

**SOURIS VALLEY UNITED WAY
MINOT, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Souris Valley United Way
Minot, North Dakota

Opinion

We have audited the accompanying financial statements of Souris Valley United Way (a nonprofit organization), which comprise the statements of financial position as of January 31, 2022 and 2021, and the related statements of activities and changes in net assets, 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 Souris Valley United Way as of January 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 and to meet our 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.

Correction of Error

As discussed in Notes 16 and 17 to the financial statements, certain errors relating to the balances of grants payable and the related expense not being properly recorded on the January 31, 2021 and 2020 financial statements were discovered during the current year audit. Accordingly, such amounts have been restated as an adjustment made to grants payable and net assets without donor restrictions as of January 31, 2021 and a prior period adjustment was made to net assets without donor restrictions as of January 31, 2020 to correct the errors. Our opinion is not modified with respect to that matter.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 Souris Valley United Way's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Souris Valley United Way'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 Souris Valley United Way'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 Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of allotments to agencies on page 22 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



BRADY, MARTZ & ASSOCIATES, P.C.
MINOT, NORTH DAKOTA

July 26, 2022

SOURIS VALLEY UNITED WAY
STATEMENTS OF FINANCIAL POSITION
JANUARY 31, 2022 AND 2021

ASSETS	2022	2021 (Restated)
Current assets		
Cash and cash equivalents	\$ 1,142,085	\$ 1,042,620
Pledges receivable		
Outstanding pledges	96,331	133,418
Less: provision for uncollectible pledges	(22,000)	(22,000)
Net pledges receivable	74,331	111,418
Other current assets		
Inventory	15,543	11,196
Other current assets	80,311	78,164
Total other current assets	95,854	89,360
Total current assets	1,312,270	1,243,398
Beneficial interest in assets held by others	502,261	466,631
Property and equipment		
Office equipment	16,000	16,000
Computer equipment	23,921	19,418
	39,921	35,418
Less accumulated depreciation and amortization	(27,809)	(23,033)
Net property and equipment	12,112	12,385
Total assets	<u>\$ 1,826,643</u>	<u>\$ 1,722,414</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
General expenses payable	\$ 12,987	\$ 8,311
Accrued payroll liabilities	4,522	10,381
Accrued vacation	6,322	5,815
Current portion of capital lease obligation	1,957	1,918
Due to designated beneficiaries	2,990	5,726
Grants payable	173,992	189,621
Total current liabilities	202,770	221,772
Long-term liabilities		
PPP loan	-	38,100
Capital lease obligation payable (net of current portion)	6,110	8,066
Total long-term liabilities	6,110	46,166
Total liabilities	208,880	267,938
Net assets		
Without donor restrictions	183,362	139,752
With donor restrictions	1,434,401	1,314,724
Total net assets	1,617,763	1,454,476
Total liabilities and net assets	<u>\$ 1,826,643</u>	<u>\$ 1,722,414</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS VALLEY UNITED WAY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JANUARY 31, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Public support:			
Total amounts raised	\$ -	\$ 378,998	\$ 378,998
Less: designations by donors to specific organizations	-	(9,457)	(9,457)
