RUSHMORE CONSUMER CREDIT RESOURCE CENTER

(A NONPROFIT ORGANIZATION)

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

CASEY PETERSON
Leading the Way.

RAPID CITY, SOUTH DAKOTA
GILLETTE, WYOMING

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Independent Auditor's Report

Board of Directors
Rushmore Consumer Credit Resource Center
Rapid City, South Dakota

We have audited the accompanying financial statements of Rushmore Consumer Credit Resource Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rushmore Consumer Credit Resource Center as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, as of and for the years ended December 31, 2018 and 2017, the Rushmore Consumer Credit Resource Center adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Casey Peterson, LTD.

Casey Peterson, Ltd.

Rapid City, South Dakota
May 8, 2019

FINANCIAL STATEMENTS

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Rushmore Consumer Credit Resource Center
Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 150,518	$ 268,814
Certificates of Deposit	109,802	108,656
Accounts Receivable	1,009	966
Grants Receivable	129,440	27,419
Interest Receivable	165	163
Prepaid Expenses	730	1,130
Inventory	10,106	12,121
Total Current Assets	401,770	419,269
Tenant Security Deposit	2,400	44
Property and Equipment, Net	848,247	868,829
TOTAL ASSETS	$ 1,252,417	$ 1,288,142
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 9,246	$ 7,936
Accrued Payroll Liabilities	36,270	33,287
Accrued Interest and Taxes Payable	920	921
Current Portion of Long-term Debt and Capital Lease	12,714	12,313
Total Current Liabilities	59,150	54,457
Tenant Security Deposit	2,400	44
Capital Lease, Less Current Portion	3,275	6,549
Long-term Debt, Less Current Portion	222,805	231,985
TOTAL LIABILITIES	287,630	293,035
NET ASSETS		
Without Donor Restrictions		
Board-designated	163,095	-
Undesignated	192,239	377,125
Invested in Property and Equipment, Net of Debt	609,453	617,982
Total Net Assets	964,787	995,107
TOTAL LIABILITIES AND NET ASSETS	$ 1,252,417	$ 1,288,142

The accompanying notes are an integral part of these statements.

Rushmore Consumer Credit Resource Center
Statements of Activities
For the Years Ended December 31, 2018 and 2017

	2018	2017
REVENUES		
Education Programs and Projects	$ 144,760	$ 156,885
Business Fair Share Contributions	55,040	55,410
Grants	225,465	188,738
Client Fees	98,927	95,269
United Way Support	31,139	32,950
Lease Income	8,400	-
Interest	1,956	2,148
Other Support	31,204	36,850
Total Revenues	596,891	568,250
EXPENSES		
Program Services:		
Counseling and Debt Management Programs	342,424	344,811
Education Programs	171,581	163,517
Supporting Services:		
Administration	108,884	96,469
Fundraising	4,322	-
Total Expenses	627,211	604,797
DECREASE IN NET ASSETS	(30,320)	(36,547)
NET ASSETS BEGINNING	995,107	1,031,654
NET ASSETS ENDING	$ 964,787	$ 995,107

The accompanying notes are an integral part of these statements.

Rushmore Consumer Credit Resource Center
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets:	$ (30,320)	$ (36,547)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	25,147	24,909
Write-off of Obsolete Inventory	5	356
(Increase) Decrease In:		
Accounts Receivable	(43)	2,436
Grants Receivable	(102,021)	(11,019)
Interest Receivable	(2)	(2)
Prepaid Expenses	400	1,035
Inventory	2,010	4,448
Increase (Decrease) In:		
Accounts Payable	1,310	(150)
Accrued Payroll Liabilities	2,983	(8,837)
Accrued Interest and Taxes Payable	(1)	(2)
Deferred Revenue	-	(3,000)
Net Cash Used by Operating Activities	(100,532)	(26,373)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) Redemption of Certificates of Deposit	(1,146)	57,402
Payments on Capital Lease	(3,275)	(3,573)
Payments on Long-term Debt	(8,778)	(8,307)
Purchase of Property and Equipment	(4,565)	-
Net Cash Provided (Used) by Investing Activities	(17,764)	45,522
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(118,296)	19,149
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	268,814	249,665
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 150,518	$ 268,814
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest Paid	$ 10,696	$ 11,068

The accompanying notes are an integral part of these statements.

