

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 Souris Valley United Way 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.

### 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.

## **Adoption of New Accounting Standards**

As discussed in Note 1 to the financial statements, the Organization changed its method of accounting for leases in 2023 due to the adoption of FASB ASU No. 2016-02, Leases (Topic 842), as amended, effective February 1, 2022, using the modified retrospective approach by recognizing a cumulative effect adjustment at the beginning of the period of adoption.

## 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 24 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 24, 2023

**SOURIS VALLEY UNITED WAY**  
**STATEMENTS OF FINANCIAL POSITION**  
**JANUARY 31, 2023 AND 2022**

ASSETS	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 1,276,997	\$ 1,142,085
Pledges receivable		
Outstanding pledges	94,694	96,331
Less: provision for uncollectible pledges	(22,000)	(22,000)
Net pledges receivable	<u>72,694</u>	<u>74,331</u>
Other current assets		
Inventory	17,508	15,543
Other current assets	51,179	80,311
Total other current assets	<u>68,687</u>	<u>95,854</u>
Total current assets	<u>1,418,378</u>	<u>1,312,270</u>
Other assets		
Finance lease right of use asset	4,977	-
Operating lease right of use asset	36,667	-
Beneficial interest in assets held by others	430,210	502,261
Total other assets	<u>471,854</u>	<u>502,261</u>
Property and equipment		
Office equipment	6,015	16,000
Computer equipment	26,155	23,921
	<u>32,170</u>	<u>39,921</u>
Less accumulated depreciation and amortization	(26,913)	(27,809)
Net property and equipment	<u>5,257</u>	<u>12,112</u>
Total assets	<u>\$ 1,895,489</u>	<u>\$ 1,826,643</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
General expenses payable	\$ 2,391	\$ 12,987
Accrued payroll liabilities	15,137	4,522
Accrued vacation	7,634	6,322
Current portion of operating lease liability	33,000	-
Current portion of finance lease liability	2,020	-
Current portion of capital lease obligation	-	1,957
Due to designated beneficiaries	4,270	2,990
Grants payable	211,515	173,992
Total current liabilities	<u>275,967</u>	<u>202,770</u>
Long-term liabilities		
Capital lease obligation payable (net of current portion)	-	6,110
Long-term finance lease liability	3,966	-
Total long-term liabilities	<u>3,966</u>	<u>6,110</u>
Total liabilities	<u>279,933</u>	<u>208,880</u>
Net assets		
Without donor restrictions	220,522	183,362
With donor restrictions	1,395,034	1,434,401
Total net assets	<u>1,615,556</u>	<u>1,617,763</u>
Total liabilities and net assets	<u>\$ 1,895,489</u>	<u>\$ 1,826,643</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, 2023**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Public support:			
Total amounts raised	\$ -	\$ 524,087	\$ 524,087
Less: designations by donors to specific organizations	-	(7,861)	(7,861)
Less: provision for uncollectible pledges	-	(17,095)	(17,095)
Total public support	<u>-</u>	<u>499,131</u>	<u>499,131</u>
Other operating revenue (expense):			
Other collections	50,083	174,579	224,662
In-kind revenue	41,623	-	41,623
Special events	48,013	-	48,013
Net assets released from restriction	641,026	(641,026)	-
Total other operating revenue (expense)	<u>780,745</u>	<u>(466,447)</u>	<u>314,298</u>
Total public support and other operating revenue (expense)	<u>780,745</u>	<u>32,684</u>	<u>813,429</u>
Allocations and other functional expenses			
Program services:			
Agency allocations	201,654	-	201,654
Community services	263,385	-	263,385
Total program services	<u>465,039</u>	<u>-</u>	<u>465,039</u>
Supporting services:			
Fundraising/Fund Drive	135,156	-	135,156
Administration	145,136	-	145,136
Total supporting services	<u>280,292</u>	<u>-</u>	<u>280,292</u>
Total expenses	<u>745,331</u>	<u>-</u>	<u>745,331</u>
Other non-operating revenue (expense):			
Net investment income	1,746	-	1,746
Increase (decrease) in beneficial interest in assets held by others	-	(72,051)	(72,051)
Total other non-operating revenue (expense)	<u>1,746</u>	<u>(72,051)</u>	<u>(70,305)</u>
Change in net assets	37,160	(39,367)	(2,207)
Net assets, beginning of year	<u>183,362</u>	<u>1,434,401</u>	<u>1,617,763</u>
Net assets, end of year	<u>\$ 220,522</u>	<u>\$ 1,395,034</u>	<u>\$ 1,615,556</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 operating 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			
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	<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, as previously stated	139,752	1,314,724	1,454,476
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 FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JANUARY 31, 2023**

