

**UNITED WAY OF WASHINGTON COUNTY-EAST, INC.
STILLWATER, MINNESOTA**

**FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Way of Washington County-East, Inc.
Stillwater, Minnesota

Opinion

We have audited the financial statements of United Way of Washington County-East, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of United Way of Washington County-East, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Way of Washington County-East, Inc. 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.

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 Washington County-East, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 Washington County-East, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Washington County-East, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the United Way of Washington County-East, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Schafu and Associates, Ltd.

Minneapolis, Minnesota
January 15, 2024

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

ASSETS	2023	2022
Current Assets		
Cash and cash equivalents	\$ 514,832	\$ 480,825
Certificates of deposit maturing in less than one year	53,457	41,729
Promises to give, less uncollectible allowance of \$23,324 in 2023 and \$20,528 in 2022	132,167	106,112
Other current receivable	19,701	-
Prepaid expenses and other current assets	8,136	6,884
Total Current Assets	<u>728,293</u>	<u>635,550</u>
Property and Equipment		
Equipment	60,365	64,268
Less: Accumulated depreciation	57,501	60,087
Total Property and Equipment, net of depreciation	<u>2,864</u>	<u>4,181</u>
Operating lease right-of-use asset	29,795	54,932
Total Property and Equipment, net	<u>32,659</u>	<u>59,113</u>
Other Assets		
Certificates of deposit maturing in more than one year	42,362	27,327
Market value of Legacy Endowment Fund	25,058	23,718
Total Other Assets	<u>67,420</u>	<u>51,045</u>
TOTAL ASSETS	<u>\$ 828,372</u>	<u>\$ 745,708</u>

See Notes to Financial Statements

LIABILITIES AND NET ASSETS	2023	2022
Current Liabilities		
Fund distribution payable	\$ 243,373	\$ 274,842
Current portion of operating lease liability	24,138	25,159
Accounts payable and accrued expenses	19,355	25,476
Total Current Liabilities	286,866	325,477
Long-Term Liabilities		
Operating lease liability, net of current portion	6,059	30,197
Total Liabilities	292,925	355,674
Net Assets		
Without Donor Restrictions		
Undesignated	186,380	165,303
Designated reserve	306,783	181,783
Total Without Donor Restrictions	493,163	347,086
With Donor Restrictions		
Kay Clint	7,051	7,051
Women's Leadership Council	6,574	8,574
Youth United Way	3,601	3,605
Legacy endowment fund	25,058	23,718
Total With Donor Restrictions	42,284	42,948
Total Net Assets	535,447	390,034
TOTAL LIABILITIES AND NET ASSETS	\$ 828,372	\$ 745,708

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UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2023

With Comparative Totals For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	<u>Totals</u>	
			2023	2022
Public Support and Revenue				
Annual fall campaign	\$ 525,941	\$ -	\$ 525,941	\$ 563,557
Youth United Way	-	2,643	2,643	1,377
Estimated uncollectible pledges	(10,939)	-	(10,939)	9,174
Net Campaign Support	515,002	2,643	517,645	574,108
Specific grants	4,831	-	4,831	4,625
General operating grants	302,358	-	302,358	210,807
Government grants	-	-	-	30,988
Fundraisers and events, net direct benefit to donors	145,726	-	145,726	68,263
Gifts in kind	52,990	-	52,990	54,702
Investment return (loss), net	2,226	2,434	4,660	(7,208)
Net Assets Released From Restrictions	5,741	(5,741)	-	-
Total Public Support and Revenue	1,028,874	(664)	1,028,210	936,285
Net Functional Expenses				
Services to members	10,453	-	10,453	5,300
Community education	4,566	-	4,566	3,062
Community building	80,512	-	80,512	126,089
Fund distribution	491,262	-	491,262	611,515
Management and general	132,351	-	132,351	122,677
Fundraising	163,653	-	163,653	114,167
Total Net Functional Expenses	882,797	-	882,797	982,810
Increase (Decrease) in Net Assets	146,077	(664)	145,413	(46,525)
NET ASSETS – BEGINNING OF YEAR	347,086	42,948	390,034	436,559
NET ASSETS – END OF YEAR	\$ 493,163	\$ 42,284	\$ 535,447	\$ 390,034

