Consolidated Financial Statements
June 30, 2021

GROW South Dakota and Subsidiaries

(With Comparative Totals for 2020)

EideBailly

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, 2021, and the related consolidated statements of activities, functional expenses, 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 consolidated 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.

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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, 2021, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited GROW South Dakota's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Other 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 30 is presented for the purposes of additional analysis and is not a required part of the financial statements. The accompanying consolidated schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the financial statements.

The supplementary information and the consolidated schedule of expenditures of federal awards 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 and the consolidated schedule of expenditures of federal awards 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 16, 2021, 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 effectiveness of GROW South Dakota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GROW South Dakota's internal control over financial reporting and compliance.

Eide Bailly LLP

Aberdeen, South Dakota
September 16, 2021

GROW South Dakota and Subsidiaries
Consolidated Statement of Financial Position
June 30, 2021
(with comparative totals for 2020)

	2021			
	Without Donor Restrictions	With Donor Restrictions	Total	2020
Assets				
Cash and cash equivalents	$ 3,834,686	$ 2,701,442	$ 6,536,128	$ 5,410,417
Cash and cash equivalents - restricted	1,612,250	-	1,612,250	10,210,885
Program cash reserve	50,771	61,020	111,791	111,638
Accrued interest receivable	23,681	3,962	27,643	35,867
Lease receivable	1,729,122	-	1,729,122	501,687
Other receivable	5,363	-	5,363	13,105
Grant receivable	-	659,048	659,048	111,248
Assets held for sale	-	-	-	-
Prepaid assets	5,924	7,500	13,424	11,325
Notes receivable, less allowance for loan losses of $700,201 in 2021 and $667,708 in 2020	5,758,819	6,361,940	12,120,759	11,373,800
Beneficial interests in assets held by Community Foundation	161,572	-	161,572	135,305
Other real estate owned	165,000	-	165,000	190,000
Construction in progress	-	-	-	18,473,735
Property and equipment, net	43,227,349	-	43,227,349	19,529,625
	$ 56,574,537	$ 9,794,912	$ 66,369,449	$ 66,108,637
Liabilities and Net Assets				
Accounts payable	$ 20,085	$ 396,898	$ 416,983	$ 32,319
Construction costs payable	-	-	-	1,966,793
Security deposits	16,259	-	16,259	15,813
Accrued expenses	308,804	$ 48,482	357,286	348,955
Other liabilities	46,600	-	46,600	24,900
Retainage payable	-	-	-	835,380
Refundable advances	-	1,481,744	1,481,744	1,591,800
Beneficiary obligation	5,447,091	-	5,447,091	4,837,477
Notes payable, net of unamortized debt issuance costs of $1,333,590 in 2021 and $1,386,748 in 2020	44,471,704	2,043,276	46,514,980	46,297,478
Total liabilities	50,310,543	3,970,400	54,280,943	55,950,915
Net Assets (See Note 8)				
With donor restrictions	-	5,824,512	5,824,512	5,194,021
Without donor restrictions	6,263,994	-	6,263,994	4,963,701
Total net assets	6,263,994	5,824,512	12,088,506	10,157,722
	$ 56,574,537	$ 9,794,912	$ 66,369,449	$ 66,108,637

	2021			
	Without Donor Restrictions	With Donor Restrictions	Total	2020
Revenues				
Interest income on loans	$ 303,407	$ 61,343	$ 364,750	$ 296,425
Apartment revenue	198,418	-	198,418	193,824
Grant income	823,374	1,848,757	2,672,131	3,309,779
Lease fee income	1,433,335	-	1,433,335	555,820
Interest earned on deposits	8,930	323	9,253	21,204
Contract income	-	-	-	61,950
Miscellaneous income	9,037	830	9,867	14,700
Gain on sale of assets held for sale	-	-	-	27,429
Donations and contributions	14,826	-	14,826	8,076
Endowment fund income	26,465	-	26,465	8,691
Management fees	20,000	-	20,000	20,000
Development fees	-	-	-	100,000
Origination fees	39,230	-	39,230	30,209
Net assets released from restrictions	1,280,762	(1,280,762)	-	-
Total revenues	4,157,784	630,491	4,788,275	4,648,107
Expenses				
Program - revolving loan funds	144,163	-	144,163	208,968
Program - vehicle lease program	32,141	-	32,141	32,684
Program - housing program	1,380,187	-	1,380,187	1,442,482
Program - new market tax credit	1,223,400	-	1,223,400	390,697
Program - other program services	9,545	-	9,545	3,229
Management and general	68,055	-	68,055	71,539
Total expenses	2,857,491	-	2,857,491	2,149,599
Change in Net Assets	1,300,293	630,491	1,930,784	2,498,508
Net Assets, Beginning of Year	4,963,701	5,194,021	10,157,722	7,659,214
Net Assets, End of Year (See Note 8)	$ 6,263,994	$ 5,824,512	$ 12,088,506	$ 10,157,722

GROW South Dakota and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021
(with comparative totals for 2020)

