worker's Compensation Insurance	35,948	-	454,605	490,553
1170 Prof. Liability Insurance	11,837	-	-	11,837
TOTAL PERSONNEL BENEFITS AND TAXES	663,742	104,058	4,258,198	5,025,998
<i>1200 PROFESSIONAL FEES /CONTRACT SERVICES:</i>				
1210 Administrative/Financial	700,856	-	6,490	707,346
1230 Medical				
1231 Other Medical (Dental, Dietary, OT, PT, Optometric, Pharmacy, Speech Pathology, and Audiology)	-	-	23,963	23,963
1290 Other	321,004	-	1,603,534	1,924,538
TOTAL PROFESSIONAL FEES/CONTRACT SERVICES	1,021,860	-	1,633,987	2,655,847
<i>1300 TRAVEL/TRANSPORTATION:</i>				
1390 Other	67,452	-	151,835	219,287
TOTAL TRAVEL/TRANSPORTATION	67,452	-	151,835	219,287

BLACK HILLS WORKS, INC.

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Account Number and Title</u>	<u>Administrative and Support</u>	<u>Fund Raising</u>	<u>Program</u>	<u>Total</u>
<i>1400 SUPPLIES:</i>				
1440 Food	-	-	335,108	335,108
1490 Other	194,982	-	353,006	547,988
TOTAL SUPPLIES	194,982	-	688,114	883,096
<i>1500 OCCUPANCY:</i>				
1510 Rent of Space, Including BHW Foundation (Note 9)	197,100	-	1,260,903	1,458,003
1520 Utilities and Telephone	106,325	-	365,163	471,488
1590 Other	421,897	-	564,010	985,907
TOTAL OCCUPANCY	725,322	-	2,190,076	2,915,398
<i>1600 EQUIPMENT</i>	660,951	-	255,085	916,036
<i>1700 DEPRECIATION:</i>				
1710 Building	131,025	-	350,216	481,241
1720 Equipment	76,940	-	298,255	375,195
TOTAL DEPRECIATION	207,965	-	648,471	856,436
<i>1800 MISCELLANEOUS:</i>				
1860 Bad Debt	-	-	3,067	3,067
1890 Other	12,183	-	44,979	57,162
TOTAL MISCELLANEOUS	12,183	-	48,046	60,229
TOTAL EXPENSES	\$ 6,157,460	\$ 481,134	\$ 26,716,546	\$ 33,355,140

The accompanying notes are an integral part of this statement.

BLACK HILLS WORKS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

(1) Organization, Nature of Business, and Summary of Significant Accounting Policies

Organization

Black Hills Works, Inc. (the Organization) is incorporated as a nonprofit organization under the laws of the State of South Dakota.

Nature of Business

The Organization provides quality services for people with disabilities, as well as those individuals who require similar specialized services. These services may include evaluation, training, education, habilitation and rehabilitation, which are provided within day programs and/or residential settings in Rapid City, South Dakota. The Organization's primary support comes from tuition payments from the State of South Dakota and from Section 8 Rent Subsidies from the U.S. Department of Housing and Urban Development (HUD).

Summary of Significant Accounting Policies

Consolidated Statements

The accompanying financial statements present the consolidation of the financial statements of the following entities: Black Hills Works, Inc. (including divisions); BHW Residential Services, Inc. d/b/a South Ridge Homes; BHW Residential Services II, Inc. d/b/a Prairies Edge; and BHW Residential III, Inc. d/b/a Centennial Apartments (collectively, the Organization). The consolidated financial statements include all assets, liabilities, support, revenue, expenses and changes in cash flows for all organizations. All significant inter-company transactions and accounts have been eliminated.

Use of Estimates

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

Financial Statement Presentation

The financial statements of the Organization are prepared using the accrual method of accounting. The accounts of the Organization are reported in the following net asset categories:

Net Assets with Donor Restrictions – The part of net assets of the Organization that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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. The Organization chooses to show restricted contributions whose donor restrictions are met in the same reporting period as without donor restricted support. At both June 30, 2022 and 2021, the Organization has net assets with donor restrictions of \$-0-.

Net Assets without Donor Restrictions – Net assets of the Organization that are not subject to donor-imposed restrictions and are available for general operations. In addition, the Board of Directors may designate net assets without donor restrictions for specific purposes. The Board of Directors has designated \$1,270,000 at June 30, 2022 and 2021, of net assets without donor restrictions for specific use in building expansion and renovation, and equipment purchase and replacement.

BLACK HILLS WORKS, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021**

(1) Organization, Nature of Business, and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities of three months or less as cash and cash equivalents. Any restricted or reserve cash funds are excluded. The Organization maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Inventory

Inventory consists of primarily maintenance supplies and is valued at the lower of cost or net realizable value using the first-in, first-out method.

Property and Equipment

Property and equipment are recorded at cost. Granting agencies retain a reversionary interest in assets purchased with grant funds, as well as the right to determine the use of any proceeds from the sale of such assets. Contributed property and equipment are recorded at fair market value at the time received. The Organization capitalizes property and equipment over \$5,000. Depreciation is recorded using the straight-line method with the following useful lives:

	<u>Years</u>
Buildings	10-40
Furniture and Equipment	4-15
Vehicles	4-5

Amortization of assets under capital leases is included in depreciation expense. The Organization depreciates assets under capital leases over the term of the lease.

Investments

The Organization accounts for investments at fair market value, with changes in fair market value accounted for in the Consolidated Statement of Activities and Changes in Net Assets. Investments are presented in the financial statements at the quoted market value of the securities. Investment return, net includes interest, dividends, realized and unrealized gains and losses, net of investment fees. Realized gains and losses are determined on a specific identity basis. Realized and unrealized gains and losses are recognized in the Consolidated Statement of Activities and Changes in Net Assets as earnings without donor restrictions.

Federal Income Tax

The Organizations consolidated in these statements are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Internal Revenue Service has determined that the Organizations are not private foundations. At June 30, 2022 and 2021, the Organization believes no significant uncertain tax positions or liabilities exist. No federal income tax is paid unless net income is derived from activities that are unrelated to its exempt activities. No such activities are conducted.

Accounts and Grants Receivable, Support, and Revenue Recognition

Revenue from production contracts, administrative fees, tuition, room, board, and transportation are earned as the services are provided. Revenue from the production contracts is based on units produced or hours worked, depending on the contract. Tuition revenue is based on daily rates set by the State of South Dakota. Room, board, transportation revenue and administrative fees are based on rates for each unit of service established by the Organization.