Less: provision for uncollectible pledges	-	(20,917)	(20,917)
Total public support	<u>-</u>	<u>348,624</u>	<u>348,624</u>
Other operating revenue (expense):			
Other collections	113,379	230,891	344,270
In-kind revenue	61,202	-	61,202
PPP loan forgiveness	38,100	-	38,100
Special events	25,261	-	25,261
Net assets released from restriction	495,468	(495,468)	-
Total other operating revenue (expense)	<u>733,410</u>	<u>(264,577)</u>	<u>468,833</u>
Total public support and other revenue (expense)	<u>733,410</u>	<u>84,047</u>	<u>817,457</u>
Allocations and other functional expenses			
Program services:			
Agency allocations	162,035	-	162,035
Community services	250,698	-	250,698
Total program services	<u>412,733</u>	<u>-</u>	<u>412,733</u>
Supporting services:			
Fundraising/Fund Drive	168,079	-	168,079
Administration	110,322	-	110,322
Total supporting services	<u>278,401</u>	<u>-</u>	<u>278,401</u>
Total expenses	<u>691,134</u>	<u>-</u>	<u>691,134</u>
Other non-operating revenue (expense):			
Net investment income	1,334	-	1,334
Increase (decrease) in beneficial interest in assets held by others	-	35,630	35,630
Total other non-operating revenue (expense)	<u>1,334</u>	<u>35,630</u>	<u>36,964</u>
Change in net assets	43,610	119,677	163,287
Net assets, beginning of year	<u>139,752</u>	<u>1,314,724</u>	<u>1,454,476</u>
Net assets, end of year	<u>\$ 183,362</u>	<u>\$ 1,434,401</u>	<u>\$ 1,617,763</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS VALLEY UNITED WAY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (RESTATED)
FOR THE YEAR ENDED JANUARY 31, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Public support:			
Total amounts raised	\$ -	\$ 382,256	\$ 382,256
Less: designations by donors to specific organizations	-	(5,084)	(5,084)
Less: provision for uncollectible pledges	-	(18,005)	(18,005)
Total public support	<u>-</u>	<u>359,167</u>	<u>359,167</u>
Other operating revenue (expense)			
Other collections	118,658	109,636	228,294
In-kind revenue	47,255	-	47,255
PPP loan forgiveness	33,700	-	33,700
Special events	12,614	-	12,614
Net assets released from restriction	563,177	(563,177)	-
Total other operating revenue (expense)	<u>775,404</u>	<u>(453,541)</u>	<u>321,863</u>
Total public support and other operating revenue (expense)	<u>775,404</u>	<u>(94,374)</u>	<u>681,030</u>
Allocations and other functional expenses			
Program services:			
Agency allocations	184,537	-	184,537
Community services	282,749	-	282,749
Total program services	<u>467,286</u>	<u>-</u>	<u>467,286</u>
Supporting services:			
Fundraising/Fund Drive	154,227	-	154,227
Administration	134,494	-	134,494
Total supporting services	<u>288,721</u>	<u>-</u>	<u>288,721</u>
Total expenses	<u>756,007</u>	<u>-</u>	<u>756,007</u>
Other non-operating revenue			
Net investment income	17,237	-	17,237
Increase/(decrease) in beneficial interest in assets held by others	-	32,500	32,500
Gain (loss) on disposal	(1,499)	-	(1,499)
Total other non-operating revenue	<u>15,738</u>	<u>32,500</u>	<u>48,238</u>
Change in net assets	35,135	(61,874)	(26,739)
Net assets, beginning of year, as previously stated	286,173	1,376,598	1,662,771
Prior period adjustment (Note 17)	<u>(181,556)</u>	<u>-</u>	<u>(181,556)</u>
Net assets, beginning of year, as restated	104,617	1,376,598	1,481,215
Change in net assets	<u>35,135</u>	<u>(61,874)</u>	<u>(26,739)</u>
Net assets, end of year	<u>\$ 139,752</u>	<u>\$ 1,314,724</u>	<u>\$ 1,454,476</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS VALLEY UNITED WAY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JANUARY 31, 2022