	2021								
	Program Services						Management and General	Total	2020
	Loan	Lease	Housing	NMTC	Other	Total			
Expenses by Function									
Depreciation and amortization	$ -	$ 28,608	$ 138,719	$ 722,935	$ -	$ 890,262	$ -	$ 890,262	$ 383,623
Interest expense including amortization of debt issuance costs	76,324	-	88,229	455,560	-	620,113	-	620,113	297,229
Materials	-	-	332,185	-	-	332,185	-	332,185	252,745
Contract labor	-	-	318,110	-	-	318,110	-	318,110	242,180
Professional fees	52,833	3,533	125,255	10,036	6,894	198,551	35,989	234,540	331,847
Maintenance	-	-	82,030	-	-	82,030	-	82,030	96,396
Utilities	-	-	58,972	-	-	58,972	-	58,972	60,462
Grants and other assistance	13,500	-	25,400	-	-	38,900	-	38,900	77,883
Audit fees	3,727	-	8,935	19,781	-	32,443	3,727	36,170	31,405
Bad debt expense	(27,670)	-	63,512	-	-	35,842	-	35,842	121,334
Management	-	-	34,563	-	-	34,563	-	34,563	34,794
Incentive compensation	11,333	-	11,333	-	-	22,666	11,333	33,999	33,999
Taxes and license	-	-	33,914	-	-	33,914	-	33,914	26,424
Insurance	1,752	-	12,253	-	-	14,005	12,010	26,015	27,356
Miscellaneous	1,168	-	4,340	12,978	-	18,486	8	18,494	25,861
Developer fees	-	-	16,199	-	-	16,199	-	16,199	63,001
Onsite management	-	-	15,000	-	-	15,000	-	15,000	15,000
Equipment and software purchases	1,375	-	3,519	-	-	4,894	150	5,044	7,464
Travel and conferences	1,560	-	145	-	2,651	4,356	163	4,519	2,245
Rent	1,000	-	1,000	-	-	2,000	1,000	3,000	3,000
Loss on sale of other real estate owned	3,000	-	-	-	-	3,000	-	3,000	-
Legal fees	2,147	-	802	-	-	2,949	-	2,949	515
Dues and subscriptions	1,375	-	150	-	-	1,525	1,375	2,900	150
Telephone	340	-	1,834	-	-	2,174	340	2,514	3,267
Service fees	10	-	927	-	-	937	1,419	2,356	1,914
Consultant/speaker fees	-	-	-	1,530	-	1,530	-	1,530	510
Office supplies	180	-	1,192	-	-	1,372	120	1,492	783
Advertising		-	1,460	-	-	1,460	-	1,460	6,503
Postage	209	-	209	580	-	998	209	1,207	1,038
Board meeting	-	-	-	-	-	-	212	212	-
Support services	-	-	-	-	-	-	-	-	671
Total expenses by function	$ 144,163	$ 32,141	$ 1,380,187	$ 1,223,400	$ 9,545	$ 2,789,436	$ 68,055	$ 2,857,491	$ 2,149,599

	2021	2020
Operating Activities		
Change in net assets	$ 1,930,784	$ 2,498,508
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Interest expense attributable to amortization of debt issuance costs	41,634	15,055
Depreciation and amortization	890,262	383,623
Loss on other real estate owned	3,000	-
Gain on sale of assets	-	(27,429)
Assets held by Community Foundation net investment gain	(26,465)	(8,691)
Provision for loan loss and bad debt expense	35,842	121,334
Changes in assets and liabilities		
Accrued interest receivable	8,224	(9,019)
Lease receivable	(1,227,435)	(501,687)
Prepaids	(2,099)	5,196
Other receivable	4,748	(10,413)
Grant receivable	(547,800)	238,840
Refundable advances	(110,056)	(921,553)
Accrued expenses	(151,856)	(120,931)
Other liabilities	21,700	24,900
Construction costs payable	(1,629,660)	-
Retainage payable	(835,380)	-
Security deposits	446	464
Accounts payable	384,664	(125,337)
Net Cash from (used for) Operating Activities	(1,209,447)	1,562,860
Investing Activities		
Net increase in notes receivable	(779,807)	(2,432,879)
Net change in assets held by Community Foundation	198	(6,604)
Proceeds received on sale of property and equipment	-	3,000
Proceeds from sale of other real estate	22,000	-
Proceeds from sale of assets held for sale	-	504,000
Acquisition of property - construction in progress (CIP)	-	(13,062,899)
Acquisition of property and equipment	(5,670,059)	(6,505,610)
Net Cash used for Investing Activities	(6,427,668)	(21,500,992)
Financing Activities		
Proceeds from notes payable	579,410	23,998,952
Payment of debt issuance costs	-	(691,441)
Principal payments on notes payable	(415,066)	(234,405)
Net Cash from Financing Activities	164,344	23,073,106
Net Change in Cash and Cash Equivalents	(7,472,771)	3,134,974
Cash and Cash Equivalents, Beginning of Year	15,732,940	12,597,966
Cash and Cash Equivalents, End of Year	$ 8,260,169	$ 15,732,940

	2021	2020
Cash and Cash Equivalents Consists of		
Cash and cash equivalents	$ 6,536,128	$ 5,410,417
Cash and cash equivalents - restricted	1,612,250	10,210,885
Program cash reserve	111,791	111,638
	$ 8,260,169	$ 15,732,940
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 737,731	$ 405,465
Schedule of Non-cash Investing and Financing Activities		
Other real estate acquired in settlement of loans	$ -	$ 190,000
Construction in progress contributed by School District	609,614	3,644,406
Acounts and retainage payable for CIP and PPE	-	2,802,173
Accrued interest capitalized as property and equipment	160,187	288,957
Amortization of debt issuance costs capitalized as PPE	11,524	26,579

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 individuals, small businesses, and communities through loan products and development services. The Corporation maintains a loan fund through various loan programs.