Rushmore Consumer Credit Resource Center
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services		Supporting Services		
	Counseling and Debt Management (CCCS)	American Center for Credit Education (ACCE)	Administration	Fundraising	Total
Payroll	$ 178,852	$ 102,110	$ 67,073	$ 3,243	$ 351,278
Payroll Benefits	14,762	4,976	4,885	49	24,672
Payroll Taxes	13,689	7,784	5,100	268	26,841
Total Payroll Expenses	207,303	114,870	77,058	3,560	402,791
Outside Services	35,323	1,106	10,331	-	46,760
Office	15,119	7,292	4,356	85	26,852
Depreciation	12,825	7,293	4,778	251	25,147
Advertising and Promotion	19,576	4	-	-	19,580
Maintenance	14,573	8,114	3,290	33	26,010
Occupancy	12,113	6,887	4,512	237	23,749
Dues	9,255	87	-	-	9,342
Production Costs and Fees	-	16,082	-	-	16,082
Insurance	7,983	4,539	2,974	156	15,652
Travel	7,031	5,295	1,585	-	13,911
Bad Debt	-	12	-	-	12
Taxes	1,323	-	-	-	1,323
Total	$ 342,424	$ 171,581	$ 108,884	$ 4,322	$ 627,211

The accompanying notes are an integral part of these statements.

Rushmore Consumer Credit Resource Center
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services		Supporting Services	
	Counseling and Debt Management (CCCS)	American Center for Credit Education (ACCE)	Administration	Total
Payroll	$ 171,736	$ 96,068	$ 58,056	$ 325,860
Payroll Benefits	15,604	5,202	4,567	25,373
Payroll Taxes	15,399	8,426	5,230	29,055
Total Payroll Expenses	202,739	109,696	67,853	380,288
Outside Services	38,112	894	10,151	49,157
Office	15,745	9,403	4,167	29,315
Depreciation	13,202	7,224	4,483	24,909
Advertising and Promotion	21,135	-	-	21,135
Maintenance	15,015	6,133	1,839	22,987
Occupancy	12,808	7,008	4,350	24,166
Dues	11,464	25	-	11,489
Production Costs and Fees	-	15,751	-	15,751
Insurance	8,238	4,508	2,798	15,544
Travel	5,517	2,875	828	9,220
Taxes	836	-	-	836
Total	$ 344,811	$ 163,517	$ 96,469	$ 604,797

The accompanying notes are an integral part of these statements.

NOTE 1 - NATURE OF OPERATIONS

Rushmore Consumer Credit Resource Center (the Organization) is located in Rapid City, South Dakota and provides services to the public in three major areas: Budget and Housing Counseling, Debt Management Programs, and Educational Programs.

The operations are conducted under two divisions: Consumer Credit Counseling Service (CCCS) and the American Center for Credit Education (ACCE). CCCS was established to help the community and surrounding areas overcome financial obstacles and achieve financial goals by offering a variety of financial counseling classes in South Dakota, Nebraska, North Dakota and Wyoming. ACCE was established to develop and publish financial education and counseling programs used by organizations across the country. They have in-print, online, and mobile resources to be used nationwide.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

The Organization records resources for accounting and reporting purposes based on the existence or absence of donor-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 certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.
>
> *Net Assets with Donor Restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization did not have any donor restrictions on net assets as of December 31, 2018 and 2017.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported net assets without donor restrictions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. At times throughout the year, the Organization may maintain bank accounts in excess of Federal Deposit Insurance Corporation (FDIC) limits. The Organization has not experienced any losses related to this risk and does not expect any losses in the future.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable and Accounts Receivable

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Past due accounts are determined based on invoice date and specific customer repayment terms. The Organization has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts. However, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. The Organization recognized bad debt of $12 and $0 for the years ended December 31, 2018 and 2017, respectively. Customer payments received in advance for online programs are recognized as deferred revenue until the customer has completed the program or until the program fees are no longer refundable to the customer.