	Program Services		Supporting Services		Total
	Agency Allocations	Community Services	Fundraising/ Fund Drive	Administration	
Agency allocation payments	\$ 171,492	\$ -	\$ -	\$ -	\$ 171,492
Less: allocations funded through donor designations	(9,457)	-	-	-	(9,457)
Salaries	-	48,540	71,931	48,658	169,129
Employee benefits	-	2,312	3,426	2,318	8,056
Dolly Parton Imagination Library books	-	46,686	-	-	46,686
Backpack Buddies food	-	120,055	-	-	120,055
Women's United	-	325	-	-	325
Blessing Bank supplies	-	13,211	-	-	13,211
Rent	-	13,042	19,327	13,074	45,443
Professional fees	-	-	-	21,645	21,645
Dues - United Fund National	-	-	-	10,655	10,655
Travel and meeting	-	-	-	6,651	6,651
Advertising, printing, and postage	-	383	64,289	384	65,056
Office supplies	-	927	1,374	930	3,231
Office equipment maintenance	-	2,318	3,435	2,323	8,076
Dues and subscriptions	-	483	715	484	1,682
Insurance	-	983	1,457	986	3,426
Bank service charges	-	-	-	277	277
Miscellaneous	-	-	-	500	500
Depreciation and amortization	-	1,370	2,031	1,374	4,775
Interest	-	63	94	63	220
Total expenses	\$ 162,035	\$ 250,698	\$ 168,079	\$ 110,322	\$ 691,134

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS VALLEY UNITED WAY
STATEMENT OF FUNCTIONAL EXPENSES (RESTATED)
FOR THE YEAR ENDED JANUARY 31, 2021

	Program Services		Supporting Services		Total
	Agency Allocations	Community Services	Fundraising/ Fund Drive	Administration	
Agency allocation payments	\$ 189,621	\$ -	\$ -	\$ -	\$ 189,621
Less: allocations funded through donor designations	(5,084)	-	-	-	(5,084)
Salaries	-	61,188	66,204	68,535	195,927
Employee benefits	-	2,967	3,210	3,324	9,501
Dolly Parton Imagination Library books	-	49,155	-	-	49,155
Backpack Buddies food	-	67,651	-	-	67,651
Women's United	-	25,448	-	-	25,448
Blessing Bank supplies	-	11,992	-	-	11,992
Covid Emergency Response grants	-	41,775	-	-	41,775
Rent	-	13,774	14,903	15,428	44,105
Professional fees	-	-	-	21,150	21,150
Dues - United Fund National	-	-	-	8,105	8,105
Travel and meeting	-	-	-	6,374	6,374
Advertising, printing, and postage	-	104	60,504	116	60,724
Office supplies	-	881	953	986	2,820
Office equipment maintenance	-	4,947	5,352	5,541	15,840
Dues and subscriptions	-	289	312	323	924
Insurance	-	1,210	1,309	1,355	3,874
Bank service charges	-	-	-	1,054	1,054
Miscellaneous	-	-	-	671	671
Depreciation and amortization	-	1,273	1,377	1,426	4,076
Interest	-	95	103	106	304
Total expenses	\$ 184,537	\$ 282,749	\$ 154,227	\$ 134,494	\$ 756,007

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS VALLEY UNITED WAY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2022 AND 2021

	2022	2021 (Restated)
Cash flows from operating activities		
Change in net assets	\$ 163,287	\$ (26,739)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	4,775	4,076
(Gain) loss on disposal	-	1,499
PPP loan forgiveness	(38,100)	(33,700)
Provision for uncollectible pledges	20,917	18,005
Net decrease (increase) in beneficial interest in assets held by others	(35,630)	(32,500)
Effects on operating cash flows due to changes in:		
Pledges receivable	16,170	(13,802)
Inventory	(4,347)	2,060
Other current assets	(2,147)	(30,347)
General expenses payable	4,676	2,635
Accrued payroll liabilities	(5,859)	6,565
Accrued vacation	507	2,129
Due to designated beneficiaries	(2,736)	3,453
Grants payable	(15,629)	8,065
Net cash provided (used) by operating activities	105,884	(88,601)
Cash flows from investing activities		
Purchase of property and equipment	(4,502)	-
Net cash provided (used) by investing activities	(4,502)	-
Cash flows from financing activities		
Payments on capital lease obligation	(1,917)	(3,035)
Proceeds from issuance of PPP loan	-	71,800
Net cash provided (used) by financing activities	(1,917)	68,765
Change in cash and cash equivalents	99,465	(19,836)
Cash and cash equivalents, beginning of year	1,042,620	1,062,456
Cash and cash equivalents, end of year	\$ 1,142,085	\$ 1,042,620
Supplemental cash flow information		
Property acquired through capital lease	\$ -	\$ 9,984
In-kind revenue	\$ 61,202	\$ 47,255
Cash paid during the year for interest	\$ 220	\$ 304