See Notes to Financial Statements

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023

	Program Services				Total
	Services to Members	Community Education	Community Building	Fund Distribution	
Fund Distribution of Campaign Support					
Youth	\$ -	\$ -	\$ -	\$ 95,622	\$ 95,622
Basic needs	-	-	-	121,100	121,100
Health	-	-	-	92,652	92,652
Self-sufficiency	-	-	-	110,424	110,424
Designations and special allocations	-	-	-	56,885	56,885
Total Fund Distribution of Campaign Support	-	-	-	476,683	476,683
Salaries and Related					
Salaries and wages	7,582	3,024	54,082	9,695	74,383
Payroll taxes	658	262	4,692	841	6,453
Employee benefits	502	338	5,931	1,024	7,795
Total Salaries and Related	8,742	3,624	64,705	11,560	88,631
Fundraising event expense	-	-	465	-	465
Office rent	646	371	5,780	1,120	7,917
Accounting, auditing and legal fees	56	32	504	98	690
Printing and publications	-	-	-	-	-
Technology support	251	144	2,248	436	3,079
Postage	-	-	-	-	-
Bank fees	-	-	120	-	120
Telephone and utilities	173	99	1,546	300	2,118
Paid to affiliates	304	174	2,717	527	3,722
Equipment rent and maintenance	96	55	861	167	1,179
Insurance	81	46	721	140	988
Dues and subscriptions	-	-	-	-	-
Conferences and meetings	-	-	231	151	382
Depreciation	37	21	332	64	454
Supplies	-	-	231	-	231
Travel and mileage reimbursements	67	-	51	13	131
Other expense	-	-	-	3	3
Total Other Expenses	1,711	942	15,807	3,019	21,479
Total Functional Expenses	10,453	4,566	80,512	491,262	586,793
Direct Benefit to Donors	-	-	-	-	-
FUNCTIONAL EXPENSES, NET OF DIRECT BENEFIT TO DONORS	\$ 10,453	\$ 4,566	\$ 80,512	\$ 491,262	\$ 586,793

See Notes to Financial Statements

Supporting Services			
Management and General	Fund Raising	Total	Totals
\$ -	\$ -	\$ -	\$ 95,622
-	-	-	121,100
-	-	-	92,652
-	-	-	110,424
-	-	-	56,885
-	-	-	476,683
65,890	71,800	137,690	212,073
5,714	6,228	11,942	18,395
5,127	8,475	13,602	21,397
76,731	86,503	163,234	251,865
-	52,218	52,218	52,683
6,464	8,536	15,000	22,917
33,101	744	33,845	34,535
721	11,453	12,174	12,174
2,521	4,448	6,969	10,048
1,882	5,963	7,845	7,845
4,500	1,475	5,975	6,095
1,735	2,283	4,018	6,136
(2,177)	4,013	1,836	5,558
966	1,272	2,238	3,417
808	1,064	1,872	2,860
2,007	100	2,107	2,107
641	354	995	1,377
373	490	863	1,317
871	-	871	1,102
552	7	559	690
655	-	655	658
55,620	94,420	150,040	171,519
132,351	180,923	313,274	900,067
-	(17,270)	(17,270)	(17,270)
\$ 132,351	\$ 163,653	\$ 296,004	\$ 882,797

