

UNITED WAY OF DOUGLAS & POPE COUNTIES

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2023 AND 2022



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**UNITED WAY OF DOUGLAS & POPE COUNTIES
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YEARS ENDED JUNE 30, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Way of Douglas & Pope Counties
Alexandria, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of United Way of Douglas & Pope Counties (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Douglas & Pope Counties as of June 30, 2023 and 2022, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Way of Douglas & Pope Counties, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in fiscal year 2023 United Way of Douglas & Pope Counties adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Douglas & Pope Counties' ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

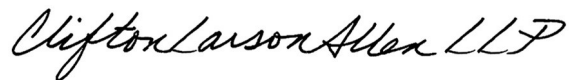
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Way of Douglas & Pope Counties' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Douglas & Pope Counties' ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of net funds distributed and schedule of net assets with donor restrictions are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of net funds distributed and schedule of net assets with donor restrictions is fairly stated, in all material respects, in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

Monticello, Minnesota
October 18, 2023

UNITED WAY OF DOUGLAS & POPE COUNTIES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 387,203	\$ 484,779
Certificates of Deposit	11,024	11,007
Pledges Receivable, Net	183,811	128,577
Accounts Receivable	19,829	55,951
Inventory	16,170	11,771
Total Current Assets	618,037	692,085
EQUIPMENT		
Equipment	69,824	69,824
Less: Accumulated Depreciation	(61,138)	(55,162)
Total Equipment	8,686	14,662
OTHER ASSETS		
Right-of-Use Asset - Operating, Net	233,253	-
Endowment Fund	66,667	60,574
Total Assets	\$ 926,643	\$ 767,321
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 3,536	\$ 4,083
Accrued Liabilities	5,939	16,642
Allocations Payable	274,743	268,609
Fiscal Accounts	40,791	59,136
Donor Designations Payable	1,640	4,251
Current Lease Liability - Operating	21,877	-
Total Current Liabilities	348,526	352,721
Long-Term Lease Liability - Operating	212,640	-
Total Liabilities	561,166	352,721
NET ASSETS		
Without Donor Restrictions		
Board-Designated	128,797	123,907
Undesignated	51,642	53,982
Total Net Assets Without Donor Restrictions	180,439	177,889
With Donor Restrictions	185,038	236,711
Total Net Assets	365,477	414,600
Total Liabilities and Net Assets	\$ 926,643	\$ 767,321

See accompanying Notes to Financial Statements.

UNITED WAY OF DOUGLAS & POPE COUNTIES
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Gross Campaign Results 2022/2023	\$ 581,808	\$ 149,586	\$ 731,394
Less: Donor Designations	(1,640)	-	(1,640)
Less: Uncollectible Pledges	(14,303)	-	(14,303)
Net Campaign Revenue 2022/2023	565,865	149,586	715,451
Contributed Nonfinancial Assets	58,952	-	58,952
Donated Services	24,898	-	24,898
Special Events	97,249	-	97,249
Interest Income	2,196	-	2,196
Fee Income	3,122	-	3,122
Unrealized Gain on Endowment	4,890	1,203	6,093
Net Assets Released from Restrictions	202,462	(202,462)	-
Total Revenue and Support	959,634	(51,673)	907,961
EXPENSES			
Program Services:			
Agency Allocations	274,743	-	274,743
Net Agency Allocations	274,743	-	274,743
Other Allocations and Agency Relations	39,502	-	39,502
Total Allocations and Agency Relations	314,245	-	314,245
Community Impact	420,483	-	420,483
Total Program Services	734,728	-	734,728
Support Services:			
Fundraising	147,332	-	147,332
Management and General	75,024	-	75,024
Total Support Services	222,356	-	222,356
Total Expenses	957,084	-	957,084
CHANGE IN NET ASSETS	2,550	(51,673)	(49,123)
Net Assets - Beginning of Year	177,889	236,711	414,600
NET ASSETS - END OF YEAR	\$ 180,439	\$ 185,038	\$ 365,477

See accompanying Notes to Financial Statements.