	Program Services		Supporting Services		Total
	Agency Allocations	Community Services	Fundraising/ Fund Drive	Administration	
Agency allocation payments	\$ 209,515	\$ -	\$ -	\$ -	\$ 209,515
Less: allocations funded through donor designations	(7,861)	-	-	-	(7,861)
Salaries	-	66,115	52,281	81,226	199,622
Employee benefits	-	1,436	1,136	1,765	4,337
Dolly Parton Imagination Library books	-	37,731	-	-	37,731
Backpack Buddies food	-	107,166	-	-	107,166
Blessing Bank supplies	-	27,600	-	-	27,600
Community Shower	-	-	30	-	30
Rent	-	13,857	10,958	17,025	41,840
Professional fees	-	-	-	21,847	21,847
Dues - United Fund National	-	-	-	4,028	4,028
Telephone	-	688	544	845	2,077
Travel and meeting	-	-	-	6,771	6,771
Advertising, printing, and postage	-	500	63,130	614	64,244
Office equipment maintenance	-	5,126	4,054	6,298	15,478
Dues and subscriptions	-	675	534	829	2,038
Licenses and fees	-	-	518	-	518
Insurance	-	1,193	945	1,468	3,606
Bank service charges	-	-	-	825	825
Depreciation and amortization	-	1,261	997	1,549	3,807
Interest	-	37	29	46	112
<b>Total expenses</b>	<b>\$ 201,654</b>	<b>\$ 263,385</b>	<b>\$ 135,156</b>	<b>\$ 145,136</b>	<b>\$ 745,331</b>

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
<b>Total expenses</b>	<b>\$ 162,035</b>	<b>\$ 250,698</b>	<b>\$ 168,079</b>	<b>\$ 110,322</b>	<b>\$ 691,134</b>

SEE NOTES TO THE FINANCIAL STATEMENTS

**SOURIS VALLEY UNITED WAY**  
**STATEMENTS OF CASH FLOWS**  
FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ (2,207)	\$ 163,287
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	3,807	4,775
Non-cash rent	(3,447)	-
PPP loan forgiveness	-	(38,100)
Provision for uncollectible pledges	17,095	20,917
Net decrease (increase) in beneficial interest in assets held by others	72,051	(35,630)
Effects on operating cash flows due to changes in:		
Pledges receivable	(15,458)	16,170
Inventory	(1,965)	(4,347)
Other current assets	29,132	(2,147)
General expenses payable	(10,596)	4,676
Accrued payroll liabilities	10,615	(5,859)
Accrued vacation	1,312	507
Due to designated beneficiaries	1,280	(2,736)
Grants payable	37,523	(15,629)
Net cash provided (used) by operating activities	139,142	105,884
Cash flows from investing activities		
Purchase of property and equipment	(2,234)	(4,502)
Net cash provided (used) by investing activities	(2,234)	(4,502)
Cash flows from financing activities		
Payments on capital lease obligation	-	(1,917)
Principal payments on finance lease liabilities	(1,996)	-
Net cash provided (used) by financing activities	(1,996)	(1,917)
Change in cash and cash equivalents	134,912	99,465
Cash and cash equivalents, beginning of year	1,142,085	1,042,620
Cash and cash equivalents, end of year	\$ 1,276,997	\$ 1,142,085
Supplemental cash flow information		
Cash paid during the year for interest	\$ 112	\$ 220
Schedule of noncash items		
Right of use asset obtained in exchange for new operating lease liabilities	\$ 65,898	\$ -
Right of use asset obtained in exchange for new finance lease liabilities	\$ 7,974	\$ -
In-kind revenue	\$ 41,623	\$ 61,202

SEE NOTES TO THE FINANCIAL STATEMENTS

**SOURIS VALLEY UNITED WAY**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

**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 Presentation**

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America, ("U.S. GAAP"), as codified by the Financial Accounting Standards Board.