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Program Services				Total
	Services to Members	Community Education	Community Building	Fund Distribution	
Fund Distribution of Campaign Support					
Youth	\$ -	\$ -	\$ -	\$ 125,000	\$ 125,000
Basic needs	-	-	-	140,000	140,000
Health	-	-	-	110,000	110,000
Self-sufficiency	-	-	-	145,000	145,000
Designations and special allocations	-	-	-	66,789	66,789
Total Fund Distribution of Campaign Support	-	-	-	586,789	586,789
Salaries and Related					
Salaries and wages	4,390	2,317	92,891	19,888	119,486
Payroll taxes	329	174	6,959	1,490	8,952
Employee benefits	88	124	6,514	721	7,447
Total Salaries and Related	4,807	2,615	106,364	22,099	135,885
Fundraising event expense	-	-	3,581	-	3,581
Office rent	256	227	8,037	1,476	9,996
Accounting, auditing and legal fees	19	17	614	113	763
Printing and publications	-	-	-	-	-
Technology support	26	23	803	147	999
Postage	-	-	-	-	-
Bank fees	-	-	110	-	110
Telephone and utilities	61	54	1,918	352	2,385
Paid to affiliates	46	41	1,434	263	1,784
Equipment rent and maintenance	37	33	1,169	215	1,454
Insurance	30	27	950	175	1,182
Dues and subscriptions	-	-	-	-	-
Conferences and meetings	-	-	92	-	92
Depreciation	18	16	573	105	712
Supplies	-	-	283	-	283
Travel and mileage reimbursements	-	9	161	-	170
Other expense	-	-	-	(219)	(219)
Total Other Expenses	493	447	19,725	2,627	23,292
Total Functional Expenses	5,300	3,062	126,089	611,515	745,966
Direct Benefit to Donors	-	-	-	-	-
FUNCTIONAL EXPENSES, NET OF DIRECT BENEFIT TO DONORS	\$ 5,300	\$ 3,062	\$ 126,089	\$ 611,515	\$ 745,966

See Notes to Financial Statements

Supporting Services			
Management and General	Fund Raising	Total	Totals
\$ -	\$ -	\$ -	\$ 125,000
-	-	-	140,000
-	-	-	110,000
-	-	-	145,000
-	-	-	66,789
-	-	-	586,789
75,313	58,174	133,487	252,973
5,138	4,358	9,496	18,448
3,243	5,348	8,591	16,038
83,694	67,880	151,574	287,459
-	29,200	29,200	32,781
6,214	6,708	12,922	22,918
13,175	512	13,687	14,450
-	9,123	9,123	9,123
4,172	2,521	6,693	7,692
1,654	5,663	7,317	7,317
4,769	934	5,703	5,813
1,484	1,601	3,085	5,470
1,107	1,197	2,304	4,088
905	976	1,881	3,335
735	793	1,528	2,710
1,691	100	1,791	1,791
593	387	980	1,072
445	478	923	1,635
1,125	89	1,214	1,497
487	-	487	657
427	-	427	208
38,983	60,282	99,265	122,557
122,677	128,162	250,839	996,805
-	(13,995)	(13,995)	(13,995)
\$ 122,677	\$ 114,167	\$ 236,844	\$ 982,810

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UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Change in Net Assets	\$ 145,413	\$ (46,525)
Adjustments to reconcile change in net assets to net cash from operations:		
Depreciation	1,317	1,635
Changes in Legacy Endowment Fund	(1,340)	5,103
Noncash rent expense	(22)	424
Provision for uncollectible pledges	2,796	(13,472)
Interest income retained to certificates of deposit	(745)	(286)
(Increase) Decrease in:		
Promises to give receivable	(28,851)	8,645
Other current receivable	(19,701)	40,432
Prepaid expenses and other current assets	(1,252)	(175)
Increase (Decrease) in:		
Fund distribution payable	(31,469)	(13,585)
Accounts payable and accrued expenses	(6,121)	(5,233)
Net Cash Provided By (Used In) Operating Activities	<u>60,025</u>	<u>(23,037)</u>
Cash Flows From Investing Activities		
Purchase of certificate of deposit	(26,018)	-
Purchase of fixed assets	-	(4,401)
Net Cash (Used In) Operating Activities	<u>(26,018)</u>	<u>(4,401)</u>
Increase (Decrease) in Cash and Cash Equivalents	34,007	(27,438)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	480,825	508,263
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 514,832	\$ 480,825

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for amounts included in the measurement of lease liabilities

Operating cash flows from operating leases \$ 25,934 \$ 25,489

Right-of-use assets obtained in exchange for lease obligations

Operating lease \$ - \$ 79,594

See Notes to Financial Statements

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UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

Description of Organization

United Way of Washington County-East, Inc. (the Organization) is a nonprofit organization incorporated under the laws of the state of Minnesota, organized to utilize the diverse skills and capabilities of volunteers, serving east-central Washington County (ISD No. 834). The Organization in its present state is the result of a reorganization of the Washington County Community Chest, Inc., in June 1961. The Washington County Community Chest, Inc. was formed in February 1949.

