

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

FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

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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, 2022 and 2021, 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, 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 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 23, 2023

UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 426,828	\$ 348,709
Short-term investments	54,566	73,148
Contributions receivable, net	78,323	88,802
Prepaid expense	1,009	1,009
Total Current Assets	<u>560,726</u>	<u>511,668</u>
PROPERTY AND EQUIPMENT		
Property and equipment	19,220	19,220
Accumulated depreciation	<u>(19,220)</u>	<u>(15,001)</u>
Property and Equipment, Net	<u>-</u>	<u>4,219</u>
TOTAL ASSETS	<u>\$ 560,726</u>	<u>\$ 515,887</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 17,400	\$ 3,287
Accrued expenses	20,682	15,862
Fiscal agent liability	-	10,568
Total Current Liabilities	<u>38,082</u>	<u>29,717</u>
NET ASSETS		
Without donor restrictions	219,751	132,432
With donor restrictions	<u>302,893</u>	<u>353,738</u>
Total Net Assets	<u>522,644</u>	<u>486,170</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 560,726</u>	<u>\$ 515,887</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, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES						
Revenues, Gains, and Other Support						
Contributions and grants						
Campaign contributions	\$ 85,281	\$ 302,893	\$ 388,174	\$ 48,645	\$ 353,738	\$ 402,383
Fundraising events	140,286	-	140,286	64,001	-	64,001
All other contributions	16,483	-	16,483	8,494	-	8,494
In-kind contributions	6,001	-	6,001	6,425	-	6,425
Investment return, net	(10,600)	-	(10,600)	8,937	-	8,937
Miscellaneous revenue	3,637	-	3,637	2,753	-	2,753
Net assets released from restrictions						
Restrictions satisfied by payments	353,738	(353,738)	-	382,327	(382,327)	-
Uncollectible pledges	-	-	-	-	(11,395)	(11,395)
Total Support and Revenue	594,826	(50,845)	543,981	521,582	(39,984)	481,598
Expenses						
Program services	338,039	-	338,039	317,514	-	317,514
Support services						
Management and general	81,739	-	81,739	81,186	-	81,186
Fundraising	87,729	-	87,729	93,081	-	93,081
Total Expenses	507,507	-	507,507	491,781	-	491,781
CHANGE IN NET ASSETS	87,319	(50,845)	36,474	29,801	(39,984)	(10,183)
NET ASSETS, BEGINNING OF YEAR	132,432	353,738	486,170	102,631	393,722	496,353
NET ASSETS, END OF YEAR	\$ 219,751	\$ 302,893	\$ 522,644	\$ 132,432	\$ 353,738	\$ 486,170

(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, 2022 and 2021

	2022			
	Program Services	Management and General	Fundraising	Total
Grants and awards	\$ 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	-	-	6,210	6,210
TOTAL	\$ 338,039	\$ 81,739	\$ 87,729	\$ 507,507

	2021			
	Program Services	Management and General	Fundraising	Total
Grants	\$ 233,475	\$ -	\$ -	\$ 233,475
Salaries and benefits	57,948	44,710	53,869	156,527
Fees for services	-	7,650	-	7,650
Advertising and promotion	4,710	708	5,989	11,407
Office expenses	9,226	9,097	9,925	28,248
Information technology	-	7,449	-	7,449
Occupancy	3,816	2,961	3,547	10,324
Travel and transportation	1,869	1,010	1,927	4,806
Conferences, conventions, and meetings	150	1,003	300	1,453
Payments to affiliates	2,820	-	4,095	6,915
Depreciation	-	4,604	-	4,604
Insurance	-	1,880	-	1,880
Other	3,500	114	13,429	17,043
TOTAL	\$ 317,514	\$ 81,186	\$ 93,081	\$ 491,781

(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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 36,474	\$ (10,183)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,219	4,604
Net realized and unrealized gains on short-term investments	11,790	(8,603)
Net operating changes in		
Contributions receivable, net	10,479	29,934
Prepaid expense	-	98
Accounts payable	14,113	867
Escrow or custodial account liability	(10,568)	10,568
Accrued expenses	4,820	(4,744)
Deferred revenue	-	-
Other liabilities	-	-
Net Cash Provided by Operating Activities	<u>71,327</u>	<u>22,541</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of short-term investments	(808)	-
Withdrawal from short-term investments	7,600	-
Net Cash Used by Investing Activities	<u>6,792</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	78,119	22,541
BEGINNING CASH AND CASH EQUIVALENTS	<u>348,709</u>	<u>326,168</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 426,828</u></u>	<u><u>\$ 348,709</u></u>

(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, 2022 and 2021

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, 2022 and 2021

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:

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors or grantors: net assets without donor restrictions and net assets with donor restrictions.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities, as applicable. Operating activities consist of those items attributable to the Organization's ongoing program services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash with financial institution believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced, nor does it anticipate, any losses with respect to such accounts. Credit risk associated with accounts receivable 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 our 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.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers 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, 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.

UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

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

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded 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 Organization determines the allowance for uncollectible contributions receivable 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, 2022 and 2021, the allowance was \$13,500 and \$13,500, respectively.

