Consolidated Financial Statements
June 30, 2017 and 2016

GROW South Dakota and Subsidiaries

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
GROW South Dakota
Sisseton, South Dakota

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of GROW South Dakota (a nonprofit Corporation) and its subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of GROW South Dakota and its subsidiaries as of June 30, 2017, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Restatement
As discussed in Note 15 to the consolidated financial statements, certain errors resulting in understatement of amounts previously reported for other assets and overstatement of amounts reported for program expenses as of and for the year ended June 30, 2016, were discovered by management of the Corporation during the current year. Accordingly, amounts reported for other assets and program expenses have been restated in the 2016 comparative consolidated financial statement information now presented, and an adjustment has been made to net assets as of July 1, 2015, to correct the error. Our opinion is not modified with respect to that matter.

Adoption of New Accounting Standard
As discussed in Note 1 and Note 15 to the consolidated financial statements, the Corporation has changed its accounting policy for the presentation of debt issuance costs by adopting FASB Accounting Standard update No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. Accordingly the 2016 comparative consolidated financial statements have been restated to adopt this update. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information
We have previously audited GROW South Dakota's 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 28 through 33 is presented for the purposes of additional analysis and is not a required part of the financial statements. The consolidated schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The supplementary information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 29, 2017, on our consideration of GROW South Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 GROW South Dakota's internal control over financial reporting and compliance.

Eide Bailly LLP

Aberdeen, South Dakota
September 29, 2017

	2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2016 (Restated)
Assets					
Current Assets					
Cash and cash equivalents	$ 3,122,867	$ 3,392,776	$ -	$ 6,515,643	$ 5,191,787
Program cash reserve	50,202	37,181	-	87,383	70,516
Accrued interest receivable	10,894	3,701	-	14,595	9,818
Other receivable	746	12	-	758	4,704
Grant receivable	-	120,704	-	120,704	104,047
Current portion of notes receivable, less allowance for loan losses of $26,862 in 2017 and $27,421 in 2016	186,650	311,988	-	498,638	549,117
Prepaid assets	8,527	-	-	8,527	8,473
Total current assets	3,379,886	3,866,362	-	7,246,248	5,938,462
Long-Term Receivables					
Loan guarantees - certificates of deposit, less allowance for loan losses of $0 in 2017 and $1,000 in 2016	-	-	-	-	19,000
Notes receivable, less allowance for loan losses of $268,982 in 2017 and $189,663 in 2016, less current maturities	2,700,404	1,923,897	-	4,624,301	3,104,499
Total long-term receivables	2,700,404	1,923,897	-	4,624,301	3,123,499
Other Assets					
Beneficial interests in assets held by Community Foundation	108,392	-	-	108,392	92,857
Property and equipment, net	37,458,106	-	-	37,458,106	38,244,029
Construction in progress	-	-	-	-	30,256
Total other assets	37,566,498	-	-	37,566,498	38,367,142
	$ 43,646,788	$ 5,790,259	$ -	$ 49,437,047	$ 47,429,103
Liabilities and Net Assets					
Current Liabilities					
Current portion of long-term debt	$ 5,077,858	$ 74,398	$ -	$ 5,152,256	$ 158,256
Accounts payable	18,356	12,116	-	30,472	65,270
Security deposits	15,053	-	-	15,053	13,421
Accrued expenses	48,725	2,900	-	51,625	57,131
Unearned revenue	-	3,024,227	-	3,024,227	984,133
Total current liabilities	5,159,992	3,113,641	-	8,273,633	1,278,211
Noncurrent Liabilities					
Long-term debt, less current maturities and net of unamortized debt issuance costs of $586,521 and $786,818, respectively	41,754,369	1,521,354	-	43,275,723	47,638,206
Total liabilities	46,914,361	4,634,995	-	51,549,356	48,916,417
Net Assets (See Notes 7 and 14)	(3,267,573)	1,155,264	-	(2,112,309)	(1,487,314)
	$ 43,646,788	$ 5,790,259	$ -	$ 49,437,047	$ 47,429,103

	2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2016 (Restated)
Revenues					
Interest income on loans	$ 162,226	$ 32,372	$ -	$ 194,598	$ 153,700
Apartment revenue	181,810	-	-	181,810	178,188
Grant income	276,054	816,543	-	1,092,597	1,293,309
Lease fee income	1,670,268	-	-	1,670,268	1,664,429
Interest earned on investments	12,450	212	-	12,662	15,670
Miscellaneous income	26,610	150	-	26,760	32,652
Loss - sale of assets	-	-	-	-	(40)
Donations and contributions	4,568	2,460	-	7,028	43,453
Endowment fund income	12,097	-	-	12,097	1,809
Management fees	6,800	-	-	6,800	6,800
Origination fees	9,557	-	-	9,557	10,792
Noncash contributions	-	-	-	-	4,342
In-kind contributions	-	-	-	-	-
Gross special events revenue	-	-	-	-	23,168
Less cost of direct benefits to donors	-	-	-	-	(11,398)
Net special events revenue	-	-	-	-	11,770
Net assets released from restrictions					
Restrictions satisfied by payments	232,245	(232,245)	-	-	-
Total revenues	2,594,685	619,492	-	3,214,177	3,416,874
Expenses					
Program - revolving loan funds	149,139	-	-	149,139	145,225
Program - vehicle lease program	13,255	-	-	13,255	15,856
Program - housing program	802,282	-	-	802,282	1,062,407
Program - new market tax credit	2,781,273	-	-	2,781,273	2,797,447
Program - other program services	28,567	-	-	28,567	80,277
General and administrative	64,393	-	-	64,393	60,652
Fundraising and development	263	-	-	263	8,911
Total expenses	3,839,172	-	-	3,839,172	4,170,775
Change in Net Assets	(1,244,487)	619,492	-	(624,995)	(753,901)
Net Assets, Beginning of Year	(2,023,086)	535,772	-	(1,487,314)	(733,413)
Net Assets, End of Year (See Notes 7 and 14)	$ (3,267,573)	$ 1,155,264	$ -	$ (2,112,309)	$ (1,487,314)