**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.

**SOURIS VALLEY UNITED WAY**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

See Note 6 for more information on the composition of net assets without donor restrictions.

**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 and changes in net assets 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 7 and 8 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  
FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

**Leases**

The Organization is lessee in multiple noncancelable operating and finance leases. The Organization leases its office under an operating lease with a 5 year initial term. The lease includes a renewal option which can extend the lease term up to 5 years. The Organization leases equipment under a finance lease with terms of 5 years.

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Organization obtains substantially all of the economic benefits from and have the ability to direct the use of the asset. Operating and finance lease right-of-use ("ROU ") assets and liabilities for leases with an initial lease term of more than 12 months, or that contain an option to purchase that the Organization is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the Organization has made an accounting policy election to use a risk-free rate based on US Treasury T-bill rate as of the lease commencement.

The Organization has elected to not recognize ROU assets and lease liabilities for short-term leases. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Companies are reasonably certain to exercise. The Organization continues to record rent expense for short term leases on a straight-line basis over the lease term.

The depreciable life of assets and leasehold improvements for leases among unrelated parties are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

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

**Operating Leases**

Operating lease assets represent the Organization's right to use an underlying asset for the lease term and ROU lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease agreements may contain tenant improvement allowances, rent holidays, rent escalation clauses and/or contingent rent provisions. The ROU lease asset includes any required base rent payments and excludes lease incentives and variable operating expenses. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

**Finance Leases**

For finance leases, the Organization recognizes interest expense on ROU lease liabilities using the effective interest method and amortizes the ROU assets on a straight-line basis over the lease term.

**SOURIS VALLEY UNITED WAY**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

**Beneficial Interest in Assets Held by Others**

Beneficial interest in assets held by others consists of a fund established by the Souris Valley United Way 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 and changes in net assets.

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  
FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

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 consist 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 to other agencies as approved by the board.



**SOURIS VALLEY UNITED WAY**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

**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 \$23,269 and \$14,944 for the years ended January 31, 2023 and 2022, 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  
FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

**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.

**Adoption of New Accounting Standards**

Effective February 1, 2022, the Organization adopted FASB ASC 842, Leases. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The adoption of FASB ASC 842 resulted in the recognition of right-of-use-assets, net of prepaid lease payments and lease incentives, and operating lease liabilities of \$73,872 as of February 1, 2022. Results for periods beginning prior to February 1, 2022 continue to be reported in accordance with the Organization's historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Organization's results of operations, cash flows or debt covenants.

In September 2020, FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The purpose of the ASU is to clarify the presentation and disclosure of contributed nonfinancial assets. The Organization has implemented the provisions of ASU 2020-07, effective February 1, 2022.

**NOTE 2 PLEDGES RECEIVABLE**

Outstanding pledges as of January 31, 2023 and 2022 include the following:

	2023	2022
Firms	\$ 3,632	\$ 8,100
Residential	1,312	2,686
Employees	89,750	85,545
Less estimated uncollectible amounts	(22,000)	(22,000)
Total	\$ 72,694	\$ 74,331

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

**SOURIS VALLEY UNITED WAY**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

**NOTE 3 FAIR VALUE MEASUREMENTS**

The following table presents assets measured at fair value on a recurring basis as of January 31, 2023 and 2022:

	Fair Value	Level 1	Level 2	Level 3
2023				
Beneficial interest in assets held at ND Community Foundation	<u>\$ 430,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 430,210</u>
2022				
Beneficial interest in assets held at ND Community Foundation	<u>\$ 502,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 502,261</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. 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, 2023 and 2022:

	Beneficial Interest in Assets Held by Others
Balance, February 1, 2021	\$ 466,631
Net appreciation in beneficial interest in assets held by others	<u>35,630</u>
Balance, January 31, 2022	502,261
Net decrease in beneficial interest in assets held by others	<u>(72,051)</u>
Balance, January 31, 2023	<u>\$ 430,210</u>

**SOURIS VALLEY UNITED WAY**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

**NOTE 4 PPP LOAN**

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.

