

**UNITED WAY OF OTTER TAIL &  
WADENA COUNTIES, INC.**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2023 and 2022**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
United Way of Otter Tail & Wadena Counties, Inc.  
Fergus Falls, Minnesota

### **Opinion**

We have audited the accompanying financial statements of United Way of Otter Tail & Wadena Counties, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Otter Tail & Wadena Counties, Inc. as of December 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 United Way of Otter Tail & Wadena Counties, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

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

*Carlson SV JH*

Amery, Wisconsin  
October 11, 2024

# UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.

## STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 421,408	\$ 426,828
Beneficial interest in assets held by others	61,417	54,566
Contributions receivable, net	17,534	78,323
Prepaid expense	1,009	1,009
Total Current Assets	<u>501,368</u>	<u>560,726</u>
<b>OTHER ASSETS</b>		
Operating lease right-of-use asset	<u>23,384</u>	<u>-</u>
<b>PROPERTY AND EQUIPMENT</b>		
Property and equipment	19,220	19,220
Accumulated depreciation	<u>(19,220)</u>	<u>(19,220)</u>
Property and Equipment, Net	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 524,752</u></u>	<u><u>\$ 560,726</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 5,198	\$ 17,400
Accrued expenses	34,519	20,682
Obligations under operating leases	5,156	-
Fiscal agent liability	<u>2,076</u>	<u>-</u>
Total Current Liabilities	46,949	38,082
<b>LONG-TERM LIABILITIES</b>		
Obligations under operating leases	<u>18,228</u>	<u>-</u>
Total Liabilities	<u>65,177</u>	<u>38,082</u>
<b>NET ASSETS</b>		
Without donor restrictions	426,875	219,751
With donor restrictions	<u>32,700</u>	<u>302,893</u>
Total Net Assets	<u>459,575</u>	<u>522,644</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 524,752</u></u>	<u><u>\$ 560,726</u></u>

*(The accompanying notes are an integral part of these financial statements.)*

**UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.**  
**STATEMENTS OF ACTIVITIES**  
For the Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING ACTIVITIES</b>						
Revenues, Gains, and Other Support						
Contributions and grants						
Campaign contributions	\$ 287,089	\$ 29,573	\$ 316,662	\$ 85,281	\$ 302,893	\$ 388,174
Fundraising events	94,899	-	94,899	140,286	-	140,286
All other contributions	2,972	25,000	27,972	26,438	-	26,438
In-kind contributions	-	-	-	6,001	-	6,001
Investment return, net	7,774	-	7,774	(10,600)	-	(10,600)
Miscellaneous revenue	2,775	-	2,775	3,637	-	3,637
Net assets released from restrictions	324,766	(324,766)	-	353,738	(353,738)	-
Total Support and Revenue	<u>720,275</u>	<u>(270,193)</u>	<u>450,082</u>	<u>604,781</u>	<u>(50,845)</u>	<u>553,936</u>
Expenses						
Program services	326,172	-	326,172	338,039	-	338,039
Support services						
Management and general	100,589	-	100,589	91,694	-	91,694
Fundraising	86,390	-	86,390	87,728	-	87,728
Total Expenses	<u>513,151</u>	<u>-</u>	<u>513,151</u>	<u>517,461</u>	<u>-</u>	<u>517,461</u>
<b>CHANGE IN NET ASSETS</b>	207,124	(270,193)	(63,069)	87,320	(50,845)	36,475
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>219,751</u>	<u>302,893</u>	<u>522,644</u>	<u>132,431</u>	<u>353,738</u>	<u>486,169</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 426,875</u></u>	<u><u>\$ 32,700</u></u>	<u><u>\$ 459,575</u></u>	<u><u>\$ 219,751</u></u>	<u><u>\$ 302,893</u></u>	<u><u>\$ 522,644</u></u>

*(The accompanying notes are an integral part of these financial statements.)*

**UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Years Ended December 31, 2023 and 2022

	<b>2023</b>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants and awards	\$ 257,080	\$ -	\$ -	\$ 257,080
Salaries and benefits	48,989	17,748	52,492	119,229
Fees for services	-	21,102	-	21,102
Advertising and promotion	1,284	1,437	7,802	10,523
Office expenses	7,332	17,677	4,650	29,659
Information technology	-	9,632	-	9,632
Occupancy	5,493	1,001	5,886	12,380
Travel and transportation	1,106	686	847	2,639
Conferences, conventions, and meetings	-	592	-	592
Payments to affiliates	4,888	-	-	4,888
Insurance	-	6,722	-	6,722
Other expenses	-	23,992	14,713	38,705
<b>TOTAL</b>	<b><u>\$ 326,172</u></b>	<b><u>\$ 100,589</u></b>	<b><u>\$ 86,390</u></b>	<b><u>\$ 513,151</u></b>