	2017	2016 (Restated)
Operating Activities		
Change in net assets	$ (624,995)	$ (753,901)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Interest expense attributable to amortization of debt issuance costs	180,059	180,059
Depreciation and amortization	1,115,957	1,109,914
Gain on sale of assets	-	40
Endowment net investment (return)	(12,097)	(1,809)
Provision for bad debts	87,827	52,710
Changes in assets and liabilities:		
Accrued interest receivable	(4,777)	(1,353)
Prepaids	(54)	6,411
Other receivables	3,946	(1,538)
Grants receivable	(16,657)	55,120
Unearned revenue	2,040,094	(132,637)
Accrued expenses payable	(5,506)	1,935
Security deposits	1,632	(1,137)
Other accrued expenses	(34,798)	(48,673)
Net Cash from Operating Activities	2,730,631	465,141
Investing Activities		
Net increase in notes receivable	(1,557,150)	(734,941)
Net decrease in loan guarantee - certificates of deposit	19,000	-
Net increase in investment in assets held by Community Foundation	(3,438)	(50,031)
Proceeds received on sale of assets	-	1,223
Acquisition of property and equipment	(317,636)	(74,651)
Net Cash used for Investing Activities	(1,859,224)	(858,400)
Financing Activities		
Proceeds from loan funding	2,458,020	417,671
Principal payments on notes payable	(1,988,704)	(146,217)
Net Cash from Financing Activities	469,316	271,454
Net Change in Cash and Cash Equivalents	1,340,723	(121,805)
Cash and Cash Equivalents, Beginning of Year	5,262,303	5,384,108
Cash and Cash Equivalents, End of Year	$ 6,603,026	$ 5,262,303
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 1,735,283	$ 1,725,515

Note 1 - Principal Activity and Significant Accounting Policies

Principal Business Activity

GROW South Dakota (the Corporation) is a nonprofit corporation whose primary objective is to promote and foster economic growth, housing development, and educational opportunities in distressed communities and underserved markets in South Dakota by providing services to individual, small business and communities through loan products and development services. The Corporation maintains a loan fund through various loan programs.

The consolidated financial statements presented in this report represent all the funds and fiscal activities under the control of the Board of Directors through a seven member governing board of the Corporation.

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 affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant change in the near term is the determination of the allowance for loan losses.

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. On the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

The Corporation is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations; however, may be designated by the Board for certain projects.
- Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Corporation and/or the passage of time.
- Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries: Rockyford Schools, LLC, Batesland School, LLC, and Pheasant Valley Courtyard, LLC. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence, purpose, or nature of any donor restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Corporation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. All cash accounts and unrestricted temporary cash investments at the financial statement reporting date were considered to be cash equivalents.

Beneficial Interest in Assets Held by South Dakota Community Foundation

The Corporation has a permanent agency fund under South Dakota Community Foundations (SDCF). Distributable income from the Endowment shall be used to support the mission of the Corporation and will be made available for distribution not less often than annually, which may be on an annualized basis, or a calendar year basis, or a portion of either, as determined by the Directors of the Foundation. Variance power was granted to SDCF, with the Corporation being the beneficiary. The Fund is held and invested by SDCF for the benefit of the Corporation, and is reported at fair value in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

The Corporation has a permanent designated fund separate from the agency fund that was established by SDCF for the Corporation. The Fund is held and invested by SDCF for the benefit of the Corporation. The balance of this account as of June 30, 2017 and 2016, was $23,594 and $21,086, respectively, at fair value and is carried on SDCF’s financial statements only and not included as an asset in the statements of financial position.

Notes Receivable

Notes receivable are stated at the outstanding principle balance and are generally secured. The Corporation charges a late fee between $7.50 and 10% of the loan payment for any payments more than 10 days late. Due to the uncertainty regarding collection, delinquency fees are recognized as income when received.

A note receivable is considered delinquent when the debtor has missed two or more payments. Loans placed on non-accrual status are determined by the Board of Directors. Interest resumes when principal on non-accrual status loans has been paid current. Management reviews the status of the past due notes and collection proceedings as management deems necessary. Payments of notes receivable are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balance.

The carrying amount of loan receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management reviews all notes receivable and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Additionally, management applies a risk rating calculation based upon various factors including collectability, collateral and ability to make payments to the aggregate remaining loan receivables to estimate a general allowance covering those amounts. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. It is at least reasonably possible this estimate will change within the next year.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the collectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance when received. The Corporation’s internal loan policy requires a minimum reserve for loan loss of 5% on the outstanding loan balance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management’s periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower’s ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. It is at least reasonably possible this estimate will change within the next year.

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. The Corporation recognizes interest income on impaired loans the same as other loans.

Impairment is measured on a loan-by-loan basis for all loans by either the present value of expected future cash flows discounted at the loan’s effective interest rate, the loan’s obtainable market price or the fair value of the collateral if the loan is collateral dependent.

Loan Guarantees - Certificates of Deposit

GROW South Dakota pledges certificates of deposit to lending institutions as security for loans to individuals and businesses who otherwise would not acquire the loans due to their financial condition. When the loans are fully paid back, the lending institution releases the certificates of deposit back to the Corporation. Interest earned on the certificates of deposit is not part of the security agreement and is paid to the Corporation.

Property and Equipment

Purchases of property and equipment in excess of $5,000 are recorded at cost. Donated property and equipment is valued at estimated fair value on the date donated if over $5,000. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized if over $5,000. Expenditures for maintenance and repairs are charged to expense currently. When depreciable properties are retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income. Interest expenses related to the loan used to finance the school's construction was capitalized during the construction period and amortized on a straight-line basis over the life of the property.

Depreciation is provided for over the estimated useful lives of the individual assets using the straight-line method. The estimated useful lives used in the computation of depreciation are as follows:

Vehicles	5 years
Furnishings	5 years
Maintenance equipment	7 years
Buildings	25-39 years

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. The Corporation has determined there were no indicators of asset impairment during the year ended June 30, 2017.

Income Taxes

The Corporation is a nonprofit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been presented in the accompanying financial statements. The Corporation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Corporation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined that the Corporation is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The subsidiaries of GROW South Dakota are all single member limited liability companies, and as such as limited liability companies, each respective company's taxable income or loss is allocated to the member. Therefore, no provision for income taxes has been included in the financial statements for those companies.

The Corporation and its subsidiaries evaluate their tax positions that have been taken or are expected to be taken on income tax returns and annual filing requirements to determine if an accrual is necessary for uncertain tax positions. As of June 30, 2017 and 2016, the unrecognized tax benefits accrual was zero. The Corporation and its subsidiaries will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Restricted and Unrestricted Revenue and Support

Federal grant awards received for specific purposes, such as cost reimbursement type grants, are recognized as support to the extent of related expense incurred in compliance with the specific restrictions.

Credit Risk - Receivables

The Corporation, as part of its normal business operations, grants credit in the form of notes receivable to companies primarily to start-up or expand businesses, or to individuals for homeownership, in South Dakota. The maximum amount of loss due to credit risk is equal to the outstanding balance on the notes. Risk ratings are reviewed annually on commercial notes, which include assessment of collateral and financial condition of the business. Allowances for loan losses are calculated from those risk ratings on commercial loans. The Corporation's policy is to review collateral and financial statements of the businesses on an annual basis. Allowances for loan losses on residential housing loans are calculated based on the approved lending policy which sets the allowance for loan losses rate based on collateral position. The Corporation seeks to obtain the most secure position possible, including collateral such as inventory, equipment, accounts receivable, mortgages, vehicle liens and personal guarantees.