United Way of Washington County- East, Inc.'s *mission is to unite our communities and local resources to give each person the opportunity to build a better life.*

The Organization maintains the following programs:

Services to members – consists of services to funded agencies, including special mailings, conferences, collaborative assistance, and arrangements for in-kind donations.

Community education – consists of brochures and publications to the community describing agency programs, promotion of collaboration between local government, schools, and not-for-profit social service agencies and development of new community programs and agencies.

Community Building – assesses community assets and needs and identifies appropriate roles for the Organization in addressing them. Community Building also works with community partners in addressing changes or emerging service needs, delivery systems and population groups. The program researches and recommends better and more effective ways of assuring efficient delivery of quality services to people in need of them. Community Building also enhances the capabilities of funded and unfunded agencies to be responsive to local community needs and to effectively manage their organizations. The program serves as a facilitator, convener, and collaborator when necessary in order to meet the needs of the communities that are served.

Fund distribution – consists of assessing community needs and reviewing funded agencies' financial records, programs, and other records to determine distribution of funds from the annual fundraising campaign to best meet community health and social service needs.

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Organization and Summary of Significant Accounting Policies (Continued)

Change in Accounting Principles

During the year ended June 30, 2023, the Organization adopted FASB Accounting Standards Update (ASU) No 2016-02, ASC 842 *Leases* which requires the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position and replaces existing lease guidance within accounting principles generally accepted in the United States of America. 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 ASU 2016-02 with a date of initial application of July 1, 2021, and recognized and measured leases existing at, or entered into after, using a modified retrospective method, with certain practical expedients available.

The Organization elected the available practical expedients to account for existing leases as either finance leases or operating leases, under the new guidance, without reassessing (a) whether the contract contain leases under the new standard, (b) whether classification of capital leases 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.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2021 an operating lease liability and right-of use asset of \$79,594 which represented the present value of the remaining operating lease payments of \$81,987 discounted using the risk free rate of 1.99%. As of June 30, 2022, the adoption resulted in additional rent expense of \$424 which was recorded as an adjustment to net assets without donor restrictions.

The standard had a significant impact on the Organization's statements of financial position, but did not have a significant impact on the statements of activities and changes in net assets, statements of functional expenses or statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Basis of Accounting and Support and Revenue Recognition

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). All income and expenses are recorded as they are earned or incurred.

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Organization and Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Financial statement presentation follows FASB ASC 958. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities, based on the existence or absence of donor imposed restrictions as either:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and unemployment claims.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor-Designated Campaign Contributions

The Organization accounts for donor-designated campaign contributions to member agencies, nonmember agencies and targeted care as part of total campaign contribution revenue and not as an agency transaction in the Statement of Activities. Management believes that including these donor-designated campaign contributions as revenue better reflects total campaign results.

The member agencies are requested to utilize the contributions in areas outlined in the Organization's fund distribution guidelines; however, the member agencies have the final decision-making authority as to the ultimate use of these contributions. These designated campaign contributions are included in fund distribution of campaign support in the Statement of Activities.

Distributions of donor-designated campaign contributions that are unpaid as of year-end are included as part of the fund distribution payable.

Fund Distribution

Fund distribution represents dollars set aside for other not-for-profit agencies. The fund distribution payable represents the allocations that have not been distributed at year-end. Fund distribution of campaign support represents the distribution of funds directly related to the ongoing campaign.

Noncampaign contribution distributions represent the distribution of funds received such as bequests and memorials, which are not a part of the ongoing campaign.

Cash and Cash Equivalents

The Organization considers all demand deposits and investments with an original maturity of three months or less to be cash and cash equivalents.

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Organization and Summary of Significant Accounting Policies (Continued)

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interests and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Investments reported in the Organization's statements of financial position consist of certificates of deposit and the Legacy Endowment Fund.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period the promise is made and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the condition on which they depend are substantially met. Management expects to collect all promises to give due within one year of the date of the statement of financial position.