UNITED WAY OF DOUGLAS & POPE COUNTIES
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Gross Campaign Results 2021/2022	\$ 605,482	\$ 222,721	\$ 828,203
Less: Donor Designations	(4,251)	-	(4,251)
Less: Uncollectible Pledges	<u>(29,589)</u>	<u>-</u>	<u>(29,589)</u>
Net Campaign Revenue 2021/2022	571,642	222,721	794,363
Contributed Nonfinancial Assets	60,999	-	60,999
Donated Services	13,100	-	13,100
Special Events	46,603	-	46,603
Interest Income	630	-	630
Fee Income	1,582	-	1,582
Unrealized Loss on Endowment	(6,674)	(2,285)	(8,959)
Net Assets Released from Restrictions	<u>164,648</u>	<u>(164,648)</u>	<u>-</u>
Total Revenue and Support	852,530	55,788	908,318
EXPENSES			
Program Services:			
Agency Allocations	263,303	-	263,303
Less: Donor Designations	<u>(4,251)</u>	<u>-</u>	<u>(4,251)</u>
Net Agency Allocations	259,052	-	259,052
Other Allocations and Agency Relations	<u>37,330</u>	<u>-</u>	<u>37,330</u>
Total Allocations and Agency Relations	296,382	-	296,382
Community Impact	<u>390,858</u>	<u>-</u>	<u>390,858</u>
Total Program Services	687,240	-	687,240
Support Services:			
Fundraising	124,057	-	124,057
Management and General	<u>69,460</u>	<u>-</u>	<u>69,460</u>
Total Support Services	<u>193,517</u>	<u>-</u>	<u>193,517</u>
Total Expenses	<u>880,757</u>	<u>-</u>	<u>880,757</u>
CHANGE IN NET ASSETS	(28,227)	55,788	27,561
Net Assets - Beginning of Year	<u>206,116</u>	<u>180,923</u>	<u>387,039</u>
NET ASSETS - END OF YEAR	<u>\$ 177,889</u>	<u>\$ 236,711</u>	<u>\$ 414,600</u>

See accompanying Notes to Financial Statements.

UNITED WAY OF DOUGLAS & POPE COUNTIES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services		Support Services		Total
	Community Impact	Allocations and Agency Relations	Fundraising	Management and General	
Agency Allocations	\$ -	\$ 274,743	\$ -	\$ -	\$ 274,743
Community Impact Program Expenses	218,728	-	-	-	218,728
Board and Staff Development	2,115	705	352	352	3,524
Salaries and Payroll Taxes	106,457	19,108	92,809	54,593	272,967
Telephone	1,830	648	141	197	2,816
Printing	2,713	857	1,047	143	4,760
Supplies	6,011	2,672	2,004	445	11,132
Postage and Shipping	509	54	102	14	679
Professional Fees	33,609	-	-	7,378	40,987
Dues and Subscriptions	1,366	621	-	497	2,484
United Way of America Dues	2,116	2,115	2,115	2,115	8,461
Insurance	4,604	1,416	1,416	1,416	8,852
Depreciation	5,079	299	299	299	5,976
Occupancy	17,572	3,030	5,454	4,242	30,298
Travel	1,938	138	553	138	2,767
Special Events	-	-	33,927	-	33,927
Bank and Credit Card Fees	-	-	-	1,225	1,225
Advertising	13,064	7,839	5,226	-	26,129
Repairs and Maintenance	-	-	-	83	83
Miscellaneous	2,772	-	1,386	1,386	5,544
Licenses	-	-	501	501	1,002
	\$ 420,483	\$ 314,245	\$ 147,332	\$ 75,024	\$ 957,084
Total Functional Expenses					

See accompanying Notes to Financial Statements.