Debt Issuance Costs

As of July 1, 2016, the Corporation adopted the provisions of Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs.* This update requires that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct reduction from the carrying amount of that debt liability. Adoption of this accounting standard update requires retroactive application by restating the consolidated financial statements of all prior periods presented. The Corporation has adopted this standard as management believes this presentation more accurately reflects the costs of borrowing for arrangements in which debt issuance costs are incurred. The implementation resulted in the decrease of assets and long-term debt of $748,723 as of June 30, 2016, and an increase of interest expense and a decrease of amortization expense of $180,059 for the year ended June 30, 2016.

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight line method and management believes this is a reasonable estimate of the effective interest method. Debt issuance costs are included within long-term debt in the statements of financial position. Amortization of debt issuance costs is included in interest expense in the accompanying financial statements

Fundraising Activity

The Corporation does not maintain a formal fund raising or solicitation department. During the year ended June 30, 2016, the Corporation held fundraising events. Noncash contributions are recorded at fair value. The Corporation recorded donated professional services at the respective fair values of the services received (see Note 9). In addition, the program directors do compile data and applications necessary to renew and obtain new grants. The Corporation does not track costs associated with this activity, but believes the time and cost for this activity represents a very small percentage of the program directors' time.

Unearned Revenue

Unearned revenue consists of advance payments, in the form of cash, for revenue to be recognized in the following year.

Salaries and Benefits

GROW South Dakota does not incur payroll, but reimburses an affiliate for wages and benefits paid for common employees.

Subsequent Events

Subsequent to year end, the Corporation obtained a loan from NESDCAP in the amount of $400,000 to be used for housing lending purposes. The Corporation has evaluated subsequent events through September 29, 2017, the date which the financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs to the fair value methodology include:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset either directly or indirectly. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for similar assets or liabilities in markets that are not active;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

If the asset or liability has a specified (or contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs are unobservable inputs for the asset or liability.

The fair value of the Corporation’s beneficial interest in assets held by SDCF is based on the fair value of fund investments as reported by SDCF. These are considered to be Level 3 measurements.

Fair value of the endowment fund measured on a nonrecurring basis at June 30, 2017 is as follows:

	Fair Value Balance at 6/30/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets held by Community Foundation	$ 108,392	$ -	$ -	$ 108,392

The following is a reconciliation for Level 3 assets measured on a recurring basis:

	SDCF Endowment Fund
Balance, June 30, 2016	$ 92,857
Total gains or losses included in changes in net assets	12,097
Contributions (net of admin fees)	3,438
Balance, June 30, 2017	$ 108,392
Balance, June 30, 2015	$ 41,017
Total gains or losses included in changes in net assets	1,809
Contributions (net of admin fees)	50,031
Balance, June 30, 2016	$ 92,857

Note 3 - Notes Receivable

The purpose of the loan fund is to provide flexible and accessible loans, primarily gap financing that will strengthen, create, or save businesses and job opportunities. A summary of notes receivable by portfolio category as of June 30, 2017 and 2016 follows:

	2017	2016
Commercial loans	$ 3,508,829	$ 2,899,949
Housing loans	1,909,954	970,751
Total loans	5,418,783	3,870,700
Less allowance for loan losses	(295,844)	(217,084)
Total notes receivable, net of allowance	$ 5,122,939	$ 3,653,616

Allowance for Loan Losses

The following table presents the activity in the allowance for loan losses for the year ended June 30, 2017 and 2016 and the recorded investment in loans and impairment method as of June 30, 2017 and 2016 by portfolio segment.

	2017		
	Commercial	Housing	Total
Allowance for Loan Losses			
Balance, beginning of year	$ 159,594	$ 57,490	$ 217,084
Provision for bad debts	23,201	55,559	78,760
Balance, end of year	$ 182,795	$ 113,049	$ 295,844
Collectively evaluated for impairment	$ 182,795	$ 113,049	$ 295,844
Balance, end of year	$ 182,795	$ 113,049	$ 295,844
Loans			
Collectively evaluated for impairment	$ 3,508,829	$ 1,909,954	$ 5,418,783
Balance, end of year	$ 3,508,829	$ 1,909,954	$ 5,418,783

	2016		
	Commercial	Housing	Total
Allowance for Loan Losses			
Balance, beginning of year	$ 140,142	$ 26,957	$ 167,099
Provision for bad debts	19,452	30,533	49,985
Balance, end of year	$ 159,594	$ 57,490	$ 217,084
Collectively evaluated for impairment	$ 159,594	$ 57,490	$ 217,084
Balance, end of year	$ 159,594	$ 57,490	$ 217,084
Loans			
Collectively evaluated for impairment	$ 2,899,949	$ 970,751	$ 3,870,700
Balance, end of year	$ 2,899,949	$ 970,751	$ 3,870,700

Credit Quality Indicators

The Corporation categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt including current financial information, historical payment experience, collateral adequacy, credit documentation, public information, current economic trends, and other factors. The Corporation analyzes loans individually by classifying the loans as to credit risk. This analysis typically includes larger loans such as commercial loans. This analysis is performed on an ongoing basis as new information is obtained. The Corporation uses the following definitions for risk ratings:

Prime - Loans with a rating of prime are very low risk for the Corporation. The borrower is in a strong financial position and able to withstand adversity to the business. The business owner typically has a very high credit score, a track record of proven management ability, strong character and there is adequate collateral for the loan or loans. Repayment ability is proven by borrower's financial history and there is adequate cash flow to show a margin for adversity.

Desirable - Loans with this rating present a lower risk to the Corporation than many other loans but they are not as strong as loans rated prime. Losses from loans in this category would be rare. These loans are generally strong in all areas but are more subject to adversity than prime loans. There may be one or more areas with some minor weakness or vulnerabilities.

Satisfactory - These are average loans for the Corporation's portfolio. They are strong enough to show repayment and collateral coverage but typically show one or more weaknesses. There may be narrow margins for repayment and collateral coverage. The credit scores for the principals may be average or slightly below average. Adversity can quickly affect this type of loan and result in a lower risk rating when updated.

Watch - These loans have one or more definite weaknesses, which may include factors such as a lack of sufficient collateral, weaker cash flows, management weaknesses, poor credit ratings of the principal owners/managers or other risks. Loans with this initial risk rating should not be made unless there are ways identified to reduce the Corporation's risk such as additional collateral, other supporting income or a strong guarantor.

Doubtful - New applications with this rating should not be approved. Existing loans with this rating have proven to be high risk by their performance. They are past due or cannot reasonably demonstrate the ability to repay the loan. Collateral is often inadequate, deteriorated or missing. Loans with this risk rating assigned are typically already having problems with repayment. A loan rated doubtful has a reasonable chance for at least partial repayment.