Rental and lease income is recognized prorata over the term of the tenant rental agreements.

BLACK HILLS WORKS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(1) Organization, Nature of Business, and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

Accounts and Grants Receivable, Support, and Revenue Recognition (Continued)

Accounts receivable are billed to customers at least monthly and are due when billed. Any receivables not paid by the end of the month following the billing month are considered past due, but no interest is assessed. Management has estimated an allowance for doubtful accounts based on their knowledge of current environmental conditions and historical losses. Receivables will be charged off as uncollectible when management feels they have exhausted all reasonable collection efforts. The beginning July 1, 2020 accounts receivable balance totaled \$2,368,779.

Contributions of cash and other assets are recognized as support in the period received at their fair values. Unconditional promises to give are recognized as revenues in the period pledged. Conditional promises to give – that is those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. The Organization records contributions, including grants, received as net assets with or without donor restrictions. The Organization received no contributions with perpetual donor restrictions during the years ended June 30, 2022 or 2021. Grants are received from both federal and private sources. Each grant is analyzed to determine whether it is deemed an exchange transaction (where both the grantee and grantor receive commensurate benefits) or a contribution. Grants recognized as exchange transactions were not material for the year ended June 30, 2022 and 2021.

The Organization typically does not sell contributed in-kind contributions; however, any contributions received that are deemed impractical for use in program activities are sold, with any resulting proceeds used in program services.

Deferred Revenue

State Fees for Service – Title XIX received in advance is deferred and recognized when specific costs are incurred to enhance, expand and strengthen respective services. The Organization periodically borrows funds under agreements which may be forgiven upon meeting certain criteria. These funds are accounted for as long-term debt until forgiveness is formally granted.

Expense Allocation

The consolidated Statement of Functional Expenses presents the natural classification detail of expenses by function. Certain expenses can be directly allocated to program or supporting functions. Other categories of expenses are attributable to more than one program or supporting function and require allocation in a reasonable basis that is consistently applied. Specifically, wages are allocated based on estimates of time spent on each function, and occupancy expenses are allocated based on estimated square footage. The major program of the Organization is to provide quality services for people with disabilities.

Employees' Health Insurance

The Organization has elected to self-insure for employees' medical coverage up to \$50,000 in claims per employee for each of the years ended June 30, 2022 and 2021. Claims in excess of these amounts are covered by an outside insurance carrier. Costs resulting from claims and administrative fees are charged to operations when incurred.

Adopted Accounting Standard

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires that contributions of nonfinancial assets be reported in a separate line item within the Statement of Activities. Additional disclosures are also required, to include whether the contributions are monetized or utilized by the entity, the existence of any donor restrictions related to the assets, and how fair value was determined. The Organization adopted this standard during the year ended June 30, 2022. Required note disclosures are included in Note 11.

BLACK HILLS WORKS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(1) Organization, Nature of Business, and Summary of Significant Accounting Policies (Concluded)

Summary of Significant Accounting Policies (Concluded)

Emerging Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* which supersedes FASB ASC Topic 840, *Leases* and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessors to classify leases as sales-type, direct financing, or operating leases based on whether the lessee, in effect, obtains control of the underlying asset as a result of the lease. A lessor is precluded from recognizing income at lease commencement if control is not transferred. In addition, no differentiation exists between leases of real estate and leases of other assets. 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.

(2) Restricted Cash

Restricted cash funds, which are comprised of savings and certificates of deposit at financial institutions, include the following at June 30:

	<u>2022</u>	<u>2021</u>
Tenant Security and Pet Deposits	\$ 27,839	\$ 31,114
Reserve for Replacement and Residual Receipts	324,499	420,851
	<u>\$ 352,338</u>	<u>\$ 451,965</u>

The Organization's use agreement with HUD requires reserves for replacements and residual receipts accounts. Accordingly, monthly additions to the reserve for replacement and annual additions to the residual receipts are made. Disbursements from these reserves must be authorized by HUD.

Reconciliation of Cash and Restricted Cash at June 30:

	<u>2022</u>	<u>2021</u>
Cash	\$ 9,709,312	\$ 4,275,291
Restricted Cash	352,338	451,965
Total Cash and Restricted Cash shown in the Statement of Cash Flows	<u>\$ 10,061,650</u>	<u>\$ 4,727,256</u>

(3) Accounts Receivable

Included in accounts receivable are the following at June 30:

	<u>2022</u>	<u>2021</u>
Tuition, Fees, and State Payments	\$ 2,339,187	\$ 2,355,426
Black Hills Works Persons Served	334,731	336,303
Production and Contracts	71,192	58,603
BH Works Foundation	49,558	-
Other	5,085	24,946
Employee Advances	3,318	5,270
	<u>\$ 2,803,071</u>	<u>\$ 2,780,548</u>

BLACK HILLS WORKS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(4) Fair Value and Investments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value measurements are framed in a three-level hierarchy.

- *Level 1* – Quoted prices in active markets for identical assets or liabilities. The types of assets and liabilities included in Level 1 are highly liquid and actively traded instruments with quoted market prices.
- *Level 2* – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The type of assets and liabilities included in Level 2 are typically either comparable to actively traded securities or contracts or priced with models using observable inputs.
- *Level 3* – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The type of assets and liabilities included in Level 3 are those with inputs requiring significant management judgment or estimation.

In accordance with the fair value hierarchy, the following table shows the fair value as of June 30, 2022 and 2021, of those financial assets that are measured at fair value on a recurring basis, according to the valuation techniques the Organization used to determine their fair market value. No other financial assets or liabilities are measured at fair value on a recurring or nonrecurring basis at June 30, 2022 or 2021.

Investments at fair market value at June 30 are detailed as follows:

June 30, 2022

	<u>Level One</u>	<u>Level Two</u>	<u>Level Three</u>	<u>Total</u>
Taxable Fixed Income	\$ 945,867	\$ -	\$ -	\$ 945,867
US Equities	212,501	-	-	212,501
International Equities	99,967	-	-	99,967
Other Assets	73,725	57,028	-	130,753
	\$ 1,332,060	\$ 57,028	\$ -	\$ 1,389,088

June 30, 2021

	<u>Level One</u>	<u>Level Two</u>	<u>Level Three</u>	<u>Total</u>
Taxable Fixed Income	\$ 2,518,633	\$ -	\$ -	\$ 2,518,633
US Equities	495,059	-	-	495,059
International Equities	250,433	-	-	250,433
Other Assets	19,917	58,548	-	78,465
	\$ 3,284,042	\$ 58,548	\$ -	\$ 3,342,590

Level one investments are valued based on index performance on actively traded markets. Level two investments are valued at yields currently available on comparable securities of issuers with similar credit ratings.