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Souris Valley United Way, a non-profit organization, is governed and monitored by local citizens. The net funds collected are used in the Minot, North Dakota area. The Souris Valley United Way solicits pledges, collects pledges, and makes payments to selected qualifying beneficiaries. The vision of Souris Valley United Way is to fulfill basic human needs by bringing the community together for the purpose of assisting those in need with food, shelter, wellness, dignity, self-worth, and to encourage their development on the road to being self-sufficient.

The Organization's most significant programs are the Dolly Parton Imagination Library, which provides books to children in the surrounding communities; Backpack Buddies, which provides food for children who might not otherwise have food over the weekend; and the annual Community Shower, whereby the organization collects donated baby and adult personal care items and distributes them to local food pantries and shelter programs in the Minot, North Dakota community.

Basis of Accounting

The financial statements of Souris Valley United Way have been prepared on the accrual basis of accounting. Using this method, revenues are recognized when earned rather than received and expenses are recognized when incurred rather than paid.

Fund Accounting

To ensure observance of limitations and restrictions placed on use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for reporting purposes into funds established according to their nature and purposes. Accordingly, the net assets reflect the results of transactions by fund type.

The assets, liabilities, and net assets of the Organization are reported in self-balancing fund types as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are net assets available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

See Note 7 for more information on the composition of net assets without donor restrictions.

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2022 AND 2021

Net Assets With Donor Restrictions

Net assets with donor restrictions consists of assets whose use is limited by donor imposed, time and/or purpose restrictions.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy.

See Notes 8 and 9 for more information on the composition of net assets with donor restrictions and the release from restrictions, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all certificates of deposits with a maturity of one year or less to be cash equivalents.

Pledges Receivable

Pledges receivable includes outstanding pledges from current and prior fund drives. Pledges from prior fund drives determined to be uncollectible have been charged off and are an offset to revenue on the statements of activities and changes in net assets. Management determines the allowance for uncollectible pledges by identifying troubled accounts and by using historical experience applied to the accounts. All pledges are considered restricted by the donor by time for use in the upcoming fiscal year.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method. Donated items are valued at fair market value at the date of donation.

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2022 AND 2021

Beneficial Interest in Assets Held by Others

Beneficial interest in assets held by others consists of a fund established by the Souris Valley United with the North Dakota Community Foundation, naming the Souris Valley United Way as beneficiary. Beneficial interest in assets held by others is stated at the fair value of the Organization's share of the Community Foundation's investment pool as of the measurement date. Distributions and changes in fair value are recognized in the statements of activities.

The Souris Valley United Way and North Dakota Community Foundation (the Foundation), understand that the bylaws of the Foundation and applicable tax laws require that the board of directors of the Foundation have variance powers over the assets donated to the Souris Valley United Way Foundation Fund (the Fund). The Foundation retains the power to modify any restriction or condition on any distribution from the Fund for any specified charitable purpose or to specified organizations if, it is in the sole judgement of the Foundation, such restriction or condition becomes, in effect, unnecessarily incapable of fulfillment, or inconsistent with the charitable needs of the community of the area which the Foundation serves. The Fund is subject to the Foundation's investment and spending policies which currently results in a distribution to the Organization of 4 percent of the average quarterly value over the previous 12 quarters. It is also agreed that no restrictions or conditions may be imposed upon the administration of the Fund which will prevent the Foundation from freely and effectively employing the transferred assets or income there from and furtherance of its exempt status. The Foundation also retains the power, in the Foundation's sole discretion, to modify or withhold any distribution of principal if such distribution would otherwise fail to qualify for charitable purposes as defined in Section 170(c) of the Internal Revenue Code.