The Organization uses the reserve method to record a provision for doubtful promises. The amount of the reserve is based on management's estimate of uncollectible promises to give based on historical collections and management's knowledge of its contributors. Promises to give balances that are still outstanding after management has used reasonable collection efforts are written off. The allowance for doubtful promises was \$23,324 and \$20,528 as of June 30, 2023 and 2022, respectively.

Property and Equipment

The Organization capitalizes acquisitions of equipment at cost or fair value at the date of gift for donations using a capitalization threshold of \$500. Depreciation of equipment is computed using the straight-line method over useful lives of three to ten years.

Leases

When, at inception of an agreement, it is concluded an agreement includes a lease component, the Organization records an operating lease or finance lease based on the agreement. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Operating leases are included in property and equipment as operating lease right-of-use (ROU) assets and current and long-term operating lease liabilities on the statements of financial position.

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Organization and 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. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The operating lease ROU asset also includes any lease payments made prior to the commencement date and excludes any 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.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Organization has elected to use the risk-free rate based on information available at the commencement date for the lease term when determining the present value of lease payments.

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

The Organization elected to apply the short-term lease exemption to one class of underlying assets: storage space. In 2023, there was a lease within this class of underlying assets that qualified for the exemption. See Note 5 for information about the short-term lease cost recognized in 2023.

Donated Services

Many individuals have contributed a significant amount of time to the activities of the Organization. The Organization does not recognize these contributed services as revenues unless 1) the services received create or enhance existing facilities; or 2) require specialized skills and are provided by individuals possessing those skills. The Organization recognized \$6,870 and \$4,832 of revenues related to contributed services in its statements of activities for the years ended June 30, 2023 and 2022, respectively.

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Organization and Summary of Significant Accounting Policies (Continued)

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is nonreciprocal, does not contain a barrier that must be overcome, and there is no right of return of assets transferred or release of a promisor's obligation to transfer assets present.

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

All other contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions.

When a 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 statement of activities as net assets released from restrictions.

Tax Status

The Organization is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statement or related disclosures.

The Organization's federal information returns are subject to examination by the IRS, generally for three years after they were filed.

Unemployment Insurance

The Organization has elected to self-insure its Minnesota unemployment claims. Amounts incurred, if any, will be recorded as an expense when payable.

Fair Value of Financial Instruments

The carrying amount for substantially all assets and liabilities approximates fair value due to the immediate or short-term maturity of these financial instruments. See Note 8 for discussion of fair value regarding the Organization's certificates of deposit and Legacy Endowment Fund.

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Organization and Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and promises to give. The Organization places its cash and temporary cash investments with high quality financial institutions and limits the amount of credit exposure to any one financial institution. The Organization maintains checking accounts, savings accounts, and certificates of deposit at financial institutions located within the St. Croix Valley Area. At various times throughout the year, cash balances at a specific financial institution may be in excess of the federally insured limit. The Organization had cash balances in excess of the federally insured limit of approximately \$57,000 as of June 30, 2023. There were no cash balances in excess of federally insured limits as of June 30, 2022.

Management believes concentrations of credit risk with respect to promises to give are limited due to the nature and dollar amount of the promises. Promises to give consist of various amounts owed from local individuals and corporations. As of June 30, 2023 and 2022, management believed the Organization had no significant concentrations of credit risk related to promises to give.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. The allocation of expenses between programs is based on actual expenditures and allocations based on staff time records.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from the estimates.

Prior Year Summarized Information

The financial statements include certain prior year summarized 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 Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Subsequent Events

In preparing these financial statements, management of the Organization has evaluated events and transactions for potential recognition or disclosure through January 15, 2024, the date the financial statements were available to be issued.

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Liquidity and Availability

The following reflects the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual, donor-imposed or board-imposed restrictions. Balances not available include amounts set aside by the board that could be drawn upon with board approval.

	<u>2023</u>	<u>2022</u>
Financial assets, end of year	\$ 787,577	\$ 679,711
Less those unavailable for general expenditures within one year due to:		
Certificates of deposit maturing in more than one year	(42,362)	(27,327)
Restricted in perpetuity	(25,058)	(23,718)
Restricted by donor for purpose	(17,226)	(19,230)
Designated by the board for:		
Operating reserves	(276,783)	(151,783)
Unemployment claims	(30,000)	(30,000)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 396,148</u>	<u>\$ 427,653</u>

In addition, as of June 30, 2023 and 2022, the Organization had allocated \$243,373 and \$274,842, respectively, to be paid to other nonprofit agencies.