**NOTE 5 LEASES**

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 \$2,750 for 47 months.

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 statement of financial position presents operating lease ROU assets of \$36,667, finance lease ROU assets of \$4,977, operating lease liabilities of \$33,000, and finance lease liabilities of \$5,986 as of January 31, 2023.

Operating lease cost is recognized on a straight-line basis over the lease term and is included in program expenses on the statements of activities and changes in net assets.

**SOURIS VALLEY UNITED WAY**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

The summary of lease expense and other information follows:

<b>Lease expense</b>	<u>2023</u>
Finance lease expense	
Amortization of ROU assets	\$ 1,707
Interest on lease liabilities	112
Operating lease expense	<u>29,333</u>
<b>Total</b>	<u><u>\$ 31,152</u></u>

**Other Information**

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from finance leases (i.e. Interest)	\$104
Financing cash flows from finance leases (i.e. principal portion)	\$1,996
Operating cash flows from operating leases	\$33,000
ROU assets obtained in exchange for new finance lease liabilities	\$7,974
ROU assets obtained in exchange for new operating lease liabilities	\$65,898
Weighted-average remaining lease term in years for finance leases	2.92
Weighted-average remaining lease term in years for operating leases	1.25
Weighted-average discount rate for finance leases	1.63%
Weighted-average discount rate for operating leases	0.31%

The future minimum lease commitments under operating and finance leases as of January 31, 2023 are as follows:

	<u>Finance</u>	<u>Operating</u>
2024	\$ 2,100	\$ 33,000
2025	2,100	-
2026	1,925	-
2027	-	-
2028	-	-
Thereafter	-	-
Total undiscounted cash flows	<u>6,125</u>	<u>33,000</u>
Less: present value discount	(139)	-
Total lease liabilities	<u><u>\$ 5,986</u></u>	<u><u>\$ 33,000</u></u>

**SOURIS VALLEY UNITED WAY**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

**NOTE 6 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, 2023 and 2022:

	2023	2022
Board designated as an emergency reserve	\$ 128,003	\$ 127,585
Undesignated	92,519	55,777
Total net assets without donor restrictions	\$ 220,522	\$ 183,362

**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 7 NET ASSETS WITH DONOR RESTRICTIONS**

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

	2023	2022
Subject to the Organization's spending policy and appropriation:		
Beneficial interest in assets held by others in perpetuity at ND Community Foundation	\$ 430,210	\$ 502,261
Subject to the passage of time:		
Time restricted campaign pledges	499,131	348,624
Subject to expenditure for specified purpose:		
Backpack Buddies	384,977	451,995
Women United	4,219	5,680
Magic City Blessing Bank	76,497	94,241
Covid Emergency Response	-	31,600
	465,693	583,516
Total net assets with donor restrictions	\$ 1,395,034	\$ 1,434,401

**SOURIS VALLEY UNITED WAY**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

**NOTE 8 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Purpose restrictions accomplished:		
Dolly Parton Imagination Library	\$ 37,731	\$ 46,686
Backpack Buddies	107,166	120,055
Women United	1,461	325
Magic City Blessing Bank	52,917	34,486
Total purpose restrictions accomplished	<u>199,275</u>	<u>201,552</u>
Released due to the passage of time	<u>441,751</u>	<u>293,916</u>
Total restrictions released	<u>\$ 641,026</u>	<u>\$ 495,468</u>

**NOTE 9 FINANCIAL ASSETS AVAILABLE FOR GENERAL USE**

The following reflects the financial assets of Souris Valley United Way as of January 31, 2023 and 2022, 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.