Fair Value Measurements

GAAP establishes a framework for measuring fair value, which 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 under the authoritative guidance are described below:

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

Level 2 – 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 specified (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.

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2022 AND 2021

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.

The fair value of our beneficial interest in assets held by the community foundation is based upon the fair value of fund investments as reported by the community foundation. These are considered to be Level 3 measurements.

Other Current Assets

Other current assets consists of gift cards and store credit for local grocery stores. The gift cards and store credits are restricted for the Backpack Buddies program.

Property and Equipment

The Organization capitalizes property and equipment over \$1,000. Property and equipment is stated at cost less accumulated depreciation or amortization computed on the straight-line method. Contributed property and equipment is recorded at fair value. The estimated useful lives used to compute depreciation are as follows:

Office equipment	5-7 years
Computer equipment	3-7 years

Accrued Vacation

Vacation is earned based on length of eligible service worked by employees, with a maximum carryover of 160 hours per year. Payment in lieu of vacation shall not be granted except in the case of termination. Employees are paid for all accrued hours upon termination.

Due to Designated Beneficiaries

Due to designated beneficiaries represent amounts which have been contributed to the Organization through the annual fund drive that have been designated to pass through to a specific charitable entity. These amounts have been recorded in accordance with professional standards and recognized as a liability to the designated beneficiary concurrent with its recognition of cash or pledges receivable from the donor.

Grants Payable

Grants payable consists of unconditional promises to give other agencies as approved by the board.

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2022 AND 2021

Income Taxes

Under professional standards, the Organization's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence.

The Souris Valley United Way is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Souris Valley United Way has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code.

In-Kind Contributions

Contributed facilities are recorded at their estimated fair value at the date of donation. The Organization reports gifts of advertising, professional services and other nonmonetary contributions as revenue without donor restrictions in the accompanying Statements of Activities and Changes in Net Assets.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled \$14,944 and \$19,185 for the years ended January 31, 2022 and 2021, respectively.

Revenue Recognition

Under ASU Topic 606, revenue from contracts with customers are recognized from the sale of products. The revenue streams are recognized at a point in time. The Organization's contracts do not produce contract assets or liabilities that are material to its financial statements.

Under ASU Topic 958, the Organization recognizes contributions when cash, an unconditional promise to give, or notification of a beneficial interest is received. Depending on the existence and/or nature of any restrictions, contributions received are recorded as support with donor restrictions or support without donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with 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 and Changes in Net Assets as net assets released from restrictions.

Use of Estimates

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

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2022 AND 2021

Functional Expense Allocation

The financial statements of Souris Valley United Way report certain categories of expenses that are attributable to one or more program or supporting services of the Organization and are allocated based on the time of where efforts are made.

NOTE 2 PLEDGES RECEIVABLE

Outstanding pledges as of January 31, 2022 and 2021 include the following:

	<u>2022</u>	<u>2021</u>
Firms	\$ 8,100	\$ 14,244
Residential	2,686	27,596
Employees	85,545	91,578
Less estimated uncollectible amounts	<u>(22,000)</u>	<u>(22,000)</u>
Total	<u>\$ 74,331</u>	<u>\$ 111,418</u>

Pledges receivable consist primarily of pledges made in and around Minot, North Dakota. All pledges are scheduled for receipt in less than one year.

NOTE 3 FAIR VALUE MEASUREMENTS

The following table presents assets measured at fair value on a recurring basis as of January 31, 2022 and 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2022				
Beneficial interest in assets held at ND Community Foundation	<u>\$502,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 502,261</u>
2021				
Beneficial interest in assets held at ND Community Foundation	<u>\$466,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 466,631</u>

The beneficial interest in assets held at the North Dakota Community Foundation have been valued, as a practical expedient, at the fair value of the Organization's share of the Community Foundation's investment pools as of the measurement date. The Community Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair value of certain investments of the Community Foundation, which includes private placements and other securities for which prices may not be readily available, are determined by the management of the Community Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2022 AND 2021

The North Dakota Community Foundation's investments are composed approximately of 3% cash and cash equivalents, 65% equities, 30% bonds, and 2% alternative investments which includes real estate. The beneficial interest in assets held at the North Dakota Community Foundation is not redeemable by the Organization as described in Note 1.