UNITED WAY OF DOUGLAS & POPE COUNTIES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services		Support Services		Total
	Community Impact	Allocations and Agency Relations	Fundraising	Management and General	
Agency Allocations	\$ -	\$ 259,052	\$ -	\$ -	\$ 259,052
Community Impact Program Expenses	213,112	-	-	-	213,112
Board and Staff Development	2,167	722	361	361	3,611
Salaries and Payroll Taxes	100,298	18,002	87,439	51,435	257,174
Telephone	1,870	662	144	201	2,877
Printing	2,569	811	991	135	4,506
Supplies	6,503	2,891	2,168	482	12,044
Postage and Shipping	520	56	104	14	694
Professional Fees	20,990	-	-	4,608	25,598
Dues and Subscriptions	1,690	768	-	615	3,073
United Way of America Dues	3,250	3,249	3,249	3,249	12,997
Insurance	4,621	1,422	1,422	1,422	8,887
Depreciation	5,419	319	319	319	6,376
Rent	16,138	2,783	5,009	3,896	27,826
Travel	862	62	247	62	1,233
Special Events	-	-	17,453	-	17,453
Bank and Credit Card Fees	-	-	-	892	892
Advertising	9,306	5,583	3,722	-	18,611
Repairs and Maintenance	-	-	-	341	341
Miscellaneous	1,543	-	771	769	3,083
Licenses	-	-	658	659	1,317
Total Functional Expenses	\$ 390,858	\$ 296,382	\$ 124,057	\$ 69,460	\$ 880,757

See accompanying Notes to Financial Statements.

UNITED WAY OF DOUGLAS & POPE COUNTIES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Collected:		
Cash Received from Annual Campaign	\$ 796,710	\$ 820,051
Cash Received from Investment Income	2,196	630
Cash Payments:		
Cash Paid to Allocations	(268,609)	(209,348)
Cash Paid to Community Impact	(159,776)	(152,113)
Cash Paid to Special Events	(33,927)	(17,453)
Cash Paid to Employees, Occupancy, and Supplies	(434,153)	(341,276)
Net Cash Provided (Used) by Operating Activities	(97,559)	100,491
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(97,559)	100,491
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	495,786	395,295
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 398,227	\$ 495,786
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in Net Assets	\$ (49,123)	\$ 27,561
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	5,976	6,376
Uncollectible Pledges	14,303	29,589
Unrealized (Gain) Loss on Investments	(6,093)	8,959
(Increase) Decrease in Current Assets:		
Pledges Receivable, Net	(69,537)	1,365
Accounts Receivable	36,122	(53,451)
Inventory	(4,399)	6,915
Operating Leases	1,264	-
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(547)	3,407
Accrued Liabilities	(10,703)	9,739
Allocations Payable	6,134	49,704
Fiscal Accounts	(18,345)	13,342
Donor Designations Payable	(2,611)	(3,015)
Net Cash Provided (Used) by Operating Activities	\$ (97,559)	\$ 100,491
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH PER THE CASH FLOW STATEMENT TO CASH PER THE STATEMENT OF FINANCIAL POSITION		
Cash and Cash Equivalents	\$ 387,203	\$ 484,779
Certificates of Deposit	11,024	11,007
Cash and Cash Equivalents - Per the Statement of Cash Flows	\$ 398,227	\$ 495,786
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash		
Equipment Received in Exchange for Operating Lease	\$ 255,013	\$ -

See accompanying Notes to Financial Statements.

UNITED WAY OF DOUGLAS & POPE COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

United Way of Douglas & Pope Counties (the Organization) is a nonprofit organization which conducts annual campaigns to raise contributions from the general public for allocations to participating and nonparticipating agencies. The Organization also pulls different resources together from the community to address the most pressing needs of those in the community. Its mission is mobilizing Douglas & Pope County resources to create sustained changes in community conditions to improve lives.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The Organization follows the Statements of Financial Accounting Standards, *Financial Statements of Not-For-Profit Organizations*. Under those provisions, net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein, are classified and reported as follows:

Net Assets Without Donor Restrictions – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose. Resources are available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Those resources subject to a donor-imposed restriction. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed into service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

UNITED WAY OF DOUGLAS & POPE COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with original maturities of three months or less. Cash and cash equivalents at June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Cash in Checking	\$ 171,630	\$ 270,919
Cash in Savings and Money Market	215,573	213,860
Total Cash and Cash Equivalents	<u>\$ 387,203</u>	<u>\$ 484,779</u>

The Organization maintains its cash balances at local financial institutions. Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At times, cash balances may be in excess of the FDIC insured amount. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash accounts.