  

	<b>2022</b>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 255,054	\$ -	\$ -	\$ 255,054
Salaries and benefits	63,188	36,905	53,653	153,746
Fees for services	-	19,660	-	19,660
Advertising and promotion	1,967	500	6,415	8,882
Office expenses	6,332	8,884	16,097	31,313
Information technology	-	3,119	-	3,119
Occupancy	4,464	2,052	3,789	10,305
Travel and transportation	1,970	1,967	1,565	5,502
Conferences, conventions, and meetings	-	1,083	-	1,083
Payments to affiliates	5,064	-	-	5,064
Depreciation	-	4,219	-	4,219
Insurance	-	3,350	-	3,350
Other expenses	-	9,955	6,209	16,164
<b>TOTAL</b>	<b><u>\$ 338,039</u></b>	<b><u>\$ 91,694</u></b>	<b><u>\$ 87,728</u></b>	<b><u>\$ 517,461</u></b>

*(The accompanying notes are an integral part of these financial statements.)*

# UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (63,069)	\$ 36,475
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	-	4,219
Net realized and unrealized gains on short-term investments	(5,145)	11,790
Net operating changes in		
Contributions receivable, net	60,789	10,479
Accounts payable	(12,202)	14,113
Escrow or custodial account liability	2,076	(10,568)
Accrued expenses	13,837	4,820
Net Cash Provided by Operating Activities	(3,714)	71,328
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to beneficial interest in assets held by others	(1,706)	(809)
Withdrawals from beneficial interest in assets held by others	-	7,600
Net Cash Used by Investing Activities	(1,706)	6,791
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(5,420)	78,119
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	426,828	348,709
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b>\$ 421,408</b>	<b>\$ 426,828</b>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Cash paid for amounts included in the measurement of lease liabilities		
Operating leases	\$ 3,707	\$ -
Right-of-use assets obtained in exchange for lease liabilities		
Operating leases	\$ 27,091	\$ -

*(The accompanying notes are an integral part of these financial statements.)*



**UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

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**NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

The United Way of Otter Tail & Wadena Counties, Inc. (the Organization) is a Minnesota corporation. The Organization is a not-for-profit corporation whose mission is to improve lives by mobilizing the caring powers in our communities. United Way was formed in 1945 and is governed by a volunteer Board of Directors which is made up of approximately 15-20 members who serve terms ranging from three to six years. United Way of Otter Tail & Wadena Counties is committed to compliance with United Way Worldwide Standards of Excellence.

United Way's primary fundraising efforts are through workplace campaigns and community appeals. United Way provides opportunities for people throughout Otter Tail and Wadena counties to give of their financial resources, volunteer their time, and advocate for causes that are important to the community. All of United Way's community efforts are rooted in the established priorities of education, financial stability, and health.

Campaigns are conducted year-round to support programs primarily in the subsequent fiscal year. Campaign contributions are used primarily to support a variety of health and human service programs and to pay United Way's operating expenses. Not-for-profit organizations may receive funding either through the Community Investment Process (CIP) or via donor designation.

Donations without donor restrictions to United Way are distributed throughout Otter Tail and Wadena counties through the CIP. United Way's Community Impact agenda includes 3 priority areas in which not-for-profit organizations may submit program funding requests. Unrestricted dollars are divided among these priority areas by United Way's Community Investment Committee and the Board of Directors, based on community needs and input from United Way's donor base. Approximately sixty volunteers participate in community investment panels to evaluate funding applications within each priority area. Information regarding the program's structure, measurable outcomes, plans for improvement, and customer feedback are key components in determining program funding levels. Each panel makes a set of funding recommendations for their assigned priority area to the Community Investment Committee which in turn submits final recommendations for Board approval. Distribution of these funds are made in equal quarterly payments.

Donors may choose to designate their pledges directly to any specific not-for-profit organization. United Way verifies the organization's tax-exempt status prior to disbursement. In addition, these organizations are required to provide a Patriot Act Compliance form annually. A final reporting and transmittal of all cash donations through the end of the fiscal year is done in December.

**UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

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**NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

The following is a summary of significant accounting policies followed in the preparation of these financial statements:

**Cash, Cash Equivalents, and Restricted Cash**

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

**Contributions Receivable**

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The allowance for uncollectible contributions receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectible. At December 31, 2023 and 2022, the allowance was \$13,500 and \$13,500, respectively.