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 1,276,997	\$ 1,142,085
Pledges and accounts receivable, net	72,694	74,331
Other current assets	51,179	80,311
Total financial assets	<u>1,400,870</u>	<u>1,296,727</u>
Less those unavailable for general expenditures within one year:		
Contractual or donor-imposed restrictions:		
Restricted by donor for a specific period of time	499,131	348,624
Restricted by donor for a specific purpose	465,693	583,516
Total financial assets unavailable for general expenditures	<u>964,824</u>	<u>932,140</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 436,046</u>	<u>\$ 364,587</u>

**SOURIS VALLEY UNITED WAY**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022

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 10 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 11 RELATED PARTY TRANSACTIONS**

During the year ended January 31, 2023, the Organization contracted ProIT to perform IT support services. An owner of ProIT is an immediate family member of Souris Valley United Way's Executive Director. Souris Valley United Way made payments totaling \$12,926 to ProIT for services and purchases of technological equipment.

**NOTE 12 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 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 13 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**  
**FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022**

**NOTE 14 IN-KIND CONTRIBUTIONS**

The Organization received in-kind contributions totaling \$41,623 and \$47,255 for the years ended January 31, 2023 and 2022, respectively. The Organization values contributed nonfinancial assets based upon the fair market value of the goods received or services rendered. In-kind contributions included in the accompanying Statements of Activities and changes in net assets consisted of the following as of January 31, 2023 and 2022:

	Community Services	Fundraising/ Fund Drive	Administration	Total
<u>January 31, 2023</u>				
Rent	\$ 2,745	\$ 2,171	\$ 3,372	\$ 8,288
Blessing Bank household supplies	6,240	-	-	6,240
Backpack Buddies food	5,340	-	-	5,340
Backpack Buddies backpacks	7,500	-	-	7,500
Dolly Parton Imagination Library books	400	-	-	400
Community Shower supplies	-	1,145	-	1,145
Bowlapalooza food	-	300	-	300
Bowlapalooza prizes	-	750	-	750
Magi United Day food	-	1,000	-	1,000
Magi United Day prizes	-	200	-	200
Campaign Kick Off silent auction gift cards	-	175	-	175
Campaign Kick Off silent auction gift baskets	-	2,116	-	2,116
Annual Luncheon prizes	-	280	-	280
Advertising	-	7,889	-	7,889
In-kind contributions, end of year	<u>\$ 22,225</u>	<u>\$ 16,026</u>	<u>\$ 3,372</u>	<u>\$ 41,623</u>
	Community Services	Fundraising/ Fund Drive	Administration	Total
<u>January 31, 2022</u>				
Rent	\$ 2,379	\$ 3,525	\$ 2,384	\$ 8,288
Backpack Buddies food	13,117	-	-	13,117
Dolly Parton Imagination Library books	24,890	-	-	24,890
Community Shower supplies	-	4,339	-	4,339
Hole in One Contest prizes	-	500	-	500
Bowlapalooza food	-	268	-	268
Advertising	-	9,800	-	9,800
In-kind contributions, end of year	<u>\$ 40,386</u>	<u>\$ 8,632</u>	<u>\$ 2,384</u>	<u>\$ 61,202</u>

**NOTE 15 SUBSEQUENT EVENTS**

As of April 11, 2023, Souris Valley United Way signed a 5 year lease contract for a new office space. The lease is effective October 1, 2023 and requires monthly lease payments of \$2,850.

With the exception of those discussed above, there were no significant events that occurred subsequent to year end. Subsequent events have been evaluated through July 24, 2023, 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, 2023 AND 2022**

	2023	2022
Domestic Violence Crisis Center	\$ 39,130	\$ 38,000
Minot Area Homeless Coalition	30,710	30,000
Northern Plains Child Advocacy	30,000	30,000
Minot Commission on Aging	37,518	25,000
YWCA	25,000	10,000
Community Action	25	-
Salvation Army	-	2,500
Catholic Family Services	4,132	4,205
Companions for Children	12,500	10,000
YMCA	4,895	4,895
American Red Cross	-	2,000
Boy Scouts	1,360	3,000
Bottineau Winter Park - Annie's House	25	-
Girl Scouts	1,020	1,000
Lutheran Social Services	3,200	3,200
FirstLink	2,000	1,500
Full Steam Ahead	3,500	192
Minot Literacy Volunteers	2,000	1,000
Mountain Plains Child Care	5,000	5,000
Total allotments to agencies of the organization	209,515	171,492
 Amounts designated by donors	 (7,861)	 (9,457)
 Total	 \$ 201,654	 \$ 162,035