The following is a reconciliation of the beginning and ending balances of beneficial interest in assets held by others measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ending January 31, 2022 and 2021:

	Beneficial Interest in Assets Held by Others
Balance, February 1, 2020	\$ 434,131
Net appreciation in beneficial interest in assets held by others	32,500
Balance, January 31, 2021	466,631
Net appreciation in beneficial interest in assets held by others	35,630
Balance, January 31, 2022	\$ 502,261

NOTE 4 PPP LOAN

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the "Program"). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis. The Organization applied for and received a loan under this Program from First International Bank & Trust in the amount of \$33,700 on April 29, 2020. The Organization was granted forgiveness of the entire PPP loan balance in December 2020 and has included the amount forgiven in other operating revenue on the accompanying statement of activities and changes in net assets for the year ended January 31, 2021.

On January 11, 2021, the First Draw Program was reopened and on January 13, 2021, the Second Draw Paycheck Protection Program opened. The Organization applied for a loan under this program and received a loan from First International Bank & Trust in the amount of \$38,100 on January 28, 2021. The Organization was granted forgiveness of the entire PPP loan balance in July 2021 and has included the amount forgiven in other operating revenue on the accompanying statement of activities and changes in net assets for the year ended January 31, 2022.

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2022 AND 2021

NOTE 5 OPERATING LEASE

The Organization leases its business premises under a 60 month operating lease which initially expired May 30, 2020 and called for monthly payments of \$2,600. The Organization chose to renew the lease which granted a new expiration date of April 30, 2024. The renewed operating lease calls for monthly payments of \$2,850 for 47 months. A summary of future minimum lease payments is as follows:

Year ending January 31:		
2023	\$	34,200
2024		11,400
		<u>\$ 45,600</u>

Rent expense on the business premises lease totaled \$34,200 for the each of the years ended January 31, 2022 and 2021, respectively.

NOTE 6 CAPITAL LEASE

On January 1, 2021, the Organization entered into a lease agreement in which the Organization leases a digital copier under a 60 month capital lease which expires January 1, 2026. The lease calls for monthly payments of \$175, plus an additional \$48 per month for maintenance charges. The Organization is also subject to overage fees if they exceed the monthly copy allowance. The asset and liability under the capital lease is recorded at the present value of future minimum lease payments. The asset is amortized over the lower of its related lease term or its estimated productive life. Amortization of the asset under capital lease is included in depreciation expense for the years ended January 31, 2022 and 2021.

Following is a summary of equipment held under capital lease at January 31, 2022 and 2021:

	2022	2021
Copier	\$ 9,984	\$ 9,984
Less: accumulated amortization	(2,995)	(998)
	<u>\$ 6,989</u>	<u>\$ 8,986</u>

A summary of future minimum lease payments is as follows:

	Gross Payments	Interest	Net Lease Payments
Year ending January 31:			
2023	\$ 2,100	\$ 143	\$ 1,957
2024	2,100	104	1,996
2025	2,100	64	2,036
2026	2,100	22	2,078
Total	<u>\$ 8,400</u>	<u>\$ 333</u>	<u>\$ 8,067</u>

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2022 AND 2021

NOTE 7 NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's net assets without donor restrictions is comprised of undesignated and board designated amounts for the following purposes at January 31, 2022 and 2021:

	<u>2022</u>	<u>2021 (Restated)</u>
Board designated as an emergency reserve	\$ 127,585	\$ 127,521
Undesignated	<u>55,777</u>	<u>12,231</u>
Total net assets without donor restrictions	<u>\$ 183,362</u>	<u>\$ 139,752</u>

Board Designated for an Emergency Reserve

The Organization's board of directors established an emergency reserve fund to provide a source of cash flow for the operational, financial and organizational capacity building needs of the Souris Valley United Way and emergency needs of member agencies in good standing. This fund will allow the Organization to manage cash flow interruptions; meet commitments, obligations or other contingencies; minimize the need for short-term borrowings; provide flexibility for new organizational priorities; and generate investment income.