Inventory

Inventory, consisting of books and other educational materials for sale, is valued at average cost.

Certificates of Deposit

Certificates of deposit are considered held-to-maturity investments by the Organization and accordingly are recorded at amortized cost, which approximates fair value.

Property and Equipment

All acquisitions of property and equipment in excess of $1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost, if purchased, or fair value at the date received, if contributed. Depreciation of equipment is calculated using the straight-line method based on cost and estimated useful lives of the assets. Estimated useful lives for each class of property and equipment are as follows:

	Years
Buildings	40
Building Improvements	15
Equipment	5 - 7

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on management's estimate of the program or supporting services benefiting from the expense. Management and general expenses include those expenses that are not directly identifiable to any specific function but provide for the overall support and direction of the Organization.

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.

Advertising Costs

The Organization uses advertising to promote its programs. The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expense for the years ended December 31, 2018 and 2017 was $19,580 and $21,135, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncements Adopted

In August 2016, the FASB issued (ASU) 2016-14, Not-for-Profit Entities: Topic 958. The amendments in this update affect not-for-profit entities (NFPs) and the users of their general-purpose financial statements. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources. The Rushmore Consumer Credit Resource Center implemented this ASU effective for the year ended December 31, 2018.

Income Taxes

The Organization is a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from income tax. The Organization is not liable for income taxes if it operates within the confines of its exempt status. However, the Organization may be responsible for taxes on unrelated business activities. In the event of an examination of the income tax returns by taxing authorities, the tax liability of the Organization could be changed if an adjustment in the tax-exempt purpose is determined or if the taxing authorities determine the Organization has engaged in unrelated business activities.

As of December 31, 2018, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization’s income tax filings are subject to audit by various taxing authorities. The Organization is no longer subject to federal income tax examinations by taxing authorities for years before 2015. Management continually evaluates expiring statutes of limitation, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Organization believes its estimates are appropriate based on current facts and circumstances. Interest and penalties assessed by income taxing authorities, if any, are included in interest expense.

Shipping Costs

The Organization classifies costs to ship inventory to customers as cost of sales (cost of sales is reported as production costs and fees in the statement of functional expenses). Shipping expense for the years ended December 31, 2018 and 2017 was $3,216 and $3,466, respectively.

Use Tax

The State of South Dakota and its respective counties impose a use tax on the Organization’s inventory that is used internally. The Organization records use tax on inventory used for internal purposes as an expense in the statements of functional expenses.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

	2018	2017
Finanical Assets Available for Use:		
Cash and Cash Equivalents	$ 150,518	$ 268,814
Certificates of Deposit	109,802	108,656
Accounts Receivable - Trade	1,009	966
Grants Receivable	129,440	27,419
Interest Receivable	165	163
Less:		
Accounts Payable	(9,246)	(7,936)
Accrued Payroll	(36,270)	(33,287)
Accrued Interest and Taxes Payable	(920)	(921)
Current Portion of Long-term Debt and Capital Lease	(12,714)	(12,313)
	$ 331,784	$ 351,561

The Organization's assets available for use consist of cash in bank, short-term investments held in the form of certificates of deposit (CDs), and receivables expected to be collected currently. The short-term liabilities that are expected to be paid within one year consist of trade accounts payable, accrued payroll, accrued interest and taxes, and current portions due on long-term debt.