BLACK HILLS WORKS, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021**

(5) Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
<i>Black Hills Works</i>		
Land and Buildings	\$ 7,094,280	\$ 7,063,252
Furniture, Equipment and Vehicles	5,079,695	4,007,421
Construction in Progress	1,147,987	781,769
Capital Leases -- Equipment	10,080	88,630
	<u>13,332,042</u>	<u>11,941,072</u>
<i>Housing Projects</i>		
Land and Buildings	7,804,840	7,465,169
Construction in Progress	501,942	39,328
Furniture and Equipment	114,426	114,426
	<u>8,421,208</u>	<u>7,618,923</u>
Totals	<u>\$ 21,753,250</u>	<u>\$ 19,559,995</u>

At June 30, 2022 and 2021, accumulated depreciation on capital leases totaled **\$10,080** and \$78,758, respectively.

As of June 30, 2022, the Organization has commitments of approximately **\$499,000** related to construction in progress.

(6) Long-Term Obligations

Following is a summary of long-term obligations at June 30:

	<u>2022</u>	<u>2021</u>
Non-interest bearing mortgage note payable to Housing Trust Fund. The forty year loan requires no annual payments and will be forgiven after the forty year term if the Organization complies with program requirements. The note is secured by property and matures in March 2061.	\$ 775,000	\$ 581,250
Mortgage note payable due to credit union, maturing June 2027, with payments of \$3,335, including interest at 4.25 percent, secured by building.	535,000	-
Non-interest bearing note payable to the South Dakota (SD) Housing Development Authority (under the HOME Investment Partnership Program); due in monthly installments of \$1,284 through 2038; secured by Choice Apartments real property.	253,912	269,321
Non-interest bearing mortgage note payable to Housing Trust Fund. The thirty year loan requires no annual payments and will be forgiven after the forty year term, if the Organization complies with program requirements. The note is secured by property and matures 40 years after completion.	249,900	-

BLACK HILLS WORKS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(6) Long-Term Obligations (Continued)

Non-interest bearing note payable to the SD Housing Development Authority (under the HOME Rental Program); due in equal monthly installments of \$909 through 2034; secured by a second mortgage on Quincy Apartments real property.	136,499	147,418
Non-interest bearing mortgage note payable to SD Housing Development Authority. The fifteen year loan requires no annual payments and will be forgiven after the fifteen year term if the Organization complies with program requirements. The note is secured by property and matures in October 2037.	98,650	-
Non-interest bearing mortgage note payable to SD Housing Development Authority. The ten year loan requires no annual payments and will be forgiven after the ten year term if the Organization complies with program requirements. The note is secured by property and matures in December 2027.	91,000	91,000
Non-interest bearing mortgage note payable to SD Housing Development Authority. The fifteen year loan requires no annual payments and will be forgiven after the fifteen year term if the Organization complies with program requirements. The note is secured by property and matures in April 2034.	52,805	52,805
Capital Lease Obligations paid in full in 2022	-	9,060
	2,192,766	1,150,854
Less Current Maturities	42,850	35,388
	\$ 2,149,916	\$ 1,115,466

The following are maturities of long-term debt as of June 30:

2023	\$	42,850
2024		44,304
2025		45,154
2026		45,982
2027		488,351
Thereafter		1,526,125
	\$	2,192,766

(7) Retirement Plan

The Organization offers a 401(k) retirement plan to all employees meeting the plan's eligibility requirements. Under the plan, the Organization may make a discretionary match of up to 5 percent of employees' salary. The Organization's matching cost was **\$624,837** for the year ended June 30, 2022.

BLACK HILLS WORKS, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONCLUDED)
JUNE 30, 2022 AND 2021**

(8) Persons Served Trust Deposits

The Organization is a payee representative of a majority of the persons served for social security payments. Therefore, the persons' served social security payments are remitted to an Organization bank account. The Organization then transfers the money to the beneficiaries for housing, food, medical and other needs. Accordingly, these transactions are recorded as trust deposits and a related trust liability. There is no effect on revenue and expenses or net assets of the Organization.

(9) Rent Expense

The Organization leases certain housing, production, and day-program facilities under short-term operating leases with various terms and conditions. Total rent expense under these operating leases was **\$641,382** for the year ended June 30, 2022. The rent expense includes **\$322,232** paid to the Black Hills Works Foundation for the year ended June 30, 2022.

(10) Liquidity and Availability

The Organization receives tuition payments on a monthly basis that are considered essential to meeting cash needs for general expenditures. The Organization focuses on budgeting controls and maintains cash reserves for capital improvements. In the event of unanticipated liquidity needs, rate increases could be requested from contract agencies, key donors could be contacted for assistance, the board could undesignate funds or the Organization could borrow additional funds. At June 30, 2022 and 2021, the Organization has the following financial assets available for general use within one year of the Statement of Financial Position date:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 9,709,312	\$ 4,275,291
Certificates of Deposit	-	10,996
Accounts Receivable	2,803,071	2,780,548
Investments	1,389,088	3,342,590
Total Financial Assets	13,901,471	10,409,425
Less Board Designated Funds	(1,270,000)	(1,270,000)
Financial Assets Available for General Use Within One Year	\$ 12,631,471	\$ 9,139,425

(11) In-kind Contributions

The Organization receives donated space in several locations which are used for program activities. In the year ended June 30, 2022, the Organization recorded the estimated fair market value of these donated facilities based on the rental rates of similar properties in the areas of **\$197,100**. Amounts are not donor restricted.

Contributed lunch supplies totaling **\$53,199** at June 30, 2022 are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a "like-kind" methodology considering the goods' condition and utility for use at the time of the contribution. Amounts are not donor restricted and are used in program activities.

(12) Subsequent Events

The Organization has evaluated significant subsequent events through January 30, 2023 the date which the financial statements were available to be issued. The Organization's board of directors voted effective July 1, 2022, to assume all non-federal contracts, including the Organization's non-federal contract employees, from BH Services, Inc.. The two entities are planning a full acquisition or merger if approval is granted on all federal contracts.

SUPPLEMENTARY INFORMATION

BLACK HILLS WORKS, INC.