Projected Loss - A loan designated as projected loss means our best estimate shows the Corporation will experience a partial or total loss of its loan funds. These loans have similar risk characteristics as the Doubtful category. The primary difference is that loan officers are able to make a reasonable estimate of what the expected loss will be. Projected loss loans should be presented to the board for partial or complete charge off.

The Corporation categorizes housing loans into risk categories based on the collateral position. There is a minimum of 5% for first mortgage residential loans. Two points are added to the reserve for housing loans with a second mortgage as collateral.

Based on the most recent analysis performed, the risk category of loans by class of loans as of June 30, 2017 and 2016 was as follows:

Credit Risk Profile by Internally Assigned Grade

	2017		
	Commerical	Housing	Total
Prime	$ 216,237	$ -	$ 216,237
Desirable	1,816,922	-	1,816,922
Satisfactory	1,247,361	1,909,954	3,157,315
Watch	228,309	-	228,309
	$ 3,508,829	$ 1,909,954	$ 5,418,783

	2016		
	Commerical	Housing	Total
Prime	$ 132,418	$ -	$ 132,418
Desirable	1,530,926	-	1,530,926
Satisfactory	970,580	970,751	1,941,331
Watch	266,025	-	266,025
	$ 2,899,949	$ 970,751	$ 3,870,700

Credit Risk Profile by Class Based on Payment Activity

Commercial and housing loans are managed on an individual basis. Loans that are delinquent 90 days or more and are not accruing interest are considered nonperforming. The following table presents the recorded investments in loans by class based on payment activity as of June 30, 2017 and 2016:

	2017		
	Performing	Nonperforming	Total
Commercial	$ 3,508,829	$ -	$ 3,508,829
Housing	1,909,954	-	1,909,954
Total	$ 5,418,783	$ -	$ 5,418,783

	2016		
	Performing	Nonperforming	Total
Commercial	$ 2,899,949	$ -	$ 2,899,949
Housing	970,751	-	970,751
Total	$ 3,870,700	$ -	$ 3,870,700

The following table summarizes the aging of the past due loans by loan class within the portfolio segments as of June 30, 2017 and 2016.

	2017			
		Still Accruing		
	Current	30-90 Days Past Due	Over 90 Days Past Due	Nonaccrual Balance
Commercial	$ 3,468,816	$ 40,013	$ -	$ -
Housing	1,909,954	-	-	-
Total	$ 5,378,770	$ 40,013	$ -	$ -

	2016			
		Still Accruing		
	Current	30-90 Days Past Due	Over 90 Days Past Due	Nonaccrual Balance
Commercial	$ 2,899,949	$ -	$ -	$ -
Housing	970,751	-	-	-
Total	$ 3,870,700	$ -	$ -	$ -

Impaired loans are loans assigned to a risk category of "doubtful" or "projected loss." As of June 30, 2017 and 2016, there are no impaired or nonaccrual loans.

Loan Modifications and Troubled Debt Restructuring

Modifications of terms for loans and their inclusion as troubled debt restructurings are based on individual facts and circumstances. Loan modifications that are included as troubled debt restructurings may involve reduction of the interest rate or renewing at an interest rate below current market rates, extension of the term of the loan and/or forgiveness of principal, regardless of the period of modification.

During the years ended June 30, 2017 and 2016, there were no loan modifications resulting in troubled debt restructurings.

If a loan is determined to have undergone a troubled debt restructuring, the loan is evaluated for an asset-specific allowance for credit losses. The Corporation continues to specifically reevaluate the loan in subsequent periods, regardless of the borrower's performance under the modified terms. If the loan defaults after restructuring it is written off with Board approval.

Note 4 - Loan Guarantees – Certificates of Deposit

The Corporation pledges certificates of deposit (CD) to lending institutions as security for loans to individuals and businesses who otherwise would not acquire the loans due to their financial condition. When the loans are fully paid back, the lending institution releases the certificates of deposit back to the Corporation. Interest earned on the certificates of deposit is not part of the security agreement and is paid to the Corporation.

CD pledge guarantees as of June 30, 2017 and 2016, are as follows:

	2017	2016
CD pledge guarantees	$ -	$ 20,000
Allowance for loan losses	-	(1,000)
	$ -	$ 19,000

Changes in the allowance for loan losses are as follows:

	2017	2016
Balance, beginning of year	$ 1,000	$ 1,000
Provision (recovery) for loan losses	(1,000)	-
	$ -	$ 1,000

Note 5 - Property and Equipment

Property and equipment is as follows:

	2017			2016
	Cost	Accumulated Depreciation	Net	Net
Land	$ 96,000	$ -	$ 96,000	$ 96,000
Vehicles	192,258	(136,784)	55,474	45,335
Buildings	42,292,120	(5,024,972)	37,267,148	38,068,739
Furnishings	51,555	(30,389)	21,166	23,757
Maintenance equipment	26,244	(7,926)	18,318	10,198
	$ 42,658,177	$ (5,200,071)	$ 37,458,106	$ 38,244,029

Note 6 - Notes Payable

The proceeds from notes payable, plus earnings from loan collections, are used to fund loans to area businesses and industry, school construction, building, land, and rehabilitation of an apartment complex. The terms of the notes payable at June 30, 2017 and 2016 are as follows:

	2017	2016
3% note payable to Northeast South Dakota Community Action Program, refinanced in current year.	-	$ 250,000
3% note payable to Northeast South Dakota Community Action Program, refinanced in current year.	-	250,000
3% note payable to Northeast South Dakota Community Action Program, refinanced in current year.	-	250,000
2.5% note payable to Northeast South Dakota Community Action Program, refinanced in current year.	-	80,000
3.0% note payable to Northeast South Dakota Community Action Program, due in quarterly installments of interest only payments beginning March 1, 2017 until June 1, 2021, when all principal plus accrued interest shall be due and payable.	830,000	-
3% note payable to Northeast South Dakota Economic Corporation, refinanced in current year.	-	500,000
3% note payable to Northeast South Dakota Economic Corporation, refinanced in current year.	-	250,000
3.0% note payable to Northeast South Dakota Economic Corporation, due in quarterly installments of interest only payments beginning April 16, 2017 until January 16, 2021, when all principal plus accrued interest shall be due and payable.	1,000,000	-
1% note payable to US Small Business Administration, due in quarterly installments of principal and interest payments of $15,362, beginning October 7, 2012, with the last payment due on August 22, 2031. A 5% cash reserve on outstanding SBA loan balance is to be set aside in a separate account.	812,820	865,807
2.67% note payable, due on demand, to First Bank & Trust. If no demand, due in annual installments of interest only payments beginning December 18, 2014 until December 18, 2020, when all principal plus accrued interest shall be due and payable.	100,000	100,000