As part of the Organization's liquidity management plan, financial assets are structured to be available as its general expenditures, liabilities and other obligations come due. The Organization's board designated funds may be drawn upon in the event of unemployment claims or an immediate liquidity need.

The Organization has a goal to maintain financial assets, consisting of cash and short-term investments on hand to meet at least 90 days of normal operating expenses, which do not include payments to other nonprofit agencies and are on average approximately \$100,000.

3. Designated Reserve

The designated reserve fund was established to be used primarily for emergency and other unanticipated needs. The Board of Directors has designated a portion of the reserve for Minnesota unemployment claims. Disbursements under \$1,000 from this reserve can be approved by the Executive Director. Disbursements from this reserve over \$1,000 require the Executive Committee or Board of Directors' approval.

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Net Assets

Net assets with donor restrictions as of June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Restricted for programs:		
Youth United Way	\$ 3,601	\$ 3,605
Women United	6,574	8,574
Kay Clint	7,051	7,051
Endowment funds	<u>25,058</u>	<u>23,718</u>
 Total Net Assets with Donor Restrictions	 <u>\$ 42,284</u>	 <u>\$ 42,948</u>

Net assets released from restriction for the years ended June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
Youth United Way	\$ 2,647	\$ -
Women United	2,000	1,663
Kay Clint	-	8,500
Release of endowment restrictions	<u>1,094</u>	<u>-</u>
 Total Net Assets Released from Restrictions	 <u>\$ 5,741</u>	 <u>\$ 10,163</u>

5. Leases

The Organization leases approximately 1,400 square feet of office space in Stillwater. The Organization signed a five-year lease extension ending May 31, 2024 at the monthly rate of \$1,929 (with 2% annual increases).

The Organization also entered into a five-year operating lease for office equipment beginning April 2021 at a monthly rate of \$267.

The Organization also rents space for storage on a month to month basis.

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Leases (Continued)

The components of rent expense for the years ended June 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 25,934	\$ 25,489
Variable lease cost	190	554
Short-term lease cost	210	210
	<u>26,334</u>	<u>26,253</u>
Total Rent Expense	\$ 26,334	\$ 26,253

The weighted average remaining lease term for operating leases as of June 30, 2023 and 2022 was 1.5 years and 2.4 years, respectively. The weighted average discount rate for operating leases as of June 30, 2023 and 2022 was 1.99%.

The future minimum base rental commitments under the operating lease as of June 30, 2023 were as follows:

Year Ending June 30,	
<u>2024</u>	\$ 24,423
2025	3,204
2026	<u>2,937</u>
Total	30,564
Less: imputed interest	<u>367</u>
Total operating lease liability	<u>\$ 30,197</u>

6. Designated Grant Payable

The Organization occasionally enters into written or oral agency agreements with other entities to raise funds for a specific fundraising project or event. The Organization holds these funds until a payment request is received and verified. As such, the funds collected are not the property of the Organization and are therefore included under the caption designated grant payable on the statement of financial position. There were no designated grants payable as of June 30, 2023 or 2022.

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Retirement Plan

The United Way of Washington County-East, Inc.'s retirement plan is based on employees' calendar year wages and the Organization may in its discretion contribute a portion of eligible employees' wages. Employees are eligible if they have performed services for the Organization in at least one year during the preceding five-year period. Retirement plan expense was \$7,175 and \$9,698 for the years ended June 30, 2023 and 2022, respectively.

8. Fair Value Measurements

Accounting standards establish a framework for measurement fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

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

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fair Value Measurements (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Certificates of Deposit: Certificates of deposit are valued based on comparisons to certificates of deposit with similar yields and maturities as reported by the Organization’s financial institutions.

Legacy Endowment Fund: The Organization’s Legacy Endowment Fund is reported at fair value based on the quoted market price of the investments in the fund, as reported by the third-party organization which administers the fund.