Certificates of deposit are recorded at cost which approximates fair market value.

Equipment

Equipment purchases equal or greater than \$1,000 are capitalized and are recorded at cost, or if the item was donated, at estimated fair value. Equipment purchases not capitalized are expensed. Depreciation is computed using the straight-line method at rates based on estimated useful lives of five to seven years.

Total depreciation expense for the years ended June 30, 2023 and 2022 was \$5,976 and \$6,376, respectively.

Leases

The Organization leases its office building and a copier. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, current liabilities, and long-term liabilities on the statements of financial position. Finance leases would be included in financing lease right-of-use (ROU) assets, current liabilities, and long-term liabilities on the statements of financial position.

UNITED WAY OF DOUGLAS & POPE COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Pledges Receivable

Unconditional promises to give, less an uncollectible allowance of \$28,029 for both the years ended June 30, 2023 and 2022, are recognized as assets and revenues in the period in which the pledges are made. Pledges receivables are normally expected to be collected within one year and are uncollateralized.

Donor Designations Payable

Donor organizations and individuals participating in the Organization's campaign may choose to designate all or part of their contribution to be distributed to specific charitable organizations. The funds are recorded as a liability when received and a reduction of the liability when expended.

Inventory

Inventory consists of items on hand including coats, toys, and school supplies. These items are valued at fair market value upon donation. See additional disclosure in Note 1 Donated Services and Contributed Nonfinancial Assets.

UNITED WAY OF DOUGLAS & POPE COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no expense has been recognized for income taxes in the accompanying financial statements. The Organization is not a private foundation and contributions to the Organization qualify as charitable deductions by the contributor.

The Organization follows the income tax standard for uncertain tax positions. The Organization evaluated its tax positions and determined it has no uncertain tax positions as of June 30, 2023 and 2022.

Revenue and Support

Substantially all contributions received from the public are a direct result of fundraising efforts. All contributions are considered to be without donor restrictions at the time received unless specifically restricted by the donor.

Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the Organization does not believe they are required to provide additional goods or services to the client.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets.

Donated Services and Contributed Nonfinancial Assets

Donated services are recognized as in-kind revenues at their estimated fair value if they create or enhance assets or they require specialized skills that would need to be purchased if they were not donated. The Organization recognized contribution revenue for contributed services related to their management and general expenses. Contribution revenue from services was measured based on the fair value of those services based on current rates of services or similar services, and the amounts recognized were as follows for the years ending June 30:

	<u>2023</u>	<u>2022</u>
Audit Services	\$ -	\$ 9,800
Advertising	2,500	-
Garbage Service	3,300	3,300
LiveWire Lights, Projectors, and Equipment	16,000	-
Other Services	3,098	-
Total Donated Services	<u>\$ 24,898</u>	<u>\$ 13,100</u>

UNITED WAY OF DOUGLAS & POPE COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services and Contributed Nonfinancial Assets (Continued)

In addition, over 5,979 and 1,537 volunteer hours were provided to the Organization for their program services during the years ended June 30, 2023 and 2022, respectively, for which no value has been assigned because those services do not meet the criteria for recognition in the financial statements.

Contributed nonfinancial assets are recorded at fair value at the date of donation. Contributed nonfinancial assets consisted of the following for the years ended June 30:

	2023	2022
Coats and Boots	\$ 16,662	\$ 18,153
Food	12,000	16,500
School Supplies	9,015	14,838
Silent Auction Items	18,676	11,508
Other	2,599	-
Total Contributed Nonfinancial Assets	\$ 58,952	\$ 60,999

Contributed school supplies, winter outerwear and food received by the Organization are recorded as in-kind contribution revenue with a corresponding increase to inventory. The organization utilized two inventory valuation methods during the fiscal year. These methods include (1) using the current prices located on a publicly available website if the inventory item is a match for the website item when donated; (2) using the current average prices located on a publicly available website for similar donated used items. The Organization receives items to be raffled and sold on silent auctions. Contributed raffle and auction items are valued at the gross selling price received.