	2017	2016
1% note payable to Rural Development, due in annual installments of principal and interest payments of $6,835 (interest only payment for first three years) beginning August 26, 2015, with the last payment due on August 26, 2041. A 6% cash reserve on Rural Development's loan balance is required.	150,497	155,774
3% note payable to Northeast South Dakota Economic Corporation refinanced in current year.	-	250,000
1% note payable to Rural Development, due in annual installments of principal and interest payments (interest only payment for first three years) beginning July 9, 2016, with the last payment due on July 9, 2045. A 6% cash reserve on Rural Development's loan balance is required.	311,858	102,796
2% note payable to Rural Development, Rural Microentreprenuer Assistance Program (RMAP), due in monthly installments of principal and interest payments (deferred for first two years) beginning December 31, 2016, with last payment due on December 9, 2034.	320,577	146,761
Variable rate (never greater than 4% or less than 2%) note payable to 1st Financial Bank USA, due in quarterly installments of interest only payments beginning January 1, 2016 until October 1, 2025 when all principal plus accrued interest shall be due and payable.	249,985	249,985
2.56% note payable, due on demand, to First Bank & Trust. If no demand, due in annual installments of interest only payments beginning September 28, 2017 until September 28, 2026, when all principal plus accrued interest shall be due and payable.	100,000	-
7.25% note payable to CITI NMTC Subsidiary CDE IX, LLC, effective rate of 7.802%, net of unamortized debt issuance costs of $103,270 and $138,145, monthly interest only payment until April 2018, then plus interest payment of $3,022,043 in May 2018, then resume monthly interest only payments until May 2021, then monthly installments of $37,279, including interest with last payment due on May 18, 2036, secured by Rockyford School property.	6,967,980	6,933,105

	2017	2016
0.5% note payable to CITI NMTC Subsidiary CDE IX, LLC, effective rate of .762%, net of unamortized debt issuance costs of $65,330 and $87,392, monthly interest only payment until monthly May 2022, then installments of $27,576, including interest with last payment due on May 18, 2036, secured by Rockyford School property.	4,408,043	4,385,981
0.26% note payable to CITI NMTC Subsidiary CDE IX, LLC, effective rate of 5.482%, net of unamortized debt issuance costs of $35,129 and $46,992, monthly interest only payment until April 2018, then interest rate increases to 9.27% with monthly interest only payment until May 2028, then monthly installments of $35,573, including interest with last payment due on May 18, 2036, secured by Rockyford School property.	2,370,248	2,358,385
7.25% note payable to Dakotas VII, LLC, effective rate of 7.802%, net of unamortized debt issuance costs of $61,962 and $82,887, monthly interest only payment until April 2018, then principal plus interest payment of $1,813,226 in May 2018, then resume monthly interest only payments until May 2021, then monthly installments of $22,368, including interest with last payment due on May 18, 2036, secured by Rockyford School property.	4,180,788	4,159,863
0.5% note payable to Dakotas VII, LLC, effective rate of .761%, net of unamortized debt issuance costs of $39,198 and $52,435, monthly interest only payment until May 2022, then monthly installments of $16,545, including interest with last payment due on May 18, 2036, secured by Rockyford School property.	2,644,826	2,631,589
3.86% note payable to Dakotas VII, LLC, effective rate of 9.022% net of unamortized debt issuance costs of $18,448 and $24,678, monthly interest only payments until April 2018, then interest rate increases to 14.15% with monthly interest only payment until May 2028, then monthly installments of $22,052, including interest with last payment due on May 18, 2036, secured by Rockyford School property.	1,244,778	1,238,548
7.25% note payable to Dakotas VIII, LLC, effective rate of 7.674%, net of unamortized debt issuance costs of $94,653 and $118,320, monthly interets only payments until August 2018, then principal plus interest payment of $2,452,479 in September 2018, then resume monthly interest only payments until September 2020, then monthly installments of $37,668, including interest with last payment due on September 30, 2036, secured by Batesland School property.	6,591,347	6,567,680

	2017	2016
0.75% note payable to Dakotas VIII, LLC, effective rate of .953%, net of unamortized debt issuance costs of $119,820 and $136,983, monthly interest only payments until September 2023, then monthly installments of $66,580, including interest with last payment due on September 30, 2036, secured by Batesland School property.	9,773,431	9,756,268
3.56% note payable to Dakotas VIII, LLC, effective rate of 6.452%, net of unamortized debt issuance costs of $48,711 and $60,891, monthly interest only payments until September 2018, then interest rate increases to 8.64% with monthly interest only payments until September 2027, then monthly installments of $45,951, including interest with last payment due on September 30, 2036, secured by Batesland School property.	3,392,038	3,379,858
5% note payable to South Dakota Housing Development Authority, due in monthly installments of $12,493 beginning November 1, 2011 until May 1, 2026, when all unpaid principal plus accrued shall be due and payable.	1,084,707	1,177,845
0% note payable to South Dakota Housing Development Authority, payments due based on surplus cash, maturing June 26, 2032.	137,839	-
0% note payable to South Dakota Housing Development Authority, due in monthly principal payments of $11,108, beginning June 1, 2026 until May 1, 2038, when all unpaid principal shall be due and payable.	1,599,500	1,599,500
0% note payable to Northeast South Dakota Community Action Program, due in annual payments beginning June 1, 2026, until June 1, 2038, when all principal shall be due and payable.	156,717	156,717
	$ 48,427,979	$ 47,796,462

A summary of approximate principal maturities on the notes payable for the remaining term of the debt are as follows:

Years Ending June 30,	Amount
2018	$ 5,152,256
2019	2,590,784
2020	194,481
2021	2,160,511
2022	656,052
Thereafter	38,260,416
	$ 49,014,500

Interest expense on long-term debt (including amortization of debt issuance costs) for the years ended June 30, 2017 and 2016 was $1,910,461 and $1,907,234, respectively.

Note 7 - Temporarily Restricted Net Assets

Temporarily Restricted Cash

Temporarily restricted cash is comprised of cash balances that are restricted in use under the requirements of various programs. The amount of temporarily restricted cash as of June 30, 2017 and 2016 totaled $3,429,957 and $426,741, respectively.

Temporarily Restricted Accrued Interest Receivable

Temporarily restricted accrued interest receivable is comprised of a balance that is restricted in use under the requirements of various programs. The amount of temporarily restricted accrued interest as of June 30, 2017 and 2016 totaled $3,713 and $1,195, respectively.

Temporarily Restricted Grants Receivable

Temporarily restricted grant receivable is comprised of a balance that is restricted in use under requirements of various programs. The amount of temporarily restricted receivables as of June 30, 2017 and 2016 totaled $120,704 and $104,047, respectively.

Temporarily Restricted Notes Receivable

Temporarily restricted notes receivable, net of allowance for loan losses, are restricted in use under requirements of various programs. The amount of temporarily restricted notes receivable as of June 30, 2017 and 2016 totaled $2,235,885 and $1,493,261, respectively.

Temporarily Restricted Other Current Liabilities

Temporarily restricted other current liabilities are comprised of a balance that is restricted in use under the requirements of various programs. The amount of temporarily restricted other current liabilities as of June 30, 2017 and 2016 totaled $3,039,243 and $218,333, respectively.