GROW South Dakota's wholly owned subsidiaries GROW Wolf Creek School, LLC and GROW CTE School, LLC, are nonprofit limited liability companies whose primary objective is to obtain New Market Tax Credit (NMTC) loans to build and lease schools in Oglala Lakota County to the Oglala Lakota County School District (School District). The New Markets Tax Credits allocated to the investors of the program have a seven-year compliance period. It is expected that upon expiration of the seven-year compliance periods, the projects will unwind. It is anticipated the GROW Wolf Creek School, LLC New Markets Tax Credits project will unwind as soon as fiscal year 2026 when the compliance period is scheduled to expire. It is anticipated the GROW CTE School, LLC New Markets Tax Credits project will unwind as soon as fical year 2027 when the compliance period is scheduled to expire.

GROW South Dakota's wholly owned subsidiary Pheasant Valley Courtyard, LLC is a low income housing project located in Milbank, South Dakota, providing affordable housing for families, handicapped, elderly, and disabled persons.

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.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries: GROW Wolf Creek School, LLC, GROW CTE School, LLC, and Pheasant Valley Courtyard, LLC. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Estimates

The preparation of consolidated 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 consolidated 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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor 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.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor- (or grantor-) imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Corporation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. 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 restrictions.

Comparative Financial Information

The consolidated 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 consolidated financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents - restricted consists of cash reserves that are pledged to and controlled by a lender for potential debt repayment and construction costs on the NMTC LLCs and program cash reserves required to be maintained in separate deposit accounts according to funding source requirements.

Beneficial Interest in Assets Held by South Dakota Community Foundation

The Corporation has an agency fund with the South Dakota Community Foundation (SDCF). Distributable income from the fund 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. 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 consolidated statements of activities.

The Corporation has a 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 fair value of this account as of June 30, 2021 and 2020, was $27,713 and $25,570, respectively, and is carried on SDCF's financial statements only and is not included as an asset in the statements of financial position. Income from the designated fund is recorded to the extent distributions from the fund are received by the Corporation, to which no distributions were received during the years ended June 30, 2021 and 2020.

Assets Held for Sale

Assets held for sale as of June 30, 2019, consisted of three constructed homes funded under the Project Reinvest program. As of June 30, 2019, the homes were actively listed for sale and were stated at the lower of cost or fair value less cost to sell, which at June 30, 2019, was cost. These assets held for sale were sold during the year ended June 30, 2020, and the related gain on sale of these assets has been reflected in the statement of activities.

Notes Receivable and Allowance for Loan Losses

Notes receivable are stated at the outstanding principal balance adjusted for the allowance for loan losses and are generally secured. The Corporation charges a late fee of 5% of the monthly loan payment or a maximum of $100 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 Corporation has determined that the accounting for nonrefundable fees and costs associated with originating or acquiring notes receivable does not have a material effect on its consolidated financial statements. As such, these fees and costs have been recognized during the period they are collected and incurred, respectively.

The allowance for loan losses on notes receivable 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 lack of collectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance when received.

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.

Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at the lower of the unrecovered loan balance or fair value. Subsequent to foreclosure, valuations are periodically assessed by management and the assets are carried at the lower of carrying amount or fair value. Any revenue related to foreclosed assets would be reflected as revenues from foreclosed assets and expenses related to these assets would be reflected as revolving loan fund program expenses.

Property and Equipment

Purchases of property and equipment in excess of $10,000 are recorded at cost. Donated property and equipment is valued at estimated fair value on the date donated if over $10,000. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized if over $10,000. 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 the change in net assets.

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	25-40 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 years ended June 30, 2021 or 2020.

Income Taxes

The Corporation is organized as a South Dakota nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. The Corporation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Corporation determined that it 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, each respective company's taxable income or loss is allocated to the Corporation. Therefore, no provision for income taxes has been included in the financial statements for those companies.

Management believes that the Corporation has appropriate support for any tax positions taken affecting its annual filing requirements, and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Corporation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Revenue Recognition

Contributions are recognized when cash, securities or other assets are received. The Corporation's grant awards received are for specific purposes, such as cost reimbursement-type grants, and are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Revenue recognition is recognized as support to the extent of related expense(s) incurred in compliance with the specific performance requirements. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. At June 30, 2021 and 2020, the Corporation has received certain conditional and cost-reimbursable grants of approximately $2,990,000 and $309,000, respectively, for which amounts have not been received in advance and have not been recognized in the accompanying consolidated financial statements.