Short-term Investments

Short-term investments represent an agency fund agreement the Organization established with West Central Initiative (WCI). Decisions concerning distribution or use of all donations and the proceeds of investment of donations are made by WCI. The fund is held and invested by WCI for the benefit of the Organization 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 agency fund are considered to be Level 3 measurements under the fair value measurements hierarchy.

Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation and amortization are computed using the straight-line method over the lesser of the estimated useful lives of the assets ranging from three to seven 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. The Organization's policy is to capitalize renewals and betterments acquired for greater than \$1,000 and expense normal repairs and maintenance as incurred. 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 Organization's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recoverable from the estimated future cash flows expected to result from their use and eventual disposition.

UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

The Organization recognizes contributions 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, 2022 and 2021

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

Functional Allocation of Expenses

The costs of providing 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.

Advertising

The Organization expenses advertising costs as they are incurred. Total advertising costs for the years ended December 31, 2022 and 2021 were \$8,882 and \$11,407, respectively.

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 their exempt purposes. The Organization has 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.

UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

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

Change in Accounting Principle

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The FASB also subsequently issued additional ASUs, which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statements of financial position.

The Organization elected to adopt these ASUs effective January 1, 2022 and utilized all of the available practical expedients. 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. As of January 1, 2022, the Organization did not have any material active leases and therefore, the adoption of the new standard did not have any impact on the statement of financial position or statement of activities.

Subsequent Events Consideration

Management has evaluated subsequent events through October 23, 2023, the date on which the financial statements were available to be issued. 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.

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.

UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

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:

	2022	2021
Financial assets at year end		
Cash and cash equivalents	\$ 426,828	\$ 348,709
Short-term investments	54,566	73,148
Pledges and grants receivable	78,323	88,802
Total financial assets	559,717	510,659
 Contractual or donor-imposed restrictions:		
Donor restrictions for contributions to agencies	(302,893)	(353,738)
Add back amounts appropriated for following year	302,893	353,738
Fiscal agent liability	-	(10,568)
Board designations		
Operating reserves	(63,750)	(63,750)
	(63,750)	(74,318)
 FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES OVER THE NEXT TWELVE MONTHS	\$ 495,967	\$ 436,341

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:

	2022	2021
Within one year	\$ 74,694	\$ 102,302
In one to five years	20,000	-
	94,694	102,302
Less discount to net present value at rate of 6.5%	(2,871)	-
Less allowance for uncollectable contributions receivable	(13,500)	(13,500)
 TOTAL	\$ 78,323	\$ 88,802

UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 4 – PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Equipment	<u>\$ 19,220</u>	<u>\$ 19,220</u>

Depreciation expense was \$4,219 and \$4,604 for the years ended December 31, 2022 and 2021, respectively.

NOTE 5 – NET ASSETS

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

	<u>2022</u>	<u>2021</u>
Subject to the passage of time:		
Campaign	<u>\$ 302,893</u>	<u>\$ 353,738</u>

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

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 156,001	\$ 68,682
Board designated	<u>63,750</u>	<u>63,750</u>
TOTAL	<u>\$ 219,751</u>	<u>\$ 132,432</u>

NOTE 6 – LEASES

The Organization leases certain office facilities and equipment at various terms under long-term non-cancelable operating lease agreements. The leases expire at various dates through 2025. 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 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 building and office equipment classes of assets.

UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 6 – LEASES (Continued)

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, 2022 are not material and are not included in the financial statements. The Organization leases its office facility requiring rent of \$550 per month. The lease term is month-to-month and may be canceled by either party by giving a 90-day written notice. The Organization will also pay \$190 per month in addition to rent to cover heating, air conditioning, electricity, sewer, and water. The Organization also leases a copier, telephone equipment, and other small equipment. Total operating lease costs for the years ended December 31, 2022 and 2021 was \$11,509 and \$12,160, respectively. The future minimum lease payments under non-cancelable operating leases with terms greater than one year are as follows: 2023 \$3,084; 2024 \$3,084; and 2025 \$2,570.

The Organization leases office space in Perham, Minnesota. The lessee shall have the option of renewing the lease for a period of one year under the same terms and conditions unless lessor needs the demised premises for other purposes. No rent is paid. The estimated rental is \$1,425 and is included in in-kind donations revenue and occupancy in the accompanying statements of activities and statements of functional expenses.

NOTE 7 – DONATED MATERIALS AND FACILITIES

For the years ended December 31, 2022 and 2021, the contributed nonfinancial assets recognized within the statements of activities included the following:

	<u>2022</u>	<u>2021</u>
Supplies for events	\$ 4,576	\$ 5,000
Office rent	<u>1,425</u>	<u>1,425</u>
TOTAL	<u><u>\$ 6,001</u></u>	<u><u>\$ 6,425</u></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, 2022 and 2021 were unrestricted.

UNITED WAY OF OTTER TAIL & WADENA COUNTIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

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, 2022 and 2021 were \$12,509 and \$13,453 respectively.

NOTE 9 – OTHER TRANSACTIONS

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

	2022	2021
UNITED WAY WORLD WIDE	\$ 5,064	\$ 6,915