**Beneficial Interest in Assets Held by Others**

The Organization established a fund with West Central Initiative (WCI) and named the Organization as beneficiary. The Organization granted variance power to WCI, which allows WCI to modify any condition or restriction on its distributions for any specified charitable purpose to any specified organization if, in the sole judgment of WCI's board of directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community foundation. The fund is held and invested by WCI for the Organization's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities. Fair value is based on the fair value of fund investments as reported by WCI, and short-term investments held in the fund are considered to be Level 3 measurements under the fair value measurements hierarchy.

**UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

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**NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Property and Equipment**

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value at the date of donation. Depreciation and amortization are computed using the straight-line method over the lesser of the estimated useful lives of the assets ranging from 3 to 7 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2023 and 2022.

**Right of Use Leased Assets and Liabilities**

Right to use leased assets and the related liabilities are recognized at the lease commencement date and represent the Organization's right to use an underlying asset and lease obligations for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. The amortization period varies among the leases.

**UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

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**NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions**

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

**Net Assets With Donor Restrictions**

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where by the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Organization reports conditional contributions restricted by donors as increased in net assets without donor restriction if the restrictions and conditions expire simultaneously in the reporting period.

**Revenue and Revenue Recognition**

Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

**In-Kind Contributions**

Contributed nonfinancial assets includes donated use of facilities, supplies, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. The Organization does not sell donated gifts in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet the criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

**UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

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**NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Advertising**

Advertising costs are expensed as incurred and amounted to \$10,523 and \$8,882 for the years ended December 31, 2023 and 2022, respectively.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, advertising and promotion, office expenses, occupancy, travel and transportation, conferences and meetings, which are allocated on the basis of estimates of time and effort.

**Income Taxes**

United Way of Otter Tail & Wadena Counties, Inc. is organized as a Minnesota nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3). The entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates, and those differences could be material.

**UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

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**NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Financial Instruments and Credit Risk**

Deposit concentration risk is managed by placing cash with financial institution believed to be creditworthy. At times, amounts on deposit may exceed insured limits. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. As of December 31, 2023 and 2022, the Organization had approximately \$175,000 and \$190,000, respectively, in excess of FDIC insurance limits. To date, no losses have been experienced in any of these accounts. Credit risk associated with and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from individuals and organizations supportive of the Organization’s mission. Investments are monitored by the Organization and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization believes that the investment policies and guidelines are prudent for the long-term welfare of the organization.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**Recently Adopted Accounting Guidance**

**Change in Accounting Principle**

In February 2016, the Financial Accounting Standards Board (“FASB”) issued new guidance on the measurement of current expected credit losses (“CECL”) on financial instruments. The FASB has subsequently issued additional guidance amending certain aspects of the measurement of CECL. The new guidance has replaced the incurred loss methodology of recognizing credit losses on financial instruments with a methodology that estimates the expected credit loss on financial instruments and reflects the net amount expected to be collected on the financial instrument. The Organization adopted this change in accounting principle effective January 1, 2023 using the modified retrospective method. Accordingly, financial information for periods prior to the date of initial application has not been adjusted. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosure only.

**Subsequent Events Consideration**

Management has evaluated subsequent events through October 11, 2024, the date on which the financial statements were available to be issued. Except as disclosed in Note 10, management has determined that there were no other material events that would require recognition or disclosure in the Organization’s financial statements through this date.

**UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**NOTE 2 – AVAILABILITY AND LIQUIDITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position consists of the following at December 31:

Financial assets at year end	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 421,408	\$ 426,828
Beneficial interest in assets held by others	61,417	54,566
Contributions receivable	17,534	78,323
Total financial assets	<u>500,359</u>	<u>559,717</u>
Contractual or donor-imposed restrictions:		
Donor restrictions for contributions to agencies	(32,700)	(302,893)
Add back amounts appropriated for following year	29,573	302,893
Fiscal agent liability	(2,076)	-
Board designations		
Operating reserves	<u>(63,750)</u>	<u>(63,750)</u>
	<u>(68,953)</u>	<u>(63,750)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES OVER THE NEXT TWELVE MONTHS</b>	<b><u>\$ 431,406</u></b>	<b><u>\$ 495,967</u></b>

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations become due. As part of its liquidity plan, excess cash is invested in short-term investments.