Notes receivable interest income is accrued on the unpaid principal balance. The accrual of interest on notes receivable is discontinued upon board approval unless the credit is well secured and in the process of collection. Apartment and lease revenues are recognized over the term of the lease as earned.

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

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 consolidated statement of financial position. Amortization of debt issuance costs is capitalized during construction and, upon completion of construction, is included in interest expense in the accompanying consolidated financial statements.

Functional Allocation of Expenses

The costs of program and supporting activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs of GROW South Dakota have been allocated among the programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, certain GROW South Dakota expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include certain professional services, office, occupancy, and other adminstrative expenses which are allocated on the basis of estimates of time and effort.

Beneficiary Obligation

The beneficiary obligation represents certain costs of property and equipment and construction in progess that were paid for by the Oglala Lakota County School District (School District) and contributed into GROW Wolf Creek School, LLC and GROW CTE School, LLC by the School District. Because the School District is considered to be the beneficiary to the assets paid for and contributed, revenue for the contribution of assets was not recognized and, instead, a liability was reported to reflect the value of those assets held to be used for the benefit of the School District over the compliance period of the NMTC project.

Refundable Advances

Amounts received prior to incurring qualifying expenditures under certain conditional and cost reimbursement type grants are reported as refundable advances in the statement of financial position.

Salaries and Benefits

The Corporation does not incur payroll, but reimburses an affiliate for wages and benefits paid for common employees.

Subsequent Events

The Corporation has evaluated subsequent events through September 16, 2021, the date which the consolidated financial statements were available to be issued.

Note 2 - Liquidity and Availability

The Corporation regularly monitors liquidity required to meet its operational needs and strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. As part of a liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Corporation considers contributions restricted for programs which are ongoing, major, and central to its annual operations, as well as the conduct of services undertaken to support those activities to be general expenditures. Notes receivable made without donor restrictions are not included in the analysis as principal payments received on these loans are used to make new loans and are, therefore, not available to meet current operating needs.

In addition to financial assets available to meet general expenditures over the next 12 months, the Corporation anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Financial assets available for general expenditure within one year of the consolidated statement of financial position date comprise the following:

	2021	2020
Cash and cash equivalents	$ 2,224,560	$ 2,018,924
Accrued interest	27,643	35,867
Other receivable	5,363	13,105
Grant receivable	581,187	89,248
Lease receivable	194,500	87,500
	$ 3,033,253	$ 2,244,644

Note 3 - 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 – 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 or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
>
> Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

The fair value of the Corporation's beneficial interest in assets held by the South Dakota Community Foundation (SDCF) is based on the fair value of fund investments as reported by SDCF. These are considered to be Level 3 measurements.

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

	SDCF Fund
Balance, June 30, 2020	$ 135,305
Total gains or losses included in changes in net assets	26,465
Contributions/(Disbursements) (net of admin fees)	(198)
Balance, June 30, 2021	$ 161,572
Balance, June 30, 2019	$ 120,010
Total gains or losses included in changes in net assets	8,691
Contributions (net of admin fees)	6,604
Balance, June 30, 2020	$ 135,305

Note 4 - Restricted Cash

Restricted cash consists of the following at June 30, 2021 and 2020:

	2021	2020
Construction	$ -	$ 8,311,322
Debt repayment reserve	1,584,750	1,870,063
Audit and tax reserve	27,500	29,500
	$ 1,612,250	$ 10,210,885

Restricted cash is for the future payment of audit/tax fees related to the financing of the school buildings as well as funds restricted for the construction of the buildings and debt repayment.

Note 5 - Notes Receivable

The purpose of the loan fund is to provide flexible and accessible loans that will strengthen, create, or save businesses and job opportunities, as well as provide homeownership assistance financing to homeowners. A summary of notes receivable by portfolio category as of June 30, 2021 and 2020, follows:

	2021	2020
Commercial loans	$ 4,502,206	$ 4,695,004
Housing loans	8,312,842	7,339,513
Consumer loans	5,912	6,991
Total loans	12,820,960	12,041,508
Less allowance for loan losses	(700,201)	(667,708)
Total notes receivable, net of allowance	$ 12,120,759	$ 11,373,800

Allowance for Loan Losses

The following table presents the activity in the allowance for loan losses for the years ended June 30, 2021 and 2020, and the recorded investment in loans and impairment method as of June 30, 2021 and 2020, by portfolio segment.

	2021			
	Commercial	Housing	Consumer	Total
Allowance for Loan Losses				
Balance, beginning of year	$ 202,048	$ 464,611	$ 1,049	$ 667,708
Provision for (benefit from) bad debts	(25,461)	58,116	193	32,848
Loans charged off	-	-	(355)	(355)
Balance, end of year	$ 176,587	$ 522,727	$ 887	$ 700,201
Individually evaluated for impairment	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	176,587	522,727	887	700,201
Balance, end of year	$ 176,587	$ 522,727	$ 887	$ 700,201
Loans				
Individually evaluated for impairment	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	4,502,206	8,312,842	5,912	12,820,960
Balance, end of year	$ 4,502,206	$ 8,312,842	$ 5,912	$ 12,820,960