Operating expenses are generally funded annually by grants, donations, and fees for education programs. Management closely monitors revenues and makes adjustments to expenses as needed. Due to prior year losses, management does not intend to use cash or certificates of deposits to fund operations.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2018:

	Cost	Accumulated Depreciation	Net Cost
Land	$ 279,900	$ -	$ 279,900
Buildings	720,100	166,500	553,600
Building Improvements	20,587	13,768	6,819
Equipment	79,154	71,226	7,928
	$ 1,099,741	$ 251,494	$ 848,247

Property and equipment consisted of the following at December 31, 2017:

	Cost	Accumulated Depreciation	Net Cost
Land	$ 279,900	$ -	$ 279,900
Buildings	720,100	148,500	571,600
Building Improvements	20,587	12,004	8,583
Equipment	86,899	78,153	8,746
	$ 1,107,486	$ 238,657	$ 868,829

NOTE 5 - LONG-TERM DEBT

Long-term debt consisted of the following at December 31:

	2018	2017
Note payable to a financial institution, with monthly payments of $1,615, including 4.50% interest, due March 2036, secured by a building.	$ 231,947	$ 240,726
Less: Current Portion	(9,142)	(8,741)
Long-term Debt	$ 222,805	$ 231,985

The note payable is due on demand, but it is not expected that demand will be made. In the absence of demand for payment, long-term debt maturities are as follows as of December 31, 2018:

Year Ending December 31,	
2019	$ 9,142
2020	9,534
2021	10,000
2022	10,459
2023	10,940
Thereafter	181,872
	$ 231,947

NOTE 6 - CAPITAL LEASE

The Organization entered into a capital lease during the year ended December 31, 2015 for the purchase of a copier. The copier is recorded as an asset at cost of $17,862 and had $10,716 and $7,144 of accumulated depreciation as of December 31, 2018 and 2017, respectively. Capital lease payable consisted of the following at December 31:

	2018	2017
Capital lease to a financial institution used to finance equipment. Monthly payments of $298, 0% interest, due December 2020.	$ 6,847	$ 10,121
Less: Current Portion	(3,572)	(3,572)
Long-term Capital Lease	$ 3,275	$ 6,549

Minimum future lease payments under the capital lease are:

Year Ending December 31,	
2019	$ 3,572
2020	3,275
	$ 6,847

NOTE 7 - BOARD-DESIGNATED NET ASSETS

Board-designated net assets as of December 31, 2018 consisted of funds to be used for general operating reserves. The Board policy is to have three months of expenses in reserves.

NOTE 8 - RETIREMENT PLAN

On March 1, 2001 the Organization adopted the Rushmore Consumer Credit Resource Center 401(k) Retirement Plan, an Internal Revenue Code Section 401(k) defined contribution plan. Employees may contribute through an elective salary reduction. Employees must complete one year of service and 1,000 hours and attain age 21 before they are eligible to participate.

The Organization can make discretionary matching contributions of employee contributions of up to 4% of annual wages. Matching contributions to the 401(k) plan were $0 for each of the years ended December 31, 2018 and 2017.

NOTE 9 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization is the beneficiary of assets held by the Black Hills Area Community Foundation (BHACF). Due to variance power exercised by BHACF, the Organization does not have rights to amounts held by the BHACF. BHACF makes annual distributions based on the earnings of investments held on behalf of the organization at a percentage determined by BHACF's Board of Directors The value of the investment held by BHACF on the Organization's behalf was $87,938 and $53,238 as of the years ended December 31, 2018 and 2017, respectively. Amounts distributed are reported as revenue when received by the Organization.

NOTE 10 - EMERGING ACCOUNTING STANDARDS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which removes inconsistencies and weaknesses in revenue requirements, provides a more robust framework for addressing revenue issues, improves comparability of revenue recognition practices across entities, provides more useful information to users of financial statements through improved disclosure requirements, and simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. The ASU outlines five steps to achieve proper revenue recognition: identify the contract with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the entity satisfies the performance obligation. This standard is effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet evaluated the impact implementation will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which supersedes FASB ASC Topic 840, *Leases (Topic 840)* and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. If the available accounting election is made, leases with a term of twelve months or less can be accounted for similar to existing guidance for operating leases. The standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization has not yet evaluated the impact this standard will have on the financial statements.

NOTE 11 - SUBSEQUENT EVENTS

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