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022**

<u>ASSETS</u>	<u>Black Hills Works, Inc.</u>	<u>Quincy Apartments</u>	<u>Indiana Home</u>	<u>South Ridge Homes</u>	<u>Prairies Edge</u>
Current Assets					
Cash and Cash Equivalents	\$ 8,797,275	\$ 16,827	\$ 58,983	\$ (1,731)	\$ 3,159
Accounts Receivable	3,126,319	-	-	-	66,391
Inventory	49,573	-	-	-	-
Prepaid Expenses	7,427	-	-	-	-
Total Current Assets	11,980,594	16,827	58,983	(1,731)	69,550
Investments	1,389,088	-	-	-	-
Property and Equipment	13,332,042	510,385	587,302	1,679,934	1,399,621
Less Accumulated Depreciation	7,568,200	415,963	493,854	900,289	999,675
	5,763,842	94,422	93,448	779,645	399,946
Other Assets					
Cash Held for Persons Served	544,106	-	-	-	-
Restricted Cash	-	22,657	19,289	17,827	38,983
Other	5,241	-	-	-	-
	549,347	22,657	19,289	17,827	38,983
TOTAL ASSETS	\$ 19,682,871	\$ 133,906	\$ 171,720	\$ 795,741	\$ 508,479
<u>LIABILITIES AND NET ASSETS</u>					
Current Liabilities					
Current Maturities of Long-Term Obligations	\$ 16,522	\$ 10,920	\$ -	\$ -	\$ -
Accounts Payable	595,339	9,717	11,310	112,133	28,942
Accrued Payroll	647,212	-	-	-	-
Accrued Vacation Payable	1,319,933	-	-	-	-
Other Accrued Liabilities	308,722	-	-	-	-
Deferred Revenue	7,500,387	-	-	-	-
Total Current Liabilities	10,388,115	20,637	11,310	112,133	28,942
Long-Term Obligations,					
Net of Current Maturities	1,437,283	139,821	-	396,528	1,994
Other Liabilities					
Persons Served Trust Deposits	544,106	-	-	-	-
Net Assets					
Undesignated (Deficit)	6,043,367	(26,552)	160,410	287,080	477,543
Board Designated -- Property and Equipment	1,270,000	-	-	-	-
Total Net Assets (Deficit)					
Without Donor Restrictions	7,313,367	(26,552)	160,410	287,080	477,543
TOTAL LIABILITIES AND NET ASSETS	\$ 19,682,871	\$ 133,906	\$ 171,720	\$ 795,741	\$ 508,479

						Consolidated Statement of Financial Position	
<u>Centennial Apartments</u>	<u>Choice Apartments</u>	<u>St. Cloud Apartments</u>	<u>Governor's Home</u>	<u>Wright Street</u>	<u>Eliminations</u>		
\$ 78,961	\$ 22,556	\$ 702,105	\$ 29,511	\$ 1,666	\$ -	\$	9,709,312
-	-	-	-	-	(389,639)		2,803,071
-	-	-	-	-	-		49,573
-	-	-	-	-	-		7,427
78,961	22,556	702,105	29,511	1,666	(389,639)		12,569,383
-	-	-	-	-	-		1,389,088
1,462,576	1,062,155	1,516,951	202,284	-	-		21,753,250
971,111	719,128	415,479	26,885	-	-		12,510,584
491,465	343,027	1,101,472	175,399	-	-		9,242,666
-	-	-	-	-	-		544,106
38,780	67,030	136,855	3,971	6,946	-		352,338
-	-	-	-	-	(1,000)		4,241
38,780	67,030	136,855	3,971	6,946	(1,000)		900,685
\$ 609,206	\$ 432,613	\$ 1,940,432	\$ 208,881	\$ 8,612	\$ (390,639)	\$	24,101,822
\$ -	\$ 15,408	\$ -	\$ -	\$ -	\$ -	\$	42,850
26,862	11,130	133,387	1,018	6,295	(132,505)		803,628
-	-	-	-	-	-		647,212
-	-	-	-	-	-		1,319,933
-	-	-	-	-	-		308,722
-	-	-	-	-	-		7,500,387
26,862	26,538	133,387	1,018	6,295	(132,505)		10,622,732
21,700	238,504	-	151,220	20,000	(257,134)		2,149,916
-	-	-	-	-	-		544,106
560,644	167,571	1,807,045	56,643	(17,683)	(1,000)		9,515,068
-	-	-	-	-	-		1,270,000
560,644	167,571	1,807,045	56,643	(17,683)	(1,000)		10,785,068
\$ 609,206	\$ 432,613	\$ 1,940,432	\$ 208,881	\$ 8,612	\$ (390,639)	\$	24,101,822

BLACK HILLS WORKS, INC.

**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Black Hills Works, Inc.</u>	<u>Quincy Apartments</u>	<u>Indiana Home</u>	<u>South Ridge Homes</u>	<u>Prairies Edge</u>
Net Assets Without Donor Restrictions					
<i>Revenues and Other Support</i>					
Tuition Revenue	\$ 26,173,017	\$ -	\$ -	\$ -	\$ 3,453
Room, Board, and Transportation	1,803,697	-	-	-	-
Miscellaneous	707,672	-	2,126	2,565	440
Administrative Fee Revenue - BHW Foundation	481,134	-	-	-	-
Housing Projects Rental Income	-	58,490	74,902	147,467	200,441
Administrative Fee Revenue - BH Services, Inc.	325,000	-	-	-	-
In-Kind Contributions	250,299	-	-	-	-
Contributions	202,818	-	-	-	42,250
Grant Income	22,268	-	-	-	-
Gain on Sale of Property and Equipment	102,715	-	-	-	-
Production Contracts	72,601	-	-	-	-
Investment Return, Net	(203,066)	227	242	192	62
Total Revenues and Other Support Without Donor Restrictions	29,938,155	58,717	77,270	150,224	246,646
<i>Expenses</i>					
Personnel Services	19,822,813	-	-	-	-
Personnel Benefits and Taxes	5,025,998	-	-	-	-
Professional Fees/Contract Services	2,654,729	-	-	-	-
Travel/Transportation	219,287	-	-	-	-
Supplies	883,096	-	-	-	-
Occupancy	2,837,351	53,321	72,769	130,326	159,234
Equipment	958,286	-	-	-	-
Depreciation and Amortization	567,372	15,168	21,156	45,994	50,508
Miscellaneous	39,648	1,479	2,980	4,428	5,440
Total Expenses	33,008,580	69,968	96,905	180,748	215,182
Change in Net Assets	(3,070,425)	(11,251)	(19,635)	(30,524)	31,464
Net Assets (Deficit) -- Beginning of Year	10,383,792	(15,301)	180,045	317,604	446,079
Net Assets (Deficit) -- End of Year	\$ 7,313,367	\$ (26,552)	\$ 160,410	\$ 287,080	\$ 477,543