	2020			
	Commercial	Housing	Consumer	Total
Allowance for Loan Losses				
Balance, beginning of year	$ 276,810	$ 373,531	$ 916	$ 651,257
Provision for (benefit from) bad debts	7,319	107,580	774	115,673
Loans charged off	(82,081)	(16,500)	(641)	(99,222)
Balance, end of year	$ 202,048	$ 464,611	$ 1,049	$ 667,708
Individually evaluated for impairment	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	202,048	464,611	1,049	$ 667,708
Balance, end of year	$ 202,048	$ 464,611	$ 1,049	$ 667,708
Loans				
Individually evaluated for impairment	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	4,695,004	7,339,513	6,991	$ 12,041,508
Balance, end of year	$ 4,695,004	$ 7,339,513	$ 6,991	$ 12,041,508

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, 2021 and 2020, was as follows:

Credit Risk Profile by Internally Assigned Grade

	2021			
	Commercial	Housing	Consumer	Total
Prime	$ 960,630	$ -	$ -	$ 960,630
Desirable	1,710,283	-	-	1,710,283
Satisfactory	1,419,196	8,312,842	-	9,732,038
Watch	412,097	-	5,912	418,009
Doubtful	-	-	-	-
	$ 4,502,206	$ 8,312,842	$ 5,912	$ 12,820,960

	2020			
	Commercial	Housing	Consumer	Total
Prime	$ 850,482	$ -	$ -	$ 850,482
Desirable	1,627,474	-	-	1,627,474
Satisfactory	1,715,634	7,339,513	-	9,055,147
Watch	501,414	-	6,991	508,405
Doubtful	-	-	-	-
	$ 4,695,004	$ 7,339,513	$ 6,991	$ 12,041,508

Credit Risk Profile by Class Based on Payment Activity

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, 2021 and 2020:

	2021		
	Performing	Nonperforming	Total
Commercial	$ 4,502,206	$ -	$ 4,502,206
Housing	8,312,842	-	8,312,842
Consumer	5,912	-	5,912
Total	$ 12,820,960	$ -	$ 12,820,960

	2020		
	Performing	Nonperforming	Total
Commercial	$ 4,695,004	$ -	$ 4,695,004
Housing	7,339,513	-	7,339,513
Consumer	6,991	-	6,991
Total	$ 12,041,508	$ -	$ 12,041,508

The following table summarizes the aging of the past due loans by loan class within the portfolio segments as of June 30, 2021 and 2020.

	2021			
		Still Accruing		
	Current	30-90 Days Past Due	Over 90 Days Past Due	Nonaccrual Balance
Commercial	$ 4,476,350	$ 25,856	$ -	$ -
Housing	8,312,842	-	-	-
Consumer	5,912	-	-	-
Total	$ 12,795,104	$ 25,856	$ -	$ -

	2020			
		Still Accruing		
	Current	30-90 Days Past Due	Over 90 Days Past Due	Nonaccrual Balance
Commercial	$ 4,588,875	$ 106,129	$ -	$ -
Housing	7,339,513	-	-	-
Consumer	6,636	355	-	-
Total	$ 11,935,024	$ 106,484	$ -	$ -

There were no impaired or nonaccrual loans as of June 30, 2021 and 2020.

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, 2021 and 2020, 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 may be written off.

Note 6 - Property and Equipment

Property and equipment is as follows:

	2021			2020
	Cost	Accumulated Depreciation	Net	Net
Land	$ 96,000	$ -	$ 96,000	$ 96,000
Vehicles	199,569	(147,700)	51,869	80,476
Buildings	45,166,270	(2,103,616)	43,062,654	19,327,406
Furnishings	67,405	(57,985)	9,420	14,937
Maintenance equipment	30,739	(23,333)	7,406	10,806
	$ 45,559,983	$ (2,332,634)	$ 43,227,349	$ 19,529,625

Construction in progess in 2020 related to the construction of a school building for use by the Oglala Lakota County School District which was completed in 2021.

Note 7 - Notes Payable

The proceeds from notes payable, plus earnings and principal received 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, 2021 and 2020, are as follows:

	2021	2020
3.0% note payable to Northeast South Dakota Community Action Program, due in quarterly installments of interest only payments until maturity on June 1, 2026, when all principal plus accrued interest shall be due and payable.	$ 1,230,000	$ 1,230,000
3.0% note payable to Northeast South Dakota Economic Corporation, due in quarterly installments of interest only payments until maturity on January 1, 2026, when all principal plus accrued interest shall be due and payable.	1,000,000	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.	595,518	650,666
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

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.	128,855	134,347
1% note payable to Rural Development, interest only payments for first three years, annual installments of principal and interest of $42,096 beginning July 9, 2019, with last payment due on July 9, 2045.	919,317	875,550
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) of $2,832 beginning December 31, 2016, with last payment due on December 9, 2034.	399,586	425,310
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
1% note payable to the Bush Foundation, annual interest only payments with principal due at maturity on December 31, 2030.	500,000	-
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	100,000
2.5% note payable to MMCDC, due in monthly installments of interest only payments beginning November 1, 2019 until April 1, 2021, then monthly installments of principal and interest of $10,909 beginning May 1, 2021, with last payment due on October 1, 2029.	982,400	1,000,000
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 interest shall be due and payable.	662,006	775,717
0% note payable to South Dakota Housing Development Authority, payments due based on surplus cash, maturing June 26, 2032.	104,843	135,717
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.	111,560	142,434