Temporarily Restricted Notes Payable

Temporarily restricted notes payable is comprised of a balance that is restricted under the requirements of various programs. As of June 30, 2017 and 2016, this balance consisted of $1,595,752 and $1,271,139, respectively.

Note 8 - Endowment Investment Held By Community Foundation

At June 30, 2017 and 2016, the endowment investments consisted of the following:

	2017	2016
Beginning balance	$ 92,857	$ 41,017
Endowment fund contributions (net of admin fees)	3,438	50,031
Interest and dividend income	1,305	1,277
Net realized and unrealized gain (loss)	10,792	532
	$ 108,392	$ 92,857

Note 9 - Donated Professional Services and Goods

The Corporation received donated auction items and professional services as follows during the years ended June 30, 2017 and 2016:

	Fundraising and Development	
	2017	2016
Donated items	$ -	$ 4,342
Advertising	-	-
	$ -	$ 4,342

Note 10 - Deposits and Investments – Risk Concentrations

The Corporation deposits and maintains its cash balances and savings accounts at financial institutions. The cash balances are held in institutions insured by the Federal Deposit Insurance Corporation (FDIC). In addition, certain financial institutions obtained additional bank deposit guaranty bonds to cover balances not insured by FDIC. The Corporation believes it is not exposed to any significant credit risk on cash and cash equivalents and has not experienced any loss in such accounts during 2017 or 2016. As a loan requirement for Rockyford School, LLC and Batesland School, LLC, checking and savings accounts are required to be held at one financial institution; therefore, as of June 30, 2017 and 2016, the Corporation had $1,425,149 and $2,226,521, respectively, in uninsured cash balances related to the subsidiaries, Rockyford Schools, LLC and Batesland Schools, LLC.

Note 11 - Related Party Transactions

The Northeast South Dakota Community Action Program (NESDCAP) is a nonprofit organization that promotes health, education and social and economic welfare to low-income, minority and disadvantage persons. The Northeast South Dakota Economic Corporation (NESDEC) was formed to accept public and private funds to raise the economic welfare, educational and social levels of underprivileged or low-income residents of a twenty-two county area and groups composed substantially of such residents, to foster and promote community-wide interest and concern for the problems of said residents and groups. All three organizations are branded under the name GROW South Dakota.

The Corporation does not have any employees nor does it have its own offices. Rather, it reimburses NESDCAP/NESDEC for salaries, employee benefits and various administrative/program costs which amounted to approximately $262,136 and $274,590 for the years ended June 30, 2017 and 2016, respectively, and related accounts payable to NESDCAP was $9,641 and $5,774 as of June 30, 2017 and 2016, respectively. The Corporation also received pass through donations from NESCDAP/NESDEC which amounted to $225 and $7,325 for the years ended June 30, 2017 and 2016, respectively and received a grant from NESCDAP for $32,500 during the year ended June 30, 2016. The Corporation leases vehicles to NESDCAP. All vehicle leases are considered operating leases because NESDCAP has the option to terminate leases upon thirty day notice. Vehicle lease income was $26,268 and $20,429 for the years ended June 30, 2017 and 2016, respectively. The Corporation also obtained long-term notes payable from NESDCAP/NESDEC to fund its loan fund. Total related party loan balance was $1,986,717 as of June 30, 2017 and 2016, and total interest expense paid was $60,788 and $54,926 for the years ended June 30, 2017 and 2016, respectively.

Note 12 - Commitments and Contingencies

The Corporation participates in a number of Federal and private grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Compliance with applicable grant requirements for grants whose grant periods have not expired will be established at some future date. In the opinion of management, the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although they expect such amounts, if any, to be immaterial.

Note 13 - Leases

The Corporation's subsidiaries, Rockyford Schools LLC and Batesland Schools LLC entered into lease agreements as the lessor with Shannon County School District (also known as Oglala Lakota School District) for the school buildings. The term of the lease runs through May 17, 2041 and June 25, 2041, respectively, with scheduled monthly lease payments of varying amounts until April 25, 2036 and June 25, 2036, respectively ("the Reset Date"), which from and after the Reset Date, scheduled monthly lease payments will be equal to the Fair Market Rent as of the respective Reset Date through the end of each respective lease term.

Future lease payments under terms of the lease through and prior to the respective Reset Dates are as follows:

Years Ending June 30,	
2018	$ 1,644,000
2019	1,940,400
2020	2,294,670
2021	2,718,773
2022	2,871,493
Thereafter	49,573,729
	$ 61,043,065

The Corporation leases vehicles to NESDCAP. Future minimum lease payments by NESDCAP are as follows:

Years Ending June 30,	Amount
2018	$ 32,079
2019	29,159
2020	10,596
2021	9,275
2022	1,666
	$ 82,775

Note 14 - Net Assets

The negative unrestricted net assets are contributed to the depreciation and amortization of buildings related to the subsidiaries, Rockyford Schools, LLC and Batesland Schools, LLC. Please reference the supplementary schedules to see the breakdown between the parent company, GROW South Dakota, and the subsidiaries.

Note 15 - Restatement

As disclosed in Note 1, the Corporation adopted the provisions of Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, as of July 1, 2016. Additionally, management discovered certain errors in previously issued financial statements relating to other assets and depreciation and amortization. Following is a summary of the effects of the change in accounting principle and correction of discovered error in the Corporation's June, 2016 financial statements.

Statement of Financial Position

	As Previously Reported	Correction of Error	Change in Accounting Principle	As Restated
As of June 30, 2016				
NMTC loan fee, net	$ 661,818	$ 86,905	$ (748,723)	$ -
Property and equipment, net	38,204,260	39,769	-	38,244,029
Total other assets	38,989,191	126,674	(748,723)	38,367,142
Total assets	48,051,152	126,674	(748,723)	47,429,103
Long-term debt, net of debt issuance costs	48,386,929	-	(748,723)	47,638,206
Total liabilities	49,665,140	-	(748,723)	48,916,417
Net assets unrestricted	(2,149,760)	126,674	-	(2,023,086)
Total liabilities and net assets	48,051,152	126,674	(748,723)	47,429,103

Statement of Activities

	As Previously Reported	Correction of Error	Change in Accounting Principle	As Restated
Year ended June 30, 2016				
Program - housing program	$ 1,070,407	$ (8,000)	$ -	$ 1,062,407
Program - new market tax credit	2,816,035	(18,588)	-	2,797,447
Total expenses	4,197,363	(26,588)	-	4,170,775
Change in net assets	(780,489)	26,588	-	(753,901)
Net Assets, Beginning of Year	(833,499)	100,086	-	(733,413)
Net Assets, End of Year	(1,613,988)	126,674	-	(1,487,314)

