

United Way of Yellowstone County, Inc.
Billings, Montana

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

June 30, 2023 and 2022



K C O E
I S O M

United Way of Yellowstone County, Inc.

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June 30, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of Yellowstone County, Inc.
Billings, Montana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of United Way of Yellowstone County, Inc., a nonprofit organization (the Organization), which comprise the statements of financial position as of June 30, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 GAAP, 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT

(Continued)

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 the Organization'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.

KCoe Isom, LLP

November 27, 2023
Billings, Montana

United Way of Yellowstone County, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 894,436	\$ 795,617
Pledges receivable - net of allowance for uncollectible pledges of \$30,000	50,306	95,203
Grants receivable	66,475	68,728
Other receivables	5,968	4,625
Refund receivable	-	114,112
Prepaid expenses	25,473	24,428
Total Current Assets	1,042,658	1,102,713
Other Assets		
Endowment investments	1,912,007	1,827,234
Cash surrender value of life insurance	23,508	21,868
Finance lease right-of-use assets	9,552	-
Total Other Assets	1,945,067	1,849,102
Property and Equipment		
Land	342,047	342,047
Furniture and equipment	81,439	81,439
Buildings and improvements	1,131,593	1,120,805
Subtotals	1,555,079	1,544,291
Accumulated depreciation	(386,272)	(351,544)
Property and Equipment - Net	1,168,807	1,192,747
TOTAL ASSETS	\$ 4,156,532	\$ 4,144,562

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

United Way of Yellowstone County, Inc.

STATEMENTS OF FINANCIAL POSITION

(Continued)

June 30	2023	2022
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 65,057	\$ 33,311
Accrued expenses	59,587	82,458
Deferred revenue	25,000	131,812
Agency funds	956	18,926
Current portion of long-term debt	50,229	49,976
Current portion of finance lease obligations	1,901	1,350
Total Current Liabilities	202,730	317,833
Long-Term Liabilities		
Planned gift liabilities	19,468	17,581
Finance lease obligations - less current portion	7,651	-
Long-term debt - less current portion and unamortized debt issuance costs	499,100	547,130
Total Long-Term Liabilities	526,219	564,711
Total Liabilities	728,949	882,544
Net Assets		
Without donor restrictions:		
Undesignated	1,940,327	1,698,068
Board-designated	955,624	1,039,590
With donor restrictions	531,632	524,360
Total Net Assets	3,427,583	3,262,018
TOTAL LIABILITIES AND NET ASSETS	\$ 4,156,532	\$ 4,144,562

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

United Way of Yellowstone County, Inc.

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Campaign pledge contributions	\$ 588,836	\$ -	\$ 588,836
Grants	997,021	-	997,021
CARE Academy income - net of tuition assistance of \$71,582	811,040	-	811,040
Net investment income	191,466	-	191,466
Endowment donations	-	15,000	15,000
Change in value of split-interest agreements	-	(1,886)	(1,886)
Other	16,337	-	16,337
Total Revenues and Gains	2,604,700	13,114	2,617,814
Net assets released from restrictions	5,842	(5,842)	-
Total Revenues, Gains, and Other Support	2,610,542	7,272	2,617,814
Expenses			
Program services:			
Community response	2,180,260	-	2,180,260
Support services:			
Management and general	118,503	-	118,503
Fundraising	153,486	-	153,486
Total Expenses	2,452,249	-	2,452,249
Change in Net Assets	158,293	7,272	165,565
Net Assets - Beginning of Year	2,737,658	524,360	3,262,018
Net Assets - End of Year	\$ 2,895,951	\$ 531,632	\$ 3,427,583

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

United Way of Yellowstone County, Inc.

STATEMENTS OF ACTIVITIES

(Continued)

Year Ended June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Campaign pledge contributions - less donor designations of \$4,446	\$ 639,426	\$ 1,000	\$ 640,426
Grants	1,014,809	-	1,014,809
CARE Academy income - net of tuition assistance of \$31,434	766,098	-	766,098
Net investment loss	(266,366)	-	(266,366)
Gain on extinguishment of debt	119,510	-	119,510
Endowment donations	-	18,000	18,000
Change in value of split-interest agreements	-	(1,357)	(1,357)
Other	662	-	662
Total Revenues and Gains	2,274,139	17,643	2,291,782
Net assets released from restrictions	25,375	(25,375)	-
Total Revenues, Gains, and Other Support	2,299,514	(7,732)	2,291,782
Expenses			
Program services:			
Community response	1,978,251	-	1,978,251
Support services:			
Management and general	266,945	-	266,945
Fundraising	77,543	-	77,543
Total Expenses	2,322,739	-	2,322,739
Change in Net Assets	(23,225)	(7,732)	(30,957)
Net Assets - Beginning of Year	2,760,883	532,092	3,292,975
Net Assets - End of Year	\$ 2,737,658	\$ 524,360	\$ 3,262,018