	2021	2020
1.5165% note payable to Dakotas XXVII, LLC, effective rate of 2.04%, net of unamortized debt issuance costs of $420,709 and $439,428, monthly interest only payments until December 2026, then monthly installments of $659,450, including interest, with last payment due December 2043, secured by GROW Wolf Creek School property.	9,899,291	9,880,572
1.5165% note payable to Dakotas XXVII, LLC, effective rate of 2.04%, net of unamortized debt issuance costs of $166,327 and $173,727, monthly interest only payments until December 2026, then monthly installments of $260,713, including interest, with last payment due December 2043, secured by GROW Wolf Creek School property.	3,913,673	3,906,273
1.5165% note payable to USBCDE SUB-CDE 177, LLC, effective rate of 2.04%, net of unamortized debt issuance costs of $62,820 and $65,616, monthly interest only payments until December 2026, then monthly installments of $98,470, including interest, with last payment due December 2043, secured by GROW Wolf Creek School property.	1,478,180	1,475,384
1.5165% note payable to USBCDE SUB-CDE 177, LLC, effective rate of 2.04%, net of unamortized debt issuance costs of $26,865 and $28,060, monthly interest only payments until December 2026, then monthly installments of $42,110, including interest, with last payment due December 2043, secured by GROW Wolf Creek School property.	632,135	630,940
1.4294% note payable to Dakotas XXXIII, LLC, effective rate of 1.707%, net of unamortized debt issuance costs of $394,266 and $408,100, annual interest only payments until December 2026, then annual installments of $698,204, including interest, with last payment due December 2049, secured by GROW CTE School property.	13,209,734	13,195,900
1.4294% note payable to Dakotas XXXIII, LLC, effective rate of 1.707%, net of unamortized debt issuance costs of $162,181 and $167,872, annual interest only payments until December 2026, then annual installments of $287,206, including interest, with last payment due December 2049, secured by GROW CTE School property.	5,433,819	5,428,128
1.4294% note payable to USBCDE SUB-CDE 197, LLC, effective rate of 1.707%, net of unamortized debt issuance costs of $71,182 and $73,679, annual interest only payments until December 2026, then annual installments of $126,055, including interest, with last payment due December 2049, secured by GROW CTE School property.	2,384,918	2,382,421
1.4294% note payable to USBCDE SUB-CDE 197, LLC, effective rate of 1.707%, net of unamortized debt issuance costs of $29,240 and $30,266, annual interest only payments until December 2026, then annual installments of $51,780, including interest, with last payment due December 2049, secured by GROW CTE School property.	979,660	978,634
	$ 46,514,980	$ 46,297,478

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
2022	$ 447,157
2023	357,495
2024	368,158
2025	379,376
2026	2,895,158
Thereafter	43,401,226
Less unamortized debt issuance costs	(1,333,590)
	$ 46,514,980

Interest expense on long-term debt (including amortization of debt issuance costs) for the years ended June 30, 2021 and 2020, was $620,113 and $297,229, respectively.

Note 8 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	2021	2020
Subject to Expenditure for Specified Purpose		
Loan programs	$ 675,855	$ 622,869
Housing programs	5,148,657	4,571,152
	$ 5,824,512	$ 5,194,021

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended June 30, 2021 and 2020:

	2021	2020
Satisfaction of purpose restrictions		
Loan programs	$ 307,609	$ 602,549
Housing programs	973,153	1,566,028
	$ 1,280,762	$ 2,168,577

Note 9 - Beneficial Interests in Assets Held by Community Foundation

At June 30, 2021 and 2020, investments held by the South Dakota Community Foundation consisted of the following:

	2021	2020
Beginning balance	$ 135,305	$ 120,010
Net contributions (disbursements) - net of admin expenses	(199)	6,605
Interest and dividend income	3,417	3,243
Net realized and unrealized gain	23,049	5,447
	$ 161,572	$ 135,305

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 2021 or 2020. As a loan requirement for GROW Wolf Creek School, LLC and GROW CTE School, LLC, checking and savings accounts are required to be held at one financial institution; therefore, as of June 30, 2021 and 2020, the Corporation had $1,131,184 and $10,927,329, respectively, in uninsured cash balances related to the subsidiaries, GROW Wolf Creek School, LLC and GROW CTE School, 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 disadvantaged 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; however, NESDCAP and NESDEC are separate entities and, therefore, not presented as part of these financial statements.

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 $246,452 and $438,319 for the years ended June 30, 2021 and 2020, respectively, and related accounts payable to NESDCAP was $6,934 and $346 as of June 30, 2021 and 2020, respectively. 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 $30,900 and $39,550 for the years ended June 30, 2021 and 2020, respectively. The Corporation also obtained long-term notes payable from NESDCAP/NESDEC to fund its loan fund. Total related party loan balance was $2,341,560 and $2,372,434 as of June 30, 2021 and 2020, respectively, and total interest expense paid was $66,799 and $66,780 for the years ended June 30, 2021 and 2020, 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, GROW Wolf Creek School, LLC and GROW CTE School, LLC, entered into lease agreements as the lessor with Oglala Lakota County School District (School District) for the school buildings.