<u>Centennial Apartments</u>	<u>Choice Apartments</u>	<u>St. Cloud Apartments</u>	<u>Governor's Home</u>	<u>Wright Street</u>	<u>Eliminations</u>	<u>Consolidated Statement of Activities</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,176,470
-	-	-	-	-	-	1,803,697
-	-	2,390	-	-	(257,394)	457,799
-	-	-	-	-	-	481,134
190,070	72,849	222,374	18,360	28,950	(619,521)	394,382
-	-	-	-	-	-	325,000
-	-	-	-	-	-	250,299
-	-	-	-	-	(42,250)	202,818
-	-	-	-	-	-	22,268
-	-	-	-	-	-	102,715
-	-	-	-	-	-	72,601
183	659	2,178	129	30	-	(199,164)
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190,253	73,508	226,942	18,489	28,980	(919,165)	30,090,019
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	-	-	-	19,822,813
-	-	-	-	-	-	5,025,998
18	-	-	-	1,100	-	2,655,847
-	-	-	-	-	-	219,287
-	-	-	-	-	-	883,096
212,254	97,719	173,972	9,673	45,694	(876,915)	2,915,398
-	-	-	-	-	(42,250)	916,036
52,177	37,322	57,637	9,102	-	-	856,436
3,431	1,536	1,287	-	-	-	60,229
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267,880	136,577	232,896	18,775	46,794	(919,165)	33,355,140
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(77,627)	(63,069)	(5,954)	(286)	(17,814)	-	(3,265,121)
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638,271	230,640	1,812,999	56,929	131	(1,000)	14,050,189
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\$ 560,644	\$ 167,571	\$ 1,807,045	\$ 56,643	\$ (17,683)	\$ (1,000)	\$ 10,785,068

BLACK HILLS WORKS, INC.

COST REPORT (EXPENSES AND UNITS)
FOR THE YEAR ENDED JUNE 30, 2022

-----DHS Services-----
--Division of Developmental Disabilities (DDD)-----

Account Number and Title	Total	Adjustments	Administrative	Fund	Choices	Choices	Choices	Choices
			and Support	Raising	Residential	Day Habilitation	Individual Supported Employment	Group Supported Employment
1000 PERSONNEL SERVICES:								
1010 Administrative	\$ 812,827	\$ -	\$ 679,971	\$ 132,856	\$ -	\$ -	\$ -	\$ -
1020 Professional/Program Staff	15,697,476	-	640,051	-	10,462,602	1,340,383	318,567	390,976
1040 Support Staff	3,299,499	-	1,729,143	244,220	268,536	109,038	88,848	137,802
1050 Client Wages	13,011	-	12,197	-	-	-	-	814
TOTAL PERSONNEL SERVICES	19,822,813	-	3,061,362	377,076	10,731,138	1,449,421	407,415	529,592
1100 PERSONNEL BENEFITS AND TAXES:								
1110 Retirement Plans	624,837	-	134,189	16,806	312,453	29,188	15,432	22,880
1120 Insurance Benefits	2,471,469	-	378,704	60,370	1,350,015	175,282	42,010	91,708
1140 FICA Taxes	1,431,842	-	221,957	26,882	772,901	105,215	32,088	37,574
1150 Unemployment Insurance	(4,540)	-	944	-	(4,239)	(9)	-	(1,466)
1160 Worker's Compensation Insurance	490,553	-	51,597	-	292,973	48,236	8,965	14,799
1170 Prof. Liability Insurance	11,837	-	11,837	-	-	-	-	-
TOTAL PERSONNEL BENEFITS AND TAXES	5,025,998	-	799,228	104,058	2,724,103	357,912	98,495	165,495
1200 PROFESSIONAL FEES/CONTRACT SERVICES:								
1210 Administrative/Financial	707,346	-	700,931	-	2,804	1,493	750	359
1230 Medical	-	-	-	-	-	-	-	-
1231 Other Medical (Dental, Dietary, OT, PT, Optometric, Pharmacy, Speech Pathology and Audiology)	23,963	-	-	-	12,949	-	-	34
1290 Other	1,924,538	-	321,004	-	1,554,308	-	-	10,534
TOTAL PROFESSIONAL FEES/CONTRACT SERVICES	2,655,847	-	1,021,935	-	1,570,061	1,493	750	10,927

The accompanying cost report is presented in accordance with the requirements of the South Dakota Department of Human Services Cost Report Instructions.

-----Other Services-----										
Choices	Food	Housing	Other	Other	Other	Flutter	OAFB-NE	TBIRC	Special	Housing
Nursing	Services	Services	Community	ITS	Adaptive	Other	Other	Other	Olympics	Services
			Transport		Tech	Programs	Programs	Programs	Programs	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
693,395	-	-	49,923	1,348,470	-	2,059	154,014	286,747	10,289	-
-	-	-	427,316	30,833	10,138	53,341	157,435	42,849	-	-
-	-	-	-	-	-	-	-	-	-	-
693,395	-	-	477,239	1,379,303	10,138	55,400	311,449	329,596	10,289	-
18,997	-	-	10,227	40,309	461	2,406	11,990	9,299	200	-
93,384	-	-	13,693	172,628	-	5,236	40,151	46,656	1,632	-
49,068	-	-	35,462	99,855	706	3,719	22,507	23,183	725	-
-	-	-	-	-	-	-	230	-	-	-
13,469	-	-	11,874	36,856	-	252	5,408	5,957	167	-
-	-	-	-	-	-	-	-	-	-	-
174,918	-	-	71,256	349,648	1,167	11,613	80,286	85,095	2,724	-
-	-	-	245	-	-	219	80	465	-	-
-	-	-	-	-	-	-	-	-	-	-
463	-	-	-	880	-	-	-	9,637	-	-
-	-	-	-	13,704	-	3,307	528	19,474	-	1,679
463	-	-	245	14,584	-	3,526	608	29,576	-	1,679

BLACK HILLS WORKS, INC.