Functional Expenses

The Organization allocated its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure; other expenses are allocated based on an analysis of personnel time and space utilized for the related activities.

Advertising Costs

The Organization conducts nondirect response advertising. These costs are expensed as incurred. Advertising costs for the years ended June 30, 2023 and 2022 are \$26,129 and \$18,611, respectively.

Designation Processing and Standard M Compliance

The Organization follows Standard M, issued by United Way Worldwide in 2004 to ensure uniformity of designation processing across the entire United Way system. This standard requires that designations paid to other charitable organizations are charged no more than the actual cost incurred to process and transfer gifts and that no additional processing fees will be charged against designations received from other United Way chapters.

UNITED WAY OF DOUGLAS & POPE COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Fund

The Organization has funds invested with West Central Initiative, a nonprofit agency that specializes in assisting local communities with development and economic growth. The fund was originally set up by the board for contributions by individuals to create sustained changes in community conditions to improve lives.

This fund is reported at fair value based upon quoted market rates in the statements of financial position. Unrealized gains and losses reflect changes in market values of investments from the prior year and are included in the statements of activities. Investment income and gains and losses on investments are reported as increases or decreases in net assets with or without donor restrictions. The Organization's risk with respect to such investment is limited to its capital balance in the fund.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption presented using a modified retrospective approach, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term for existing leases and in assessing impairment of the Organization's ROU assets.

The Organization has applied the portfolio approach in identifying its population of leases and in applying its risk-free rate in certain relevant cases.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

UNITED WAY OF DOUGLAS & POPE COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

The Organization has elected to apply the practical expedient, which does not require contracts to be separated between lease and nonlease components.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022 an operating lease liability of \$255,013, which represents the present value of the remaining operating lease payments and an operating right-of-use asset of \$255,013.

The standard had a material impact on the statements of financial position but did not have an impact on the statements of activities nor a material impact on the statements of cash flows. The most significant impact was the recognition of the ROU assets and lease liabilities.

Short-term Lease Exemption

FASB ASC 842 allows the entity to not capitalize short-term leases (leases that are 12 months or less without a purchase option that the lessee is likely to exercise) and exclude them from the statement of financial position. The entity would continue to report these leases in the same method as operating leases under FASB ASC 840. The FASB ASC Glossary definition indicates that distinction of a short-term lease is applied at the commencement date of the lease. The short-term lease exception is not an explicit transition practical expedient. Therefore, a lease would need to qualify based on original commencement date or reassessment date based on FASB ASC 842-20-25-3 to be a short-term lease at transition.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Such reclassifications have no effect on the change in net assets in total as previously reported.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 18, 2023, the date the financial statements were available to be issued.

Grants

Grant funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as deferred revenue.

UNITED WAY OF DOUGLAS & POPE COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 LIQUIDITY AND AVAILABILITY

In order to be good stewards of donor dollars, the Organization regularly monitors the availability of resources required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of agency grants and internal programs, as well as the conduct of services undertaken to support those activities to be general expenditures.

The Organization also receives contributions with donor restrictions to be used in accordance with the associated designations. It also receives gifts to establish endowments that will exist in perpetuity. Endowment gifts are intended to be kept and invested to generate an additional revenue stream and in-turn creates a sustainable income for the Organization. The Endowment Fund is set up to grow and produce earnings that are used to help future generations in Douglas and Pope Counties.

The Organization considers investment income without donor restrictions for use in current programs, agency grants, and annual operations to be available to meet cash needs for general expenditures. General expenditures include community impact, allocations and agency relations, fundraising, and management and general.

The Organization's Citizen Review Panel, followed by the program committee, along with the board of directors, meets annually to review and approve grant requests. The board of directors approves a final recommendation for grant allocations.