The term of the GROW Wolf Creek School, LLC lease runs through November 20, 2038 (initial lease term), with the School District having the right to extend the term for one additional five-year term immediately following the expiration of the initial lease term. In the event the School District exercises its extension option at the conclusion of the initial lease term, the School District will pay an annual lease payment equal to the Fair Market Rent as defined in the lease. Upon the conclusion of the seven-year compliance period for the NMTC, it is the intention of the parties to terminate the lease and GROW Wolf Creek School, LLC would transfer the leased assets to the School District.

The term of the GROW CTE School, LLC lease runs through November 20, 2039 (initial lease term) with the School District having the right to extend the term for two additional five-year terms immediately following the expiration of the initial lease term. In the event the School District exercises its extension option at the conclusion of the initial lease term, the School District will pay an annual lease payment equal to the Fair Market Rent as defined in the lease. Upon the conclusion of the seven-year compliance period for the NMTC, it is the intention of the parties to terminate the lease and GROW CTE School, LLC would transfer the leased assets to the School District.

Both leases have graduated lease payments over the term of the lease which, for financial reporting, is recorded on a straight-line basis over the term of the lease which, at times, results in lease payments receivable or unearned as of the statement of financial position date.

Future minimum required lease payments expected to be collected by the GROW Wolf Creek School, LLC and GROW CTE School, LLC leases through November 20, 2038 and November 20, 2039, respectively, are as follows:

Years Ending June 30,	
2022	$ 389,000
2023	389,000
2024	389,000
2025	389,000
2026	864,000
Thereafter	30,302,750
	$ 32,722,750

The Corporation also leases vehicles to NESDCAP, a related party as indicated in Note 11. Future required minimum lease payments from NESDCAP are $33,400 in 2022.

Supplementary Information
June 30, 2021 and 2020

GROW South Dakota and Subsidiaries

	2021						
	Parent GROW South Dakota	Subsidiary GROW Wolf Creek School, LLC	Subsidiary Grow CTE School, LLC	Subsidiary Pheasant Valley Courtyard LLC	Eliminations	Consolidated Total	2020
Assets							
Cash and cash equivalents	$ 6,156,102	$ 18,604	$ 330	$ 361,092	$ -	$ 6,536,128	$ 5,410,417
Cash and cash equivalents - restricted	-	647,812	964,438	-	-	1,612,250	10,210,885
Program cash reserve	111,791	-	-	-	-	111,791	111,638
Accrued interest receivable	27,643	-	-	-	-	27,643	35,867
Lease receivable	-	1,211,722	517,400	-	-	1,729,122	501,687
Other receivables	-	-	-	5,363	-	5,363	13,105
Grants receivable	659,048	-	-	-	-	659,048	111,248
Prepaid assets	7,500	-	-	5,924	-	13,424	11,325
Notes receivable, less allowance for loan losses of $700,201 in 2021 and $667,708 in 2020	12,120,759	-	-	-	-	12,120,759	11,373,800
Beneficial interests in assets held by Community Foundation	161,572	-	-	-	-	161,572	135,305
Investment in GROW Wolf Creek School, LLC	21,000	-	-	-	(21,000)	-	-
Investment in GROW CTE School, LLC	21,000	-	-	-	(21,000)	-	-
Other real estate owned	165,000	-	-	-	-	165,000	190,000
Construction in progress	-	-	-	-	-	-	18,473,735
Property and equipment, net	51,869	16,388,274	24,294,556	2,615,317	(122,667)	43,227,349	19,529,625
	$ 19,503,284	$ 18,266,412	$ 25,776,724	$ 2,987,696	$ (164,667)	$ 66,369,449	$ 66,108,637

	Parent GROW South Dakota	Subsidiary GROW Wolf Creek School, LLC	Subsidiary Grow CTE School, LLC	Subsidiary Pheasant Valley Courtyard LLC	Eliminations	Consolidated Total	2020
Liabilities and Net Assets							
Accounts payable	$ 401,906	$ -	$ -	$ 15,077	$ -	$ 416,983	$ 32,319
Construction costs payable	-	-	-	-	-	-	1,966,793
Security deposits	-	-	-	16,259	-	16,259	15,813
Accrued expenses	36,443	126,569	162,887	31,387	-	357,286	348,955
Other liabilities	46,600	-	-	-	-	46,600	24,900
Retainage payable	-	-	-	-	-	-	835,380
Refundable advances	1,481,744	-	-	-	-	1,481,744	1,591,800
Beneficiary obligation	-	1,911,275	3,535,816	-	-	5,447,091	4,837,477
Notes payable, net of unamortized debt issuance costs of $1,333,590 in 2021 and $1,386,748 in 2020	6,105,661	15,923,279	22,008,131	2,477,909	-	46,514,980	46,297,478
Total liabilities	8,072,354	17,961,123	25,706,834	2,540,632	-	54,280,943	55,950,915
Net Assets							
With donor restrictions	5,824,512	-	-	-	-	5,824,512	5,194,021
Without donor restrictions	5,606,418	305,289	69,890	447,064	(164,667)	6,263,994	4,963,701
Total net assets	11,430,930	305,289	69,890	447,064	(164,667)	12,088,506	10,157,722
	$ 19,503,284	$ 18,266,412	$ 25,776,724	$ 2,987,696	$ (164,667)	$ 66,369,449	$ 66,108,637