The methods described above may produce fair values that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables reflect the Organization’s investments within the fair value hierarchy at June 30, 2023 and 2022:

As of June 30, 2023				
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Certificates of deposit	\$ 95,819	\$ -	\$ 95,819	\$ -
Legacy Endowment Fund	25,058	25,058	-	-
Total	\$ 120,877	\$ 25,058	\$ 95,819	\$ -

As of June 30, 2022				
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Certificates of deposit	\$ 69,056	\$ -	\$ 69,056	\$ -
Legacy Endowment Fund	23,718	23,718	-	-
Total	\$ 92,774	\$ 23,718	\$ 69,056	\$ -

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Funds Held by Others

In March 1999, the Organization was named a beneficiary of an agency endowment fund at the St. Croix Valley Foundation. Pursuant to the terms of the agreement establishing this fund, contributions to the St. Croix Valley Foundation are held as a separate fund designated for the benefit of the United Way of Washington County-East, Inc. In accordance with its spending policy, the St. Croix Valley Foundation makes distributions from the fund to the Organization. The fund is not included in these financial statements, as all contributions are the assets of St. Croix Valley Foundation. The fair value of the fund assets was \$106,368 and \$100,830 at June 30, 2023 and 2022, respectively. Distributions received from the fund, if any, are unrestricted. The Organization received distributions in the amount of \$4,800 and \$4,600 from this fund for the years ended June 30, 2023 and 2022, respectively.

In March 2017, the Organization was named a beneficiary of an agency endowment fund at the Saint Paul Foundation. Pursuant to the terms of the agreement establishing this fund, contributions to the Saint Paul Foundation are held as a separate fund designated for the benefit of the United Way of Washington County-East, Inc. In accordance with its spending policy, the Foundation makes distributions from the fund to the Organization. The fund is not included in these financial statements, as all contributions are the assets of the Saint Paul Foundation.

The fair value of the fund assets was \$1,284,540 and \$1,280,716 as of June 30, 2023 and 2022, respectively. Distributions received from the fund, if any, are without donor restrictions and are included in general operating grants on the Statement of Activities and Changes in Net Assets. The Organization received distributions in the amount of \$52,358 and \$50,807 from this agency endowment fund for the years ended June 30, 2023 and 2022, respectively.

10. Fundraisers and Events

Net fundraisers and events revenue for the year ended June 30, 2023 was comprised of the following:

Fundraisers and events	Year Ended June 30, 2023			
	Revenue	Fundraising expenses	Direct benefit expenses	Net Revenue
Community event	\$ 23,332	\$ 1,749	\$ 3,244	\$ 18,339
Fish United	12,926	7,076	3,800	2,050
United by the Vine	126,738	26,588	10,226	89,924
	<u>\$ 162,996</u>	<u>\$ 35,413</u>	<u>\$ 17,270</u>	<u>\$ 110,313</u>

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Fundraisers and Events (Continued)

Net fundraisers and events revenue for the year ended June 30, 2022 was comprised of the following:

Year Ended June 30, 2022				
Fundraisers and events	Revenue	Fundraising expenses	Direct benefit expenses	Net Revenue
Community event	\$ 10,384	\$ 449	\$ 3,133	\$ 6,802
Fish United	8,240	1,526	1,200	5,514
United by the Vine	63,634	16,812	9,662	37,160
	<u>\$ 82,258</u>	<u>\$ 18,787</u>	<u>\$ 13,995</u>	<u>\$ 49,476</u>

11. Endowment Fund

At the direction of a donor, the Organization established the Pillars Legacy Society Endowment with an initial investment of \$20,000 in June 2015. The assets of this fund are owned by the Organization and are held and administered by a third-party organization. The purpose of the Pillars Legacy Society Endowment Fund is to allow leadership gives the opportunity to continue their philanthropic commitment to the community for future generations. This program allows the donor the security of a managed endowment with a trusted United Way for the purpose of sustaining philanthropy for the continued needs of the community when the donor is no longer present.

The Organization's endowment consists of cash equivalent funds, equity mutual funds, fixed income mutual funds, and equity exchange traded funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Organization's Board has interpreted the Minnesota's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Endowment Fund (Continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund,
2. The purposes of the organization and the donor-restricted endowment fund,
3. General economic conditions,
4. The possible effect of inflation and deflation,
5. The expected total return from income and the appreciation of investments,
6. Other resources of the organization,
7. The investment policies of the organization.