COST REPORT (EXPENSES AND UNITS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

-----DHS Services-----

--Division of Developmental Disabilities (DDD)-----

<u>Account Number and Title</u>	<u>Total</u>	<u>Adjustments</u>	<u>Administrative and Support</u>	<u>Fund Raising</u>	<u>Choices Residential</u>	<u>Choices Day Habilitation</u>	<u>Choices Individual Supported Employment</u>	<u>Choices Group Supported Employment</u>
1300 TRAVEL/TRANSPORTATION:								
1390 Other	219,287	-	209,438	-	172,471	9,256	17,131	17,067
TOTAL TRAVEL/TRANSPORTATION	219,287	-	209,438	-	172,471	9,256	17,131	17,067
1400 SUPPLIES:								
1440 Food	335,108	-	-	-	-	2,856	-	-
1490 Other	547,988	37,706	201,503	-	185,223	53,881	784	14,272
TOTAL SUPPLIES	883,096	37,706	201,503	-	185,223	56,737	784	14,272
1500 OCCUPANCY:								
1510 Rent of Space	1,458,003	-	197,100	-	-	-	-	8,400
1520 Utilities and Telephone	471,488	-	123,278	-	-	88,045	8,526	1,711
1590 Other	985,907	-	451,280	-	-	219,043	17,221	14,248
TOTAL OCCUPANCY	2,915,398	-	771,658	-	-	307,088	25,747	24,359
1600 EQUIPMENT	916,036	-	681,508	-	121,980	10,091	906	3,175
1700 DEPRECIATION:								
1710 Building	481,241	-	131,025	-	-	4,773	16,249	-
1720 Equipment	375,195	-	356,444	-	3,572	13,167	-	-
TOTAL DEPRECIATION	856,436	-	487,469	-	3,572	17,940	16,249	-
1800 MISCELLANEOUS:								
1860 Bad Debt	3,067	3,067	-	-	-	-	-	-
1890 Other	57,162	17,500	12,192	-	(29)	41	83	-
TOTAL MISCELLANEOUS	60,229	20,567	12,192	-	(29)	41	83	-
Expenditure Subtotal	33,355,140	58,273	7,246,293	481,134	15,508,519	2,209,979	567,560	764,887
Admin. and Support Allocation	-	-	(7,246,293)	133,833	4,313,889	614,733	157,874	212,763
TOTAL EXPENDITURES	\$ 33,355,140	\$ 58,273	\$ -	\$ 614,967	\$ 19,822,408	\$ 2,824,712	\$ 725,434	\$ 977,650

-----Other Services-----										
Choices	Food	Housing	Other	Other	Other	Flutter	OAFB-NE	TBIRC	Special	
Nursing	Services	Services	Community	ITS	Adaptive	Other	Other	Other	Olympics	Housing
			Transport		Tech	Programs	Programs	Programs	Programs	Services
21,256	-	-	(287,392)	12,773	-	265	40,043	5,234	1,745	-
21,256	-	-	(287,392)	12,773	-	265	40,043	5,234	1,745	-
-	312,406	-	-	9,473	-	411	-	9,962	-	-
16,367	-	-	9,765	2,970	-	3,706	1,872	10,194	9,745	-
16,367	312,406	-	9,765	12,443	-	4,117	1,872	20,156	9,745	-
-	-	1,156,615	-	22,264	-	-	-	73,624	-	-
5,687	-	155,061	4,763	5,433	-	13,470	3,405	25,207	-	36,902
13,789	-	178,135	2,869	15,700	-	38,163	8,821	2,137	-	24,501
19,476	-	1,489,811	7,632	43,397	-	51,633	12,226	100,968	-	61,403
81,709	-	-	2,499	2,931	-	9,900	298	1,039	-	-
-	-	30,948	-	-	-	9,949	-	-	-	288,297
-	-	-	-	-	-	-	1,245	-	-	767
-	-	30,948	-	-	-	9,949	1,245	-	-	289,064
-	-	-	-	-	-	-	-	-	-	-
650	-	-	-	78	-	5,518	267	280	-	20,582
650	-	-	-	78	-	5,518	267	280	-	20,582
1,008,234	312,406	1,520,759	281,244	1,815,157	11,305	151,921	448,294	571,944	24,503	372,728
280,453	86,900	423,018	78,232	504,909	3,145	42,259	124,699	159,093	6,816	103,679
\$ 1,288,687	\$ 399,306	\$ 1,943,777	\$ 359,476	\$ 2,320,066	\$ 14,450	\$ 194,180	\$ 572,993	\$ 731,037	\$ 31,319	\$ 476,407

BLACK HILLS WORKS, INC.

COST REPORT (REVENUES) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

-----DHS Services-----
Division of Developmental Disabilities (DDD)-----

<u>Account Number and Title</u>	<u>Total</u>	<u>Adjustments</u>	<u>Administrative and Support</u>	<u>Fund Raising</u>	<u>Choices Residential</u>	<u>Choices Day Habilitation</u>	<u>Choices Individual Supported Employment</u>	<u>Choices Group Supported Employment</u>
2000 FEES:								
2020 Title XIX	\$ 23,112,715	\$ -	\$ -	\$ -	\$ 16,995,944	\$ 3,178,997	\$ 464,161	\$ 403,627
2055 Client Pay	648,016	-	-	-	301,072	48,937	21,000	11,761
2065 Other States	323,892	-	-	-	-	-	-	-
2070 Room and Board	2,201,532	-	4,820	-	-	-	-	-
2090 Other-Specify	2,110,504	-	1,098,701	-	335,757	14,872	424,691	39,907
TOTAL FEES	28,396,659	-	1,103,521	-	17,632,773	3,242,806	909,852	455,295
2100 GRANTS:								
2120 Grants (Used for Non-Capital Expenditures)	22,268	-	3,448	-	-	-	-	-
TOTAL GRANTS	22,268	-	3,448	-	-	-	-	-
2200 CONTRIBUTIONS:								
2210 Contributions (Used for Capital Expenditures)	5,000	-	5,000	-	-	-	-	-
2220 Contributions (Used for Non-Capital Expenditures)	448,117	-	399,535	-	-	2,819	-	1,192
TOTAL CONTRIBUTIONS	453,117	-	404,535	-	-	2,819	-	1,192
2300 OTHER INCOME:								
2310 Commodities, Food Stamps, National School Lunch	53,199	-	-	-	-	-	-	-
2350 Transportation	262,227	-	-	-	-	-	-	-
2360 Production	72,601	-	-	-	-	-	-	72,601
2370 Investment Income/Interest	(199,164)	-	(203,066)	-	-	-	-	-
2390 Other-Specify	1,029,112	-	427,007	481,134	89,150	646	-	3,069
TOTAL OTHER INCOME	1,217,975	-	223,941	481,134	89,150	646	-	75,670
TOTAL REVENUES	\$ 30,090,019	\$ -	\$ 1,735,445	\$ 481,134	\$ 17,721,923	\$ 3,246,271	\$ 909,852	\$ 532,157