Statement of Cash Flows

	As Previously Reported	Correction of Error	Change in Accounting Principle	As Restated
Year ended June 30, 2016				
Change in net assets	$ (780,489)	$ 26,588	$ -	$ (753,901)
Interest expense attributable to amortization of debt issuance costs	-	-	180,059	180,059
Depreciation and amortization	1,316,561	(26,588)	(180,059)	1,109,914

Supplementary Information
June 30, 2017 and 2016

GROW South Dakota and Subsidiaries

	2017						
	Parent GROW South Dakota	Subsidiary Rockyford Schools LLC	Subsidiary Batesland Schools LLC	Subsidiary Pheasant Valley Courtyard LLC	Eliminations	Consolidated Total	2016 (Restated)
Assets							
Current Assets							
Cash and cash equivalents	$ 4,348,393	$ 1,056,270	$ 868,879	$ 242,101	$ -	$ 6,515,643	$ 5,191,787
Program cash reserve	87,383	-	-	-	-	87,383	70,516
Accrued interest receivable	14,595	-	-	-	-	14,595	9,818
Other receivables	-	-	-	758	-	758	4,704
Grants receivable	120,704	-	-	-	-	120,704	104,047
Current portion of notes receivable, less allowance for loan losses of $26,862 in 2017 and $27,421 in 2016	498,638	-	-	-	-	498,638	549,117
Prepaid assets	-	-	-	8,527	-	8,527	8,473
Total current assets	5,069,713	1,056,270	868,879	251,386	-	7,246,248	5,938,462
Long-Term Receivables							
Loan guarantees - certificates of deposit, less allowance for loan losses of $0 in 2017 and $1,000 in 2016	-	-	-	-	-	-	19,000
Notes receivable, less allowance for loan losses of $268,982 in 2017 and $189,663 in 2016, less current maturities	4,624,301	-	-	-	-	4,624,301	3,104,499
Total long-term receivables	4,624,301	-	-	-	-	4,624,301	3,123,499
Other Assets							
Beneficial interests in assets held by Community Foundation	108,392	-	-	-	-	108,392	92,857
Property and equipment, net	55,474	17,964,626	16,514,716	3,103,290	(180,000)	37,458,106	38,244,029
Distribution receivable	7,188	-	-	-	(7,188)	-	-
Construction in progress	-	-	-	-	-	-	30,256
Total other assets	171,054	17,964,626	16,514,716	3,103,290	(187,188)	37,566,498	38,367,142
	$ 9,865,068	$ 19,020,896	$ 17,383,595	$ 3,354,676	$ (187,188)	$ 49,437,047	$ 47,429,103

	2017						
	Parent GROW South Dakota	Subsidiary Rockyford Schools LLC	Subsidiary Batesland Schools LLC	Subsidiary Pheasant Valley Courtyard LLC	Eliminations	Consolidated Total	2016
Liabilities and Net Assets							
Liabilities							
Current Liabilities							
Current portion of long-term debt	$ 274,398	$ 4,779,955	$ -	$ 97,903	$ -	$ 5,152,256	$ 158,256
Accounts payable	14,667	-	-	15,805	-	30,472	65,270
Security deposits	-	-	-	15,053	-	15,053	13,421
Accrued expenses	23,981	-	-	27,644	-	51,625	57,131
Distribution Payable	-	-	-	7,188	(7,188)	-	-
Unearned revenue	3,024,227	-	-	-	-	3,024,227	984,133
Total current liabilities	3,337,273	4,779,955	-	163,593	(7,188)	8,273,633	1,278,211
Noncurrent liabilities							
Long-term debt, less current maturities and net of unamortized debt issuance costs of $586,521 and $748,723, respectively	3,601,338	17,036,707	19,736,579	2,880,861	20,238	43,275,723	47,638,206
Total liabilities	6,938,611	21,816,662	19,736,579	3,044,454	13,050	51,549,356	48,916,417
Net Assets							
Temporarily restricted	1,155,264	-	-	-	-	1,155,264	535,772
Unrestricted	1,771,193	(2,795,766)	(2,352,984)	310,222	(200,238)	(3,267,573)	(2,023,086)
Total net assets	2,926,457	(2,795,766)	(2,352,984)	310,222	(200,238)	(2,112,309)	(1,487,314)
	$ 9,865,068	$ 19,020,896	$ 17,383,595	$ 3,354,676	$ (187,188)	$ 49,437,047	$ 47,429,103

	2017						
	Parent GROW South Dakota	Subsidiary Rockyford Schools LLC	Subsidiary Batesland Schools LLC	Subsidiary Pheasant Valley Courtyard LLC	Eliminations	Consolidated Total	2016 (Restated)
Revenues							
Interest income on loans	$ 194,598	$ -	$ -	$ -	$ -	$ 194,598	$ 153,700
Apartment revenue	-	-	-	181,810	-	181,810	178,188
Grant income	816,543	-	-	276,054	-	1,092,597	1,293,309
Lease fee income	26,268	944,000	700,000	-	-	1,670,268	1,664,429
Interest earned on investments	3,586	1,803	855	6,418	-	12,662	15,670
Miscellaneous income	6,456	-	-	20,304	-	26,760	32,652
Loss - sale of assets	-	-	-	-	-	-	(40)
Donations and contributions	7,028	-	-	-	-	7,028	43,453
Endowment fund income	12,097	-	-	-	-	12,097	1,809
Management fees	40,253	-	-	-	(33,453)	6,800	6,800
Return on investment in subsidiary	20,477	-	-	-	(20,477)	-	-
Origination fees	9,557	-	-	-	-	9,557	10,792
Noncash contributions	-	-	-	-	-	-	4,342
Gross special events revenue	-	-	-	-	-	-	23,168
Less cost of direct benefits to donors	-	-	-	-	-	-	(11,398)
Net special events revenue	-	-	-	-	-	-	11,770
Total revenues	1,136,863	945,803	700,855	484,586	(53,930)	3,214,177	3,416,874
Expenses							
Program - revolving loan funds	149,139	-	-	-	-	149,139	145,225
Program - vehicle lease program	13,255	-	-	-	-	13,255	15,856
Program - housing program	330,593	-	-	479,689	(8,000)	802,282	1,062,407
Program - new market tax credit	30,125	1,557,777	1,245,412	-	(52,041)	2,781,273	2,797,447
Program - other program services	28,567	-	-	-	-	28,567	80,277
General and administrative	64,393	-	-	-	-	64,393	60,652
Fundraising and development	263	-	-	-	-	263	8,911
Total expenses	616,335	1,557,777	1,245,412	479,689	(60,041)	3,839,172	4,170,775
Change in Net Assets	520,528	(611,974)	(544,557)	4,897	6,111	(624,995)	(753,901)
Less Distributions to Owner	-	-	-	(20,477)	20,477	-	-
Net Assets, Beginning of Year	2,405,929	(2,183,792)	(1,808,427)	325,802	(226,826)	(1,487,314)	(733,413)
Net Assets, End of Year	$ 2,926,457	$ (2,795,766)	$ (2,352,984)	$ 310,222	$ (200,238)	$ (2,112,309)	$ (1,487,314)