	2021						
	Parent	Subsidiary	Subsidiary	Subsidiary			
	GROW South Dakota	GROW Wolf Creek School, LLC	GROW CTE School, LLC	Pheasant Valley Courtyard LLC	Eliminations	Consolidated Total	2020
Revenues							
Interest income on loans	$ 364,750	$ -	$ -	$ -	$ -	$ 364,750	$ 296,425
Apartment revenue	-	-	-	198,418	-	198,418	193,824
Grant income	2,370,507	-	-	301,624	-	2,672,131	3,309,779
Lease fee income	30,900	885,035	517,400	-	-	1,433,335	555,820
Interest earned on deposits	6,429	-	-	2,824	-	9,253	21,204
Contract income	-	-	-	-	-	-	61,950
Miscellaneous income	7,310	-	-	2,557	-	9,867	14,700
Gain on sale of assets held for sale	-	-	-	-	-	-	27,429
Donations and contributions	14,826	-	-	-	-	14,826	8,076
Endowment fund income	26,465	-	-	-	-	26,465	8,691
Management fees	20,000	-	-	-	-	20,000	20,000
Development fees	-	-	-	-	-	-	100,000
Return on investment in subsidiaries	42,917	-	-	-	(42,917)	-	-
Origination fees	39,230	-	-	-	-	39,230	30,209
Total revenues	2,923,334	885,035	517,400	505,423	(42,917)	4,788,275	4,648,107
Expenses							
Program - revolving loan funds	144,163	-	-	-	-	144,163	208,968
Program - vehicle lease program	32,141	-	-	-	-	32,141	32,684
Program - housing program	949,654	-	-	438,533	(8,000)	1,380,187	1,442,482
Program - new market tax credit	32,904	722,656	467,840	-	-	1,223,400	390,697
Program - other program services	9,545	-	-	-	-	9,545	3,229
General and administrative	67,505	160	390	-	-	68,055	71,539
Total expenses	1,235,912	722,816	468,230	438,533	(8,000)	2,857,491	2,149,599
Change in Net Assets	1,687,422	162,219	49,170	66,890	(34,917)	1,930,784	2,498,508
Distribution to GROW South Dakota	-	(22,440)	-	(20,477)	42,917	-	-
Net Assets, Beginning of Year	9,743,508	165,510	20,720	400,651	(172,667)	10,157,722	7,659,214
Net Assets, End of Year	$ 11,430,930	$ 305,289	$ 69,890	$ 447,064	$ (164,667)	$ 12,088,506	$ 10,157,722

Federal Awards Reports in Accordance with the Uniform Guidance
June 30, 2021

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, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 16, 2021.

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

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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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 16, 2021

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 Each 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, 2021. 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 of 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 the major federal program. However, our audit does not provide a legal determination of GROW South Dakota's compliance.

Opinion on Each 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, 2021.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 16, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture			
Direct Funding			
Intermediary Relending Program - Note 4	10.767		$ 1,089,307
Rural Microentrepreneur Assistance Program - Direct Loan - Note 4	10.870		425,310
Rural Microentrepreneur Assistance Program - Project Grant	10.870		8,962
Total U.S. Department of Agriculture			1,523,579
U.S. Department of Health and Human Services			
Passed Through South Dakota Community Action Partnership			
Assets for Independence Demonstration Program	93.602	90EI094801	8,776
Total U.S. Department of Health and Human Services			8,776
U.S. Small Business Administration			
Direct Funding			
Intermediary Lending Program - Note 4	59.062		650,666
Total U.S. Small Business Administration			650,666
U.S. Department of Treasury			
Direct Funding			
Community Development Financial Institutions Program FA Program	21.020		509,245
Community Development Financial Institutions Program Capital Magnet Fund	21.011		510,975
Total U.S. Department of Treasury			1,020,220
Total Federal Financial Assistance			$ 3,203,241

Note 1 – Basis of Presentation

The accompanying consolidated schedule of expenditures of federal awards (the schedule) includes the federal award activity of GROW South Dakota and its subsidiaries, under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of GROW South Dakota, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of GROW South Dakota.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 – Indirect Cost Rate

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

Note 4 – Federal Loan Programs

The federal loan programs listed below 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. Expenditures reported in this schedule consist of the beginning of the year loan balance plus additional loan advances during the year. The balances of loans outstanding at June 30, 2021, under those federal loan programs are as follows:

	Federal Financial Assistance Listing/Federal CFDA Number	Amount
U.S. Small Business Adminstration (ILP)	59.062	$ 595,518
U.S. Department of Agriculture (IRP I and IRP II)	10.767	1,048,172
U.S. Department of Agriculture (RMAP)	10.870	399,586

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 Relending Program	10.767

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

Section II – Financial Statement Findings

There were no consolidated financial statement findings reported 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.