The Organization's governing board has designated a portion of its resources without donor restrictions for endowment and a reserve fund. The reserve fund is an emergency fund used as a contingency. It will remain between 10% to 15% of the final campaign. Its purpose is to have funds available to help agencies in need in the event of a disaster to have funds available to start up the next campaign and to make sure the Organization has enough funds to staff and operate the office.

The Organization has the following sources of liquidity at its disposal, including cash and cash equivalents, and certificates of deposit. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

UNITED WAY OF DOUGLAS & POPE COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

At June 30, 2023 and 2022, the Organization's financial resources were earmarked as follows:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 387,203	\$ 484,779
Certificates of Deposit	11,024	11,007
Pledges Receivable, Net	183,811	128,577
Endowment Fund	66,667	60,574
Total Financial Assets	<u>648,705</u>	<u>684,937</u>
Less: Amounts Not Available Due to Restrictions:		
Net Assets With Donor Restrictions	185,038	236,711
Board Designated Funds	128,797	123,907
Fiscal Accounts	40,791	59,136
Donor Designations Payable	1,640	4,251
Total Financial Assets With Restrictions	<u>356,266</u>	<u>424,005</u>
Total Available Financial Assets	<u>\$ 292,439</u>	<u>\$ 260,932</u>

NOTE 3 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows:

	<u>2023</u>	<u>2022</u>
Backpack Attack - Douglas	\$ 19,319	\$ 44,525
Backpack Attack - Osakis	14,972	12,736
Backpack Attack - Pope	14,923	29,449
Coats and Mittens	4,927	2,221
Community Impact Partnership	23,598	16,000
Culture of Poverty	564	564
Day of Caring	2,026	3,275
Equip to Work	13,035	14,535
Dolly Parton - Douglas	93	93
Dolly Parton - Todd	2,364	2,364
General Community Impact Fund	400	400
Hope Haven	9,699	250
Leave a Legacy	1,179	1,179
Food Drop - Douglas County	10,933	32,969
Food Drop - Long Prairie	6,672	6,672
Food Drop - Pope County	25,864	30,866
Women United	2,901	1,185
Stuff the Bus	2,380	3,397
Holiday Gift Distribution	119	2,689
Traveling Tree House	14,700	18,175
Earnings on Endowment	4,370	3,167
Endowment Restricted in Perpetuity	10,000	10,000
Total Net Assets With Donor Restrictions	<u>\$ 185,038</u>	<u>\$ 236,711</u>

UNITED WAY OF DOUGLAS & POPE COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or time specified by the donors as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Purpose Restrictions	<u>\$ 202,462</u>	<u>\$ 164,648</u>
Total Released Net Assets With Donor Restrictions	<u>\$ 202,462</u>	<u>\$ 164,648</u>

NOTE 5 BOARD-DESIGNATED NET ASSETS

The board has an emergency fund established, which is to be used as a cushion to have funds available to help agencies in need in the event of a disaster, to start up the next campaign, and to make sure the Organization has enough funds to staff and operate the office. These funds are maintained in a separate bank account. For both the years ended June 30, 2023 and 2022, the balance was \$76,500. Also, included in the board-designated funds as of June 30, 2023 and 2022 is a portion of the endowment fund, which totaled \$52,297 and \$47,407, respectively. The endowment fund is maintained with West Central Initiative to be used in accordance with the Organization's tax-exempt purpose.

NOTE 6 LEASES – ASC 842

The Organization leases equipment and building space for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2033 and provide for renewal options ranging from five to ten years. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

The following table provides quantitative information concerning the Organization's leases:

	<u>2023</u>	<u>2022</u>
Lease Cost		
Operating Lease Cost:	<u>\$ 28,840</u>	<u>\$ -</u>
Total Lease Cost	<u>\$ 28,840</u>	<u>\$ -</u>
Other Information		
Cash Paid for Amounts Included in the Measurement of		
Lease Liabilities:		
Operating Cash Flows from Operating Leases	\$ 27,576	\$ -
Right-of-Use Assets Obtained in Exchange for New		
Operating Lease Liabilities:	255,013	
Weighted-Average Remaining Lease Term - Operating Leases	9.4 years	-
Weighted-Average Discount Rate - Operating Leases	2.88%	-