	2017	2016
Loan Fund Program Expenses		
Interest expense	$ 66,239	$ 73,657
Professional fees	37,014	34,790
Bad debt expense	22,201	19,452
Incentive compensation	11,333	12,084
Miscellaneous	3,453	1,255
Advertising	3,229	109
Equipment/Software purchase	1,776	-
Auditing fees	1,307	1,280
Telephone	891	740
Travel and conferences	770	923
Rent	683	600
Service fee	145	240
Postage	98	95
	$ 149,139	$ 145,225
Vehicle Lease Program Expenses		
Depreciation	$ 10,856	$ 6,145
Professional fees	2,399	2,527
Vehicle expense	-	7,184
	$ 13,255	$ 15,856

	2017	2016
Housing Program Expenses		
Depreciation	$ 134,589	$ 133,256
Professional fees	134,196	111,976
Maintenance	101,397	74,883
Grants to other organizations/individuals	84,438	108,935
Interest	71,586	60,941
Bad debt expense	65,626	33,258
Utilities	57,761	55,843
Management	32,839	32,150
Taxes and license	24,469	26,909
Insurance	17,000	18,357
Onsite management	15,000	15,000
Miscellenous	12,867	619
Incentive compensation	11,333	12,083
Contract labor	9,919	162,806
Audit fees	8,063	8,042
Materials	6,025	162,314
Advertising	5,555	2,670
Developer fees	4,800	42,600
Office supplies	3,292	2,011
Telephone	2,703	2,456
Travel and conferences	2,666	1,478
Equipment/Software purchase	1,776	-
Support services	953	917
Rent	683	600
Legal fees	278	53
Service fee	235	20
Dues/subscriptions	135	135
Postage	98	95
	$ 810,282	$ 1,070,407
New Market Tax Credit Program Expenses		
Interest	$ 1,772,636	$ 1,772,636
Depreciation	997,100	997,101
Professional fees	49,535	58,965
Audit fees	13,065	19,079
Miscellaneous	978	978
Travel and conferences	-	73
	$ 2,833,314	$ 2,848,832
Other Program Services Expenses		
Professional fees	$ 22,301	$ 12,446
Travel and conferences	5,285	832
Advertising	800	-
Supplies	181	-
Grants to other organizations/individuals	-	66,999
	$ 28,567	$ 80,277

	2017	2016
General and Administrative		
Professional fees	$ 34,907	$ 34,169
Incentive compensation	11,333	12,083
Insurance	10,629	9,899
Equipment/Software purchase	1,776	-
Audit fees	1,307	1,280
Board meeting	1,133	552
Service fee	963	634
Telephone	891	740
Rent	683	600
Legal fees	523	-
Travel and conference	113	329
Postage	98	95
Office supplies	27	261
Miscellaneous	10	10
	$ 64,393	$ 60,652
Fundraising and development		
Supplies	$ 141	$ 638
Postage	122	424
Professional fees	-	6,996
Advertising	-	477
Travel	-	206
Service fee	-	161
Telephone	-	9
	$ 263	$ 8,911

Federal Awards Reports in Accordance with the Uniform Guidance
June 30, 2017

GROW South Dakota and Subsidiaries

CPAs & BUSINESS ADVISORS

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*

The Board of Directors
GROW South Dakota
Sisseton, South Dakota

We have audited, 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, the consolidated financial statements of GROW South Dakota and its subsidiaries (the Corporation), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 29, 2017.

Internal Control over Financial Reporting
In planning and performing our audit of the consolidated financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Corporation's consolidated 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 determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Aberdeen, South Dakota
September 29, 2017

Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
GROW South Dakota
Sisseton, South Dakota

Report on Compliance for the Major Federal Program

We have audited GROW South Dakota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on GROW South Dakota's major federal program for the year ended June 30, 2017. GROW South Dakota's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of GROW South Dakota's compliance.

Opinion on the Major Federal Program
In our opinion, GROW South Dakota has complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Aberdeen, South Dakota
September 29, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Sub-recipients
U.S. Department of Agriculture - Rural Development				
Direct Funding				
Rural Community Development Initiative	10.446		$ 22,186	$ -
Intermediary Relanding Program - Note 3	10.767		467,632	-
Rural Microentrepreneur Assistance Program - Direct Loan - Note 3	10.870		327,880	-
Rural Microentrepreneur Assistance Program - Project Grant	10.870		9,067	-
Total U.S. Department of Agriculture - Rural Development			826,765	-
U.S. Department of Housing and Urban Development				
Passed Through South Dakota Housing Development Authority				
Section 8 Housing Assistance Payments Program	14.182	SD99-H001-100	276,054	-
Total U.S. Department of Housing and Urban Development			276,054	-
U.S. Department of Health and Human Services Administration for Children and Families				
Direct Funding				
Assets for Independence Demonstration Program	93.602		23,253	15,910
Total U.S. Department of Housing and Urban Development			23,253	15,910
U.S. Small Business Administration				
Direct Funding				
Intermediary Lending Program - Note 3	59.062		865,807	-
Total U.S. Small Business Administration			865,807	-
U.S. Department of Treasury				
Direct Funding				
Community Development Financial Institution Program FA Program	21.020		91,952	
Community Development Financial Institution Program Capital Magnet Fund	21.011		131,449	-
Total U.S. Department of Treasury			223,401	-
Total Federal Financial Assistance			$ 2,215,280	$ 15,910

Note 1 – Basis of Presentation

The accompanying consolidated schedule of expenditures of federal awards includes the federal grant activity of GROW South Dakota and its subsidiaries, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. GROW South Dakota received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Note 2 – Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E – Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. GROW South Dakota's summary of significant accounting policies is presented in Note 1 in GROW South Dakota's consolidated financial statements.

GROW South Dakota has not elected to use the 10% de minimis cost rate.

Note 3 – Federal Loan Programs

The federal loan programs listed subsequently are administered directly by GROW South Dakota and balances and transactions related to these programs are included in GROW South Dakota's consolidated financial statements. Loans received during the year are included in the federal expenditures presented in the schedule. The balances of loans outstanding at June 30, 2017 under those federal loan programs are as follows:

	Federal CFDA Number	Amount
U.S. Small Business Adminstration (ILP)	59.062	$ 812,820
U.S. Department of Agriculture (IRP I and IRP II)	10.767	462,355
U.S. Department of Agriculture (RMAP)	10.870	320,577

Section I – Summary of Auditor's Results

CONSOLIDATED FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	CFDA Number
Intermediary Lending Program	59.062

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Consolidated Financial Statement Findings

There were no consolidated financial statement findings in the current year.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings and questioned costs reported in the current year.