-----Other Services-----

Choices Nursing	Food Services	Housing Services	Other Community Transport	Other ITS	Other Adaptive Tech	Flutter Other Programs	OAFB-NE Other Programs	TBIRC Other Programs	Special Olympics Other Programs	Housing Services
\$ 69,074	\$ -	\$ -	\$ -	\$ 2,000,912	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17,816	-	-	60,471	19,573	-	-	-	167,386	-	-
-	-	-	-	-	-	-	323,892	-	-	-
-	436,205	1,362,672	-	-	-	-	-	-	-	397,835
1,351	-	-	-	-	-	-	-	195,225	-	-
88,241	436,205	1,362,672	60,471	2,020,485	-	-	323,892	362,611	-	397,835
-	-	-	18,820	-	-	-	-	-	-	-
-	-	-	18,820	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	44,484	-	-	-	-	87	-	-	-	-
-	44,484	-	-	-	-	87	-	-	-	-
-	53,199	-	-	-	-	-	-	-	-	-
-	-	-	82,717	-	-	-	179,510	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	3,902
-	-	-	6,900	16	-	-	-	13,669	-	7,521
-	53,199	-	89,617	16	-	-	179,510	13,669	-	11,423
\$ 88,241	\$ 533,888	\$ 1,362,672	\$ 168,908	\$ 2,020,501	\$ -	\$ 87	\$ 503,402	\$ 376,280	\$ -	\$ 409,258

SINGLE AUDIT SECTION

BLACK HILLS WORKS, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Assistance Listing <u>Numbers</u>	Grant Identifying <u>Number</u>	<u>AMOUNT</u>
U.S. Department of Housing and Urban Development			
<i>Supportive Housing for Persons with Disabilities:</i>			
Section 8 Subsidy (Note 2)	14.181	SD99H001106	\$ 385,963
<i>South Dakota Housing Development Authority:</i>			
Housing Trust Funds (Note 4)	14.275	N/A	338,058
			724,021
U.S. Department of Transportation			
<i>Passed Through South Dakota Department of Transportation:</i>			
Transportation Grant	20.513	N/A	120,064
Enhanced Mobility of Senior and Individuals with Disabilities	20.513	N/A	18,821
			138,885
U.S. Department of Health and Human Services			
<i>Passed Through South Dakota and Nebraska Department of Human Services:</i>			
Provider Relief Funds- COVID	93.498	N/A	470,944
Avail Technology for Workforce Development	93.630	N/A	46,250
			517,194
U.S. Department of Agriculture			
<i>Passed Through South Dakota Department of Social Services:</i>			
Supplemental Nutrition Assistance Program (SNAP)	10.551	N/A	53,199
			53,199
National Endowment for the Humanities			
<i>Passed Through South Dakota Department of Tourism:</i>			
South Dakota Arts Council	45.025	1856001-61-19	16,215
			16,215
Total Assistance			\$ 1,449,514

Note 1: The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Organization under programs of the federal government for the year ended June 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). Because the Schedule presents only a selected portion of the operations of Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows as of June 30, 2022.

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.

Note 2: These amounts reflect cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursement for specific expenditures.

Note 3: The Organization has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Loan draws during the year are included in the federal expenditures presented in the SEFA.



Ketel Thorstenson, LLP
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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

To the Board of Directors
Black Hills Works, Inc.
Rapid City, South Dakota

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 **BLACK HILLS WORKS, INC.** (the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as 2022-001 and 2022-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings as 2022-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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*.

The Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying Schedule of Findings. The Organization'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.



KETEL THORSTENSON, LLP
Certified Public Accountants

January 30, 2023



Ketel Thorstenson, LLP

Certified Public Accountants/Business & Personal Consultants

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

To the Board of Directors
Black Hills Works, Inc.
Rapid City, South Dakota

Report on Compliance for Each Major Federal Program

Unmodified Opinion

We have audited **BLACK HILLS WORKS, INC.'s** (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings.

Basis for Unmodified Opinion

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). 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 the Organization 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 the Organization'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 the 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 generally accepted auditing standards, *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 generally accepted auditing standards, *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 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 the 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings as finding 2022-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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 in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2022-001 and 2022-002 to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as 2022-003 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Organization's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of Findings. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



KETEL THORSTENSON, LLP
Certified Public Accountants

January 30, 2023

BLACK HILLS WORKS, INC.

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

A. SUMMARY OF AUDIT RESULTS

1. The Independent Auditor’s Report expresses an unmodified opinion on the financial statements of the Organization.
2. Material weaknesses and a significant deficiency disclosed during the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Organization were disclosed during the audit.
4. Material weaknesses and a significant deficiency are disclosed during the audit of the major federal award program and are reported in the Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award program for the Organization expresses an unmodified opinion on all major programs listed in #7.
6. Audit findings relative to the major federal programs for the Organization are reported in Part C of this schedule.
7. The programs tested as major programs include the following:

Major Programs	ALN #'s
<i>U.S. Department of Housing and Urban Development</i>	
Housing Trust Funds	14.275
Section 8 Subsidy	14.181

8. The threshold for distinguishing type A and B programs was \$750,000.
9. The Organization was not determined to be a low risk auditee.

BLACK HILLS WORKS, INC.

**SCHEDULE OF FINDINGS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Material Weaknesses

#2022-001 FINDING: Preparation of Financial Statements and Schedule of Expenditures of Federal Awards (SEFA)

Federal Programs Affected: Housing Trust Fund, ALN #14.275 and Section 8 Subsidy ALN #14.181

Compliance Requirements: Reporting

Questioned Costs: None

Condition and Cause: We were requested to draft the audited consolidated financial statements, related footnote disclosures and SEFA as part of our regular audit services. Ultimately, it is your responsibility to provide for the preparation of your financial statements, disclosures and SEFA, and the responsibility of the auditor to determine the fairness of presentation with those statements. From a practical standpoint, we do these items for you at the same time in connection with our audit, which is not unusual for an organization of your size. However, auditing standards require us to communicate this situation to you in writing as an internal control deficiency.