UNITED WAY OF DOUGLAS & POPE COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 LEASES – ASC 842 (CONTINUED)

The Organization classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023 is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2024	\$ 28,344
2025	28,344
2026	28,344
2027	28,344
2028	28,748
Thereafter	126,062
Total Lease Payments	<u>268,186</u>
Less: Interest	(33,669)
Present Value of Lease Liabilities	<u><u>\$ 234,517</u></u>

NOTE 7 OPERATING LEASES – ASC 840

The Organization elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption with certain practical expedients available for the fiscal year ended June 30, 2022. Lease disclosures for the fiscal year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

On January 15, 2013, the Organization entered into a lease agreement for their relocated office in Alexandria, Minnesota for a 10-year term commencing April 1, 2013 and terminating March 31, 2023. Under the terms of this lease, monthly lease payments of \$1,917 are required for the period from April 1, 2018 through March 31, 2023. The Organization pays for its own garbage removal, telephone, and internet services, and the landlord pays for all other costs including utilities and property taxes.

Rent expense for the year ended June 30, 2022 was \$24,105. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	<u><u>\$ 17,253</u></u>

The Organization entered into an operating lease agreement for a copier on April 6, 2020. This lease agreement requires monthly payments of \$349 for 60 months. Future minimum lease obligations are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 4,188
2024	4,188
2025	3,141
Total	<u><u>\$ 11,517</u></u>

UNITED WAY OF DOUGLAS & POPE COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 FAIR VALUE MEASUREMENTS

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation technique as follows:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Significant other observable inputs in less active markets for assets.

Level 3 – Significant unobservable inputs.

The Organization’s investments at fair value, which is solely comprised of mutual funds held by the West Central Initiative Fund, as of June 30:

	2023			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 66,667	\$ -	\$ -	\$ 66,667
	2022			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 60,574	\$ -	\$ -	\$ 60,574

NOTE 9 ENDOWMENT FUND

During the years ended June 30, 2023 and 2022, the Organization’s endowment fund consists of one fund established with West Central Initiative, which was established to use funds in accordance with the Organization’s tax-exempt purpose.

Endowment net assets composition by type of fund is as follows as of June 30:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Fund	\$ 52,297	\$ 14,370	\$ 66,667
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Fund	\$ 47,407	\$ 13,167	\$ 60,574

UNITED WAY OF DOUGLAS & POPE COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 ENDOWMENT FUND (CONTINUED)

Changes in endowment net assets for the fiscal years ended June 30, 2023 and 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, July 1, 2021	\$ 54,081	\$ 15,452	\$ 69,533
Unrealized Loss on Endowment	(6,674)	(2,285)	(8,959)
Endowment Net Assets, June 30, 2022	<u>\$ 47,407</u>	<u>\$ 13,167</u>	<u>\$ 60,574</u>
Endowment Net Assets, July 1, 2022	\$ 47,407	\$ 13,167	\$ 60,574
Unrealized Gain on Endowment	4,890	1,203	6,093
Endowment Net Assets, June 30, 2023	<u>\$ 52,297</u>	<u>\$ 14,370</u>	<u>\$ 66,667</u>

Investment Objectives and Strategies

As approved by the board, the Organization's endowment funds are invested in a Vanguard Balanced Income and Asset Growth investment strategy held and managed by West Central Initiative according to their investment policies. The Organization has selected an investment strategy with West Central Initiative with the objective to provide a consistent investment return on assets, preserve capital, and the purchasing power of the endowment assets, while providing a funding stream to support endowment programs. The Organization reviews the investment strategies offered by West Central Initiative on an annual basis. Distributions of endowment funds are subject to approval by the board. Distributions of endowment funds with restricted use are made in accordance with the terms of the gift instrument.