**NOTE 3 – CONTRIBUTIONS RECEIVABLE**

Unconditional promises to give are estimated to be collected as follows at December 31:

	<b>2023</b>	<b>2022</b>
Within one year	\$ 17,656	\$ 74,694
In one to five years	15,000	20,000
	<u>32,656</u>	<u>94,694</u>
Less discount to net present value at rate of 6.5%	(1,622)	(2,871)
Less allowance for uncollectable contributions receivable	<u>(13,500)</u>	<u>(13,500)</u>
<b>TOTAL</b>	<b><u>\$ 17,534</u></b>	<b><u>\$ 78,323</u></b>

**UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**NOTE 4 – PROPERTY AND EQUIPMENT**

Cost of property and equipment as of December 31 consists of the following:

	<b>2023</b>	<b>2022</b>
Equipment	<b>\$ 19,220</b>	<b>\$ 19,220</b>

Depreciation expense was \$0 and \$4,219 for the years ended December 31, 2023 and 2022, respectively.

**NOTE 5 – NET ASSETS**

Net assets with donor restrictions are as follows at December 31:

	<b>2023</b>	<b>2022</b>
Subject to the passage of time:		
Campaign	\$ 29,573	\$ 302,893
Grants and other donations	3,127	-
<b>TOTAL</b>	<b>\$ 32,700</b>	<b>\$ 302,893</b>

Net assets without donor restrictions at December 31 are as follows:

	<b>2023</b>	<b>2022</b>
Undesignated	\$ 363,125	\$ 156,001
Board designated	63,750	63,750
<b>TOTAL</b>	<b>\$ 426,875</b>	<b>\$ 219,751</b>



**UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 6 – LEASES**

The Organization leases office equipment under a long-term non-cancelable operating lease agreement. The lease expires in March 2028. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The Organization’s operating lease provides for no increases in future minimum annual rental payments.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to the office equipment class of assets.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis. The Organization elected the practical expedient to not separate lease and non-lease components for all leases that apply.

Total right-of-use assets and lease liabilities at December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Lease assets		
Operating lease right-of-use asset	\$ 23,384	\$ -
Lease liabilities		
Obligations under lease liabilities - current	5,156	-
Obligations under lease liabilities - noncurrent	18,228	-
	<u>\$ 23,384</u>	<u>\$ -</u>

Total lease costs for the year ended December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 5,804	\$ 2,440

**UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.**  
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**NOTE 6 – LEASES** (Continued)

The following summarizes the weighted-average remaining lease-term and weighted average discount rate:

	<u>2023</u>	<u>2022</u>
Weighted-average remaining lease term in years		
Operating leases	4.24	-
Weighted-average discount rate		
Operating leases	3.94%	0.00%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2023:

	<u>Operating</u>
December 31, 2024	\$ 5,985
December 31, 2025	5,985
December 31, 2026	5,985
December 31, 2027	5,985
December 31, 2028 and thereafter	<u>1,496</u>
Total lease payments	25,435
Less interest	<u>(2,051)</u>
<b>PRESENT VALUE OF LEASE LIABILITIES</b>	<b><u><u>\$ 23,384</u></u></b>

**UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.**  
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**NOTE 7 – DONATED MATERIALS AND FACILITIES**

For the years ended December 31, 2023 and 2022, the contributed nonfinancial assets recognized within the statements of activities included the following:

	<u>2023</u>	<u>2022</u>
Supplies for events	\$ -	\$ 4,576
Office rent	-	1,425
<b>TOTAL</b>	<u>\$ -</u>	<u>\$ 6,001</u>

Contributed supplies are valued using estimated prices of identical or similar products considering the goods' condition and utility for use at the time of the contribution. Contributed supplies are used in program services.

All gifts in-kind received during the years ended December 31, 2023 and 2022 were unrestricted.

**NOTE 8 – EMPLOYEE BENEFIT PLAN**

The Organization sponsors a defined contribution plan (the Plan) covering substantially all employees. The Organization makes a contribution to the Plan each year equal to 10% of all participants' compensation. Total expense for the years ended December 31, 2023 and 2022 were \$9,753 and \$12,509, respectively.

**NOTE 9 – OTHER TRANSACTIONS**

The Organization recorded dues expense as of December 31 as follows:

	<u>2023</u>	<u>2022</u>
<b>UNITED WAY WORLD WIDE</b>	<u>\$ 4,888</u>	<u>\$ 5,064</u>

**UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.**  
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**NOTE 10 – SUBSEQUENT EVENT**

On April 16, 2024, United Way of Otter Tail & Wadena Counties, Inc. signed a letter of intent to merge with United Way of Douglas & Pope Counties. The letter of intent outlines the proposed terms of the merger. The merger is subject to the negotiation and execution of a definitive agreement and approval by both organizations' boards of directors, as well as any necessary regulatory approvals.

The Organization is currently in the process of negotiating the terms of the merger and expects the effective date of the merger to be January 1, 2025. While the merger is not yet finalized, it is expected to have a material impact on the future operations of the Organization.