Criteria and Effect: This finding could result in a material misstatement to the financial statements and SEFA that may not have been prevented or detected by you.

Repeat Finding from Prior Year: Yes, revision of prior year finding #2021-001.

Recommendation: It is the responsibility of management to make the ultimate decision whether to accept the degree of risk associated with this condition because of cost or other considerations. We have reviewed in detail with management a draft of the auditor prepared financial statements, to include all audit adjustments, for accuracy and have answered any questions you had. We are satisfied the appropriate steps have been taken to provide you with the completed financial statements.

Response/Correction Action Plan: Management is in agreement with the finding. See Correction Action Plan.

#2022-002 FINDING: Audit Adjustments and Segregation of Duties

Federal Programs Affected: Housing Trust Fund, ALN #14.275 and Section 8 Subsidy ALN #14.181

Compliance Requirements: Allowable Cost

Questioned Costs: None known and likely exceeding \$25,000.

Condition and Cause: During our engagement, we proposed audit adjustments due to a lack of timely account reconciliations and a lack of review of such reconciliations. Adequate segregation of duties would include timely review of all accounts. The lack of review throughout the year, mainly in the first three quarters of the year, was due to significant turnover in key management positions and a lack of training in the new software implemented in fiscal year 2020. Seven adjustments were made during the engagement. Our engagement identified some invoices without authorized purchase orders or invoices due to software changes. We also noted lease agreements tested that did not match HAP requests.

Criteria and Effect: These adjustments were not recorded through the Organization's existing internal controls, and therefore, resulted in misstatement of the Organization's financial statements. Supporting documentation did not provide an audit trail. The findings above create an opportunity for incorrect or incomplete financial reporting or fraud. Segregation of duties requires separating the custody of assets, recording of transactions, and review processes in order to promote accuracy and integrity of information.

BLACK HILLS WORKS, INC.

**SCHEDULE OF FINDINGS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2022**

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Material Weaknesses (Continued)

#2022-002 FINDING: Audit Adjustments and Segregation of Duties (Continued)

Repeat Finding from Prior Year: Yes, revision of prior year finding #2021-002.

Recommendation: It is the responsibility of management and those charged with governance to ensure all year end adjusting entries are made and balance sheet accounts are accurate at year end. Management should continue to reconcile all accounts on a monthly basis and ensure proper review of transactions is occurring.

Response/Correction Action Plan: Management is in agreement with the finding. See Correction Action Plan.

Significant Deficiency

#2022-003 FINDING: Residual Receipts Reserves

Federal Programs Affected: Section 8 Subsidy ALN #14.181

Compliance Requirements: Special Tests and Provisions

Questioned Costs: None

Condition and Cause: During our engagement, we noted deposits of residual receipts reserves were not made within 60 days of year-end as required by U.S. Department of Housing and Urban Development.

Criteria and Effect: U.S. Department of Housing and Urban Development requires the Organization to make deposits to the residual receipts reserves within 60 days of year-end.

Repeat Finding from Prior Year: N/A

Recommendation We recommend the Organization develop an internal control to track compliance with this compliance requirement.

Response/Correction Action Plan: Management is in agreement with the finding. See Correction Action Plan.

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Findings 2022-001, 2022-002, and 2022-003 listed in Part B relate to major federal programs ALN #14.275 and #14.181 as noted in the finding.

MANAGEMENT REPOSE

BLACK HILLS WORKS, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

Status of Prior Year Audit Findings

Black Hills Works, Inc. respectfully submits the following summary schedule of prior audit findings from the June 30, 2021 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the Schedule of Findings.

#2021-001 FINDING: Preparation of Financial Statements and Schedule of Expenditures of Federal Awards (SEFA)

Status: It is more cost effective for the Organization to hire Ketel Thorstenson, LLP, a public accounting firm, to prepare the full disclosure financial statements as a part of the annual audit process. The Organization has designated a member of management to review the draft financial statements and accompanying notes to the financial statements.

Initial Year Report: 2021

Reasons for Recurrence and Corrective Action Plan: As the Organization has accepted the risk associated with the auditor's preparing of the financial statements, it will be repeated in 2022, see Corrective Action Plan.

#2021-002 FINDING: Audit Adjustments and Segregation of Duties

Status: The Organization made efforts to record all year-end entries, but several audit adjustments were made. Additionally, the Organization has implemented the recommendations as mitigating controls, but had a lack of adequate segregation of duties for a portion of the year. This is a result of a change in personnel during the year and the Organization has accepted the risk involved with such.

Initial Year Report: 2021

Reasons for Recurrence and Corrective Action Plan: The finding is altered based on specific audit adjustments each year and is repeated in the Schedule of Findings. See Corrective Action Plan.

BLACK HILLS WORKS, INC.

**CORRECTIVE ACTION PLAN
JUNE 30, 2022**

Black Hills Works, Inc. respectfully submits the following Corrective Action Plan from the June 30, 2022 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2022 Schedule of Findings.

Finding #2022-001 – Preparation of the Financial Statements and SEFA

Responsible Individuals: Mary R. Duncan, CPA, CGMA, Chief Financial Officer

Corrective Action Plan: The Organization has accepted the risk associated with requesting the auditors to prepare the financial statements and SEFA and continues to plan for the auditors to prepare the reports.

Anticipated Completion Date: Current fiscal year 2022, as CFO was hired in October 2021.

Finding #2022-002 – Audit Adjustments and Segregation of Duties

Responsible Individuals: Mary R. Duncan, CPA, CGMA, Chief Financial Officer

Corrective Action Plan: The Organization has implemented practices for timely account reconciliations and oversight review of those reconciliations. Appropriate adjustments will be made during the fiscal year and the year-end close by the Organization.

Anticipated Completion Date: Current fiscal year 2022, as CFO was hired in October 2021.

2022-003 FINDING: Residual Receipts Reserves

Responsible Individuals: Mary R. Duncan, CPA, CGMA, Chief Financial Officer and Cassondra Bolstad PMP, Equipment and Facilities Operations Manager

Corrective Action Plan: The Organization has implemented practices for deposits of residual receipts reserves to be made within 60 days of year-end as required by U.S. Department of Housing and Urban Development.

Anticipated Completion Date: Current fiscal year 2022, as Equipment and Facilities Operations Manager position was developed and hired in November 2021.