Distributions from the endowment will commence once the portfolio has achieved a balance of \$100,000. Upon achieving the minimum balance of \$100,000, 5% of a rolling three-year quarterly average market value of the Endowment's assets will be reviewed prior to withdrawal annually and used towards general operations of the Organization.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

UNITED WAY OF DOUGLAS & POPE COUNTIES
SCHEDULES OF NET FUNDS DISTRIBUTED
YEARS ENDED JUNE 30, 2023 AND 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	2023	2022
AGENCY ALLOCATIONS		
Alexandria Public Schools - Community Education	\$ 21,000	\$ 30,000
Boy Scouts of America - Northern Lights Council	2,500	1,500
Brandon Evansville Early Childhood Family Education	10,500	3,000
Discovery Days Preschool	493	-
Elder Network	9,000	10,000
First Lutheran - Community Preschool	5,000	-
Girl Scouts	2,500	-
Legal Services of NorthWest Minnesota	20,000	20,000
Life Connections	3,500	-
Lutheran Social Services - Counseling	8,000	24,000
Lutheran Social Services - In Home Family	19,850	10,000
Minnewaska Early Childhood Family Education	9,500	10,000
North Country Food Bank - Douglas	27,000	30,000
North Country Food Bank - Pope	9,000	8,000
Safe Families for Children	12,500	9,870
Someplace Safe - Domestic Violence and Sexual Assault - Douglas	19,900	24,329
Someplace Safe - Domestic Violence and Sexual Assault - Pope	6,000	6,000
Someplace Safe - Parenting - Pope	6,000	6,000
Village Family Service Center - Counseling	19,500	5,353
WCMCA - Launch Pad Program	18,000	15,000
WCMCA - Transitional Housing	16,000	15,000
WCMCA - Plus Kids	24,000	25,000
YMCA	5,000	6,000
Total Agency Allocations	\$ 274,743	\$ 259,052

UNITED WAY OF DOUGLAS & POPE COUNTIES
SCHEDULE OF NET ASSETS WITH DONOR RESTRICTIONS
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

Community Impact Program	June 30, 2022	Contributions with Donor Restrictions	Earnings (Loss) with Donor Restrictions	Transfers In/(Out)	Funded by Contributions Without Donor Restrictions	Program Expenses	Released from Restriction	June 30, 2023
Backpack Attack - Douglas	\$ 44,525	\$ 23,533	\$ -	\$ -	\$ -	\$ 48,739	\$ 48,739	\$ 19,319
Backpack Attack - Osakis	12,736	12,454	-	-	-	10,218	10,218	14,972
Backpack Attack - Pope	29,449	7,250	-	-	-	21,776	21,776	14,923
Coats & Mittens	2,221	3,025	-	-	-	319	319	4,927
Community Impact Partnership	16,000	7,598	-	-	-	-	-	23,598
Culture of Poverty	564	-	-	-	-	-	-	564
Day of Caring	3,275	1,900	-	-	-	3,149	3,149	2,026
Equip to Work	14,535	10,000	-	-	-	11,500	11,500	13,035
Dolly Parton - Douglas	93	-	-	-	-	-	-	93
Dolly Parton - Todd	2,364	-	-	-	-	-	-	2,364
General Community Impact Fund	400	-	-	-	-	-	-	400
Hope Haven	250	33,039	-	-	-	23,590	23,590	9,699
Leave a Legacy	1,179	-	-	-	-	-	-	1,179
Food Drop - Douglas	32,969	9,424	-	-	-	31,460	31,460	10,933
Food Drop - Pope	30,866	17,200	-	-	-	22,202	22,202	25,864
Food Drop - Long Prairie	6,672	-	-	-	-	-	-	6,672
Women United	1,185	7,644	-	-	-	5,928	5,928	2,901
Stuff the Bus	3,397	591	-	-	-	1,608	1,608	2,380
Holiday Gift Distribution	2,689	5,870	-	-	-	8,440	8,440	119
Traveling Tree House	18,175	10,058	-	-	-	13,533	13,533	14,700
Earnings on Endowment	3,167	-	1,203	-	-	-	-	4,370
Endowment Restricted in Perpetuity	10,000	-	-	-	-	-	-	10,000
Total	\$ 236,711	\$ 149,586	\$ 1,203	\$ -	\$ -	\$ 202,462	\$ 202,462	\$ 185,038



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