The Organization has adopted a balanced investment strategy for the endowment fund. The investments of the endowment fund are rebalanced by the investment manager, at the direction of the finance committee.

It is the policy of the Organization to distribute available earnings for unrestricted spending on normal operations.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a balance for perpetual duration (underwater endowments). Management has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no underwater endowments as of June 30, 2023 and 2022.

The composition of net assets for the endowment fund as of June 30, 2023 and 2022 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>June 30, 2023</u>			
Donor-restricted	\$ -	\$ 25,058	\$ 25,058
<u>June 30, 2022</u>			
Donor-restricted	\$ -	\$ 23,718	\$ 23,718

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Endowment Fund (Continued)

The changes in endowment net assets for the year ended June 30, 2023 consisted of the following:

Year Ended June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 23,718	\$ 23,718
Investment return:			
Investment fees	-	(355)	(355)
Net appreciation - realized and unrealized	-	2,789	2,789
Total investment return	-	2,434	2,434
Other changes:			
Release of restrictions by St. Croix Valley Foundation for spending allocation	-	(1,094)	(1,094)
Endowment net assets, end of year	\$ -	\$ 25,058	\$ 25,058

The changes in endowment net assets for the year ended June 30, 2022 consisted of the following:

Year Ended June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 28,821	\$ 28,821
Investment return:			
Investment fees	-	(410)	(410)
Net (depreciation) - realized and unrealized	-	(4,693)	(4,693)
Total investment return	-	(5,103)	(5,103)
Endowment net assets, end of year	\$ -	\$ 23,718	\$ 23,718

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated on the basis of estimates of time and effort.

13. Government Assistance

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act and subsequent extension of the CARES Act, the Organization was eligible for a refundable employee retention credit (ERC) subject to certain criteria. The Organization recorded the credit and related receivable as a conditional contribution in accordance with FASB ASC 958-605. During the year ended June 30, 2022 the Organization recorded government grant revenue of \$30,988.

14. In-Kind Contributions

The Organization's financial statements include the following in-kind contributions and associated expense:

Fund Distribution of Campaign Support – The Organization receives donated school supplies as part of its Stuff the Bus program. These items are recognized as in-kind contributions at fair value, with a corresponding expense as they are used.

Bank Fees – The Organization's primary bank waives the monthly fees that would be charged against the Organization's bank accounts. These fees would typically be paid directly if not provided as an in-kind contribution. The fair value of these fees is provided by the bank, who estimates the fair value based on its typical monthly fee structure.

Accounting, audit and legal fees – The Organization receives donated accounting, auditing and legal fees that would typically be paid directly if not provided as an in-kind contribution. These services, which require specialized skills, are recognized as in-kind contributions at fair value when the pledge is made and are expensed when the services are rendered. The estimated fair value of these professional services is provided by the service provider, who estimates the fair value based on the date, time, and market in which each service is rendered.

UNITED WAY OF WASHINGTON COUNTY-EAST, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14. In-Kind Contributions (Continued)

Technology Support – The Organization receives donated technology support services that would typically be paid directly if not provided as an in-kind contribution. These services, which require specialized skills, are recognized as in-kind contributions at fair value when the pledge is made and are expensed when the services are rendered. The estimated fair value of these professional services is provided by the service provider, who estimates the fair value based on the date, time, and market in which each service is rendered. The Organization also receives donated technology support supplies, which are recognized as in-kind contributions at fair value, with a corresponding expense as they are used.

The Organization did not monetize any contributed nonfinancial assets and contributed non-financial assets did not have donor restrictions during the years ended June 30, 2023 and 2022.

In-kind contributions included in the statement of activities for the years ended June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Fund Distribution of Campaign Support		
Program services	\$ 44,809	\$ 47,857
Bank Fees		
Management and general	1,311	1,293
Accounting, auditing and legal fees		
Management and general	2,000	2,000
Technology Support		
Management and general	4,870	3,552
	<hr/>	<hr/>
Total In-kind Contributions and Related Expenses	<u>\$ 52,990</u>	<u>\$ 54,702</u>