The fund will grow to a level that is sufficient to sustain three months of operations in the event of a cash flow interruption, and make emergency payments to beneficiaries if needed.

These funds may only be invested in quality investments such as money market savings or passbook savings accounts (FDIC insured), certificates of deposit (FDIC insured), and/or US government obligations. These funds will be held separate from operating funds or other saving accounts.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Subject to the Organization's spending policy and appropriation:		
Beneficial interest in assets held by others in perpetuity at ND Community Foundation	<u>\$ 502,261</u>	<u>\$ 466,631</u>
Subject to the passage of time:		
Time restricted campaign pledges	<u>348,624</u>	<u>359,166</u>
Subject to expenditure for specified purpose:		
Dolly Parton Imagination Library	-	13,860
Backpack Buddies	451,995	375,972
Women United	5,680	6,003
Magic City Blessing Bank	94,241	93,092
Covid Emergency Response	<u>31,600</u>	<u>-</u>
	<u>583,516</u>	<u>488,927</u>
Total net assets with donor restrictions	<u>\$ 1,434,401</u>	<u>\$ 1,314,724</u>

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2022 AND 2021

NOTE 9 NET ASSETS RELEASED FROM RESTRICTIONS

The following table summarizes net assets that were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors for the years ended January 31, 2022 and 2021:

	2022	2021
Purpose restrictions accomplished:		
Dolly Parton Imagination Library	\$ 46,686	\$ 49,155
Backpack Buddies	120,055	67,651
Women United	325	25,448
Magic City Blessing Bank	34,486	33,267
Total purpose restrictions accomplished	201,552	175,521
Released due to the passage of time	293,916	387,656
Total restrictions released	\$ 495,468	\$ 563,177

NOTE 10 FINANCIAL ASSETS AVAILABLE FOR GENERAL USE

The following reflects the financial assets of Souris Valley United Way as of January 31, 2022 and 2021, reduced by amounts unavailable for general expenditure because of contractual or donor-imposed restrictions within one year of the statements of financial position date. Amounts unavailable also includes amounts set aside for a board designated reserve. Financial assets are considered to be cash and cash equivalents and other assets readily convertible to cash.

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 1,142,085	\$ 1,042,620
Pledges and accounts receivable, net	74,331	111,418
Beneficial interest in assets held by others	502,261	466,631
Other current assets	80,311	78,164
Total financial assets	1,798,988	1,698,833
Less those unavailable for general expenditures within one year:		
Beneficial interest in assets held by others in perpetuity at ND Community Foundation	502,261	466,631
Contractual or donor-imposed restrictions:		
Restricted by donor for a specific period of time	348,624	359,166
Restricted by donor for a specific purpose	583,516	488,927
Total financial assets unavailable for general expenditures	1,434,401	1,314,724
Financial assets available to meet cash needs for general expenditures within one year	\$ 364,587	\$ 384,109

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2022 AND 2021

Souris Valley United Way is supported through general and restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 11 CONTRIBUTED SERVICES

A substantial number of unpaid volunteers have made significant contributions of their time to carry out the fund drive of the Souris Valley United Way. In accordance with professional standards, the value of this contributed time is not reflected in these statements.