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

United Way of Yellowstone County, Inc.
STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023	Program	Support Services			Total
	Services	Management	Fundraising	Support	
	Community	and General		Services	
	Response			Total	
Agency allocations	\$ 247,500	\$ -	\$ -	\$ -	\$ 247,500
Bank service charges	16,518	723	361	1,084	17,602
Best Beginnings	755	-	-	-	755
Board expense	143	41	20	61	204
CARE expense	127,394	27	13	40	127,434
Communications	10,975	1,262	13,016	14,278	25,253
Community resource center	1,334	-	-	-	1,334
Community Solution Emergency	7,700	-	-	-	7,700
Continuum of Care	301,216	-	-	-	301,216
Depreciation	24,310	6,946	3,473	10,419	34,729
Dues and subscriptions	930	194	133	327	1,257
EFSP expense	207,626	-	-	-	207,626
Early Childhood	26,838	-	-	-	26,838
Employee benefits	161,777	19,878	19,194	39,072	200,849
Fees	1,055	254	144	398	1,453
Graduation Matters	2,520	-	-	-	2,520
Insurance	7,819	2,234	1,117	3,351	11,170
Interest expense	15,733	4,495	2,248	6,743	22,476
Janitorial	20,856	5,959	2,979	8,938	29,794
Legal and accounting	11,489	3,275	1,638	4,913	16,402
Maintenance	13,471	3,849	1,924	5,773	19,244
Mileage	204	-	-	-	204
Payroll expenses	769,873	41,071	59,046	100,117	869,990
Postage	4,573	1,307	833	2,140	6,713
Software and computer maintenance	45,396	5,330	5,160	10,490	55,886
Substance Abuse Connect Coalition	102,227	-	-	-	102,227
Supplies	2,098	10,791	1,091	11,882	13,980
Telephone	5,887	1,175	587	1,762	7,649
Training and development	13,377	1,885	11,427	13,312	26,689
Uncollectible pledges	-	-	25,179	25,179	25,179
Utilities	19,900	5,686	2,843	8,529	28,429
UW of America dues	7,423	2,121	1,060	3,181	10,604
Youth Volunteer Corps	1,343	-	-	-	1,343
Total Functional Expenses	\$ 2,180,260	\$ 118,503	\$ 153,486	\$ 271,989	\$ 2,452,249

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

United Way of Yellowstone County, Inc.
STATEMENTS OF FUNCTIONAL EXPENSES
(Continued)

Year Ended June 30, 2022	Program	Support Services			Total
	Services	Management	Fundraising	Support	
	Community	and General		Services	
	Response			Total	Total
Agency allocations	\$ 247,501	\$ -	\$ -	\$ -	\$ 247,501
Bank service charges	16,701	755	377	1,132	17,833
Best Beginnings	2,990	-	-	-	2,990
Board expense	1,200	1,927	-	1,927	3,127
CARE expense	101,838	698	-	698	102,536
Communications	48	1,601	1,598	3,199	3,247
Community resource center	11,754	-	-	-	11,754
Community Solution Emergency	30,140	-	-	-	30,140
Continuum of Care	460,762	-	-	-	460,762
Depreciation	23,557	6,730	3,364	10,094	33,651
Dues and subscriptions	282	1,658	1,393	3,051	3,333
EFSP expense	39,033	-	-	-	39,033
Early Childhood	17,300	-	-	-	17,300
Employee benefits	120,298	32,563	5,035	37,598	157,896
Fees	2,147	46	410	456	2,603
Graduation Matters	11,577	-	-	-	11,577
Insurance	9,517	2,719	1,359	4,078	13,595
Interest expense	14,999	4,285	2,143	6,428	21,427
Janitorial	19,369	5,534	2,767	8,301	27,670
Legal and accounting	18,401	5,076	2,538	7,614	26,015
Maintenance	2,830	808	404	1,212	4,042
Mileage	634	640	41	681	1,315
Montana 211	17,920	-	3,421	3,421	21,341
Payroll expenses	659,764	151,499	24,965	176,464	836,228
Postage	764	369	1,505	1,874	2,638
Software and computer maintenance	20,125	20,837	1,709	22,546	42,671
Substance Abuse Connect Coalition	98,331	-	-	-	98,331
Supplies	4,166	9,128	738	9,866	14,032
Telephone	2,316	1,668	331	1,999	4,315
Training and development	807	12,353	1,979	14,332	15,139
Uncollectible pledges	-	-	18,440	18,440	18,440
Utilities	10,420	2,976	1,489	4,465	14,885
UW of America dues	10,760	3,075	1,537	4,612	15,372
Total Functional Expenses	\$ 1,978,251	\$ 266,945	\$ 77,543	\$ 344,488	\$ 2,322,739

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

United Way of Yellowstone County, Inc.