NOTE 12 IN-KIND CONTRIBUTIONS

The Organization received in-kind contributions totaling \$61,202 and \$47,255 for the years ended January 31, 2022 and 2021, respectively. In-kind contributions included in the accompanying Statements of Functional Expenses consisted of the following as of January 31, 2022 and 2021:

	2022	2021
Rent	\$ 8,288	\$ 8,038
Advertising	9,800	26,975
Backpack Buddies food	13,117	-
Dolly Parton Imagination Library books	24,890	12,242
Community Shower supplies	4,339	-
Hole in One Contest prizes	500	-
Bowlapalooza food	268	-
In-kind contributions, end of year	\$ 61,202	\$ 47,255

NOTE 13 CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits as guaranteed by the Federal Deposit Insurance Corporation (FDIC). The Organization maintains their cash deposits in large, well-capitalized financial institutions. The Organization has not experienced any losses in such accounts nor does the Organization believe it is exposed to any significant credit risk on cash accounts.

NOTE 14 UNCERTAIN TAX POSITIONS

It is the opinion of management that the Organization has no significant uncertain tax positions that would be subject to change upon examination. The federal income tax returns of the Organization are subject to examination by the IRS, generally for three years after they were filed. All tax filings are up-to-date.

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2022 AND 2021

NOTE 15 NEW ACCOUNTING PRONOUNCEMENTS

ASU 2016-02, *Leases* (Topic 842) – During 2016, the FASB issued guidance to change the accounting for leases. The main provision of ASU 2016-01 is that lessees will be required to recognize lease assets and lease liabilities for most long-term leases, including those classified as operating leases under GAAP. The ASU is effective for the Organization for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326) - Among other provisions, this ASU requires the allowance for credit losses to reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. For all non-public entities, the ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years.

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) – During 2020, the FASB issued guidance to change the financial presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The ASU is effective for the Organization for the fiscal years beginning after June 15, 2021 and interim periods within fiscal years beginning after June 15, 2022.

Management has not yet determined what effect these pronouncements will have on the Organization's consolidated financial statements.

With the exception of the new standards discussed above, management has not identified any other new accounting pronouncements that have potential significance to the Organization's consolidated financial statements.

NOTE 16 RESTATEMENT

During the 2022 audit, it was determined that the balance of grants payable was understated as of January 31, 2021. Adjustments were made to January 31, 2021 balance of grants payable as well as the respective statement of activities accounts. This led to an increase in grants payable and reduction in net assets without donor restrictions as of January 31, 2021 of \$189,621.

NOTE 17 PRIOR PERIOD ADJUSTMENT

During the 2022 audit, it was determined that the balance of net asset assets without donor restrictions was overstated as of January 31, 2020. Adjustments were made to decrease the beginning balance of net assets without donor restrictions by \$181,556.

NOTE 18 SUBSEQUENT EVENTS

There were no significant events that occurred subsequent to year end. Subsequent events have been evaluated through July 26, 2022, which is the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SOURIS VALLEY UNITED WAY
SCHEDULES OF ALLOTMENTS TO AGENCIES
FOR THE YEARS ENDED JANUARY 31, 2022 AND 2021

	<u>2022</u>	<u>2021 (Restated)</u>
Domestic Violence Crisis Center	\$ 38,000	\$ 36,500
Minot Area Homeless Coalition	30,000	29,000
Northern Plains Child Advocacy	30,000	25,000
Minot Commission on Aging	25,000	22,000
YWCA	10,000	17,000
Community Action	-	12,000
Salvation Army	2,500	7,500
Village Family Service Center	-	7,500
Catholic Family Services	4,205	3,200
Companions for Children	10,000	10,000
YMCA	4,895	4,896
American Red Cross	2,000	2,000
Boy Scouts	3,000	-
Bottineau Winter Park - Annie's House	-	25
Girl Scouts	1,000	-
Lutheran Social Services	3,200	2,500
FirstLink	1,500	2,000
Full Steam Ahead	192	1,500
Minot Literacy Volunteers	1,000	2,000
Mountain Plains Child Care	5,000	5,000
Total allotments to agencies of the organization	<u>171,492</u>	<u>189,621</u>
Amounts designated by donors	<u>(9,457)</u>	<u>(5,084)</u>
	<u>\$ 162,035</u>	<u>\$ 184,537</u>