STATEMENTS OF CASH FLOWS

Years Ended June 30	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 165,565	\$ (30,957)
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:		
Depreciation	34,729	33,651
Amortization of debt issuance costs	750	750
Net realized (gain) on investments reinvested for long-term purposes	(3,743)	(20,988)
Net unrealized (gain) loss on investments	(145,546)	316,355
Contributions restricted for long-term purposes	(13,114)	(16,643)
Change in value of planned gift agreements	1,887	1,357
Change in cash surrender value of life insurance	(1,640)	(841)
Changes in:		
Pledge receivable	44,897	15,735
Grants receivable	2,253	38,769
Other receivables	(1,343)	(4,625)
Refund receivable	114,112	(114,112)
Prepaid expenses	(1,045)	290
Accounts payable	31,746	(35,189)
Accrued expenses	(22,871)	31,253
Refund advanced liability	-	(119,510)
Deferred revenue	(106,812)	31,281
Agency funds	(17,970)	(2,592)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	81,855	123,984
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment purchases	(10,789)	-
Purchases of investments	(69,450)	(116,885)
Proceeds from sale of investments	133,966	41,319
NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	53,727	(75,566)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on finance lease	(1,350)	(2,700)
Principal payments on long-term debt	(48,527)	(46,836)
Proceeds from new planned gift agreements	13,114	16,643
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(36,763)	(32,893)
Net Change in Cash and Cash Equivalents	98,819	15,525
Cash and Cash Equivalents - Beginning of Year	795,617	780,092
Cash and Cash Equivalents - End of Year	\$ 894,436	\$ 795,617

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

United Way of Yellowstone County, Inc.

STATEMENTS OF CASH FLOWS

(Continued)

Years Ended June 30		2023	2022
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION			
Right-of-use asset obtained in exchange for finance lease liability	\$	10,169	\$ -
Cash paid during the year for interest	\$	20,686	\$ 22,378

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

United Way of Yellowstone County, Inc.

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations United Way of Yellowstone County, Inc. (the Organization) is a nonprofit organization formed for the purpose of achieving significant community impact by developing strategies, building partnerships, and investing in programs, all of which are supported through annual fundraising campaigns, as well as through competitive private, state, and federal grants and contracts. The Organization improves community conditions for children, youth, individuals, families, and senior citizens.

Basis of Accounting The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board (FASB).

Classification of Net Assets The Organization reports gifts of cash and other assets as restricted support if they are received with donor-imposed stipulations that may or will be met either by the actions of the Organization or the passage of time. Accordingly, net assets of the Organization 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 restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment, as well as other purposes described in note 14.

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

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of net assets with donor restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets. Contributions with donor restrictions received and spent in the same year are reported as unrestricted support.

Income Taxes The Organization is organized as a nonprofit corporation in the state of Montana and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

Estimates The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

United Way of Yellowstone County, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Cash and Cash Equivalents The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Organization's cash is deposited in accounts in which FDIC coverage is limited to \$250,000 per account holder. At June 30, 2023 and 2022, the bank balances of these deposits exceeded federally-insured limits by \$309,734 and \$237,865, respectively.

Promises to Give Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. All promises to give are expected to be collected within one year. 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-imposed support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Allowance Method Used to Record Uncollectible Pledges The Organization uses the allowance method for uncollectible pledges receivable. The Organization's estimate is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that the Organization's estimate of the allowance for doubtful accounts will change. Pledges receivable are presented net of an allowance for doubtful accounts of \$30,000 at June 30, 2023 and 2022, respectively.

Investments and Net Investment Income Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Net investment income or loss, including realized and unrealized gains and losses on investments, interest, and dividends, less investment expenses, is included in the change in net assets without donor restrictions unless the income or loss is restricted by a donor.

Investment securities are exposed to various risks, such as interest rate, credit, and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Fair Value Measurements The Organization has determined the fair value of its marketable securities through the application of the accounting standard for fair value measurements. This standard establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted observable quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). At June 30, 2023 and 2022, there were no level 3 investments. The three levels of the fair value hierarchy are described below:

- Level 1:* Quoted market prices available through public exchange venues for identical assets or liabilities.
- Level 2:* Inputs other than level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

United Way of Yellowstone County, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Level 3: Unobservable inputs for the asset or liability due to little or no market activity at the measurement date.

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

Fixed-Income Securities: Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV). The funds held by the Organization are deemed to be actively traded.

Equity Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Complementary Strategies: Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV). The funds held by the Organization are deemed to be actively traded.

Real Asset Securities: Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV). The funds held by the Organization are deemed to be actively traded.

Property and Equipment Property and equipment acquisitions with an original cost of at least \$2,500 are recorded at cost. Donated property and equipment are reported as without donor restriction unless the donor has restricted the donated asset to a specific purpose. Depreciation is provided over the estimated useful lives of assets (generally 5 - 40 years) and is computed using the straight-line method.

Allocations Payable Allocations payable represent amounts approved by the Board of Directors payable to United Way agencies. As of June 30, 2023 and 2022, the Organization has paid all allocations approved by the Board of Directors.

Contribution Revenue Annual campaigns are conducted to raise support for the Organization's community response programs. Pledges, less an allowance for uncollectible amounts, are recorded as receivables in the year they are made. All contributions are considered without donor restriction unless specifically restricted by the donor as to time or purpose. The Organization acts as an agent of the donor when contributions are directed by the donor and are to be distributed to a specific third-party beneficiary. These contributions received and subsequently remitted to third parties are reflected in campaign results on the statements of activities but are not treated as contribution revenue. Assets received for which the condition has not been satisfied are recorded as a refundable advance liability.

The Organization administers other campaigns for local employers. Under the agreements, the employers run campaigns, collect the pledges, and make payments to the Organization for quarterly distribution to the agencies designated by the employee. The Organization collects administration fees for administering the other campaigns. The Organization is acting as an agent administering the other campaigns and, therefore, contributions received and subsequently remitted to other agencies are not included in the statements of activities.

United Way of Yellowstone County, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Grant Revenue The Organization's grant awards are contributions, which are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a deferred revenue.

CARE Academy Revenue The CARE Academy is an out-of-school time program available to elementary school-age children who are currently enrolled as students in participating schools in Yellowstone County. Consequently, the Organization's revenue and cash flows are affected by economic fluctuations within that region. CARE Academy tuition is comprised of an exchange element based on the value of the benefits provided. The Organization recognizes tuition revenue in the period in which the services are rendered, and the Organization satisfies its performance obligations. Any portion of tuition deemed to be earned in future periods is deferred until earned.

Advertising Advertising costs are expensed as incurred. Advertising expenses totaled \$23,404 and \$372 and are included in communication expense on the statements of functional expenses at June 30, 2023 and 2022, respectively.

Donated Services, Materials, and Facilities Many individuals volunteer their time and perform a variety of tasks that assist the Organization. The value of these contributed services does not meet the requirements for recognition in the financial statements and have not been recorded.

Functional Allocation of Expenses The Organization's management allocates expenses by function between program and supporting service classifications based upon estimated levels of functional time and effort.

Implementation of New Accounting Standards In 2023, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases*. This ASU required the Company to recognize on the balance sheet the asset and liability for the rights and obligations created by leases with a term of more than 12 months. The Company elected several available practical expedients, including to not reassess the classification of existing leases, any initial direct costs associated with the leases, or whether any existing contracts are or contain leases. The Company adopted the provisions of the update using a modified retrospective approach for all lease contracts. This ASU had the effect of increasing right-of-use assets and finance lease liabilities by \$9,552, effective June 30, 2023.

Evaluation of Subsequent Events Management has evaluated subsequent events through November 27, 2023, the date which the financial statements were available for issue.

United Way of Yellowstone County, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Financial assets available for general expenditure include only those without donor or other restrictions limiting their use within one year of the balance sheet date. The following reflects the Organization's financial assets, net of amounts not available for general use within one year of the statement of financial position date due to contractual or donor-imposed restrictions.

June 30	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 894,436	\$ 795,617
Pledges receivable - net of allowance	50,306	95,203
Grants receivable	66,475	68,728
Other receivables	5,968	118,737
Endowment investments	1,912,007	1,827,234
Total Financial Assets	2,929,192	2,905,519
Less: Financial assets unavailable for general expenditure:		
Grant funds received in advance included in cash and cash equivalents	(25,000)	(131,004)
Funds for emergency food and shelter included in cash and cash equivalents	(26,051)	(3,718)
Agency funds	(956)	(18,926)
Board-designated funds	(955,624)	(1,039,590)
Donor-restricted funds	(531,632)	(524,360)
Total Financial Assets Unavailable for General Expenditure	(1,539,263)	(1,717,598)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 1,389,929	\$ 1,187,921

The Organization does not have a formal liquidity policy, but has adopted some guidelines around the use of endowment funds for current operations, deferred grant revenue, and special projects or programs as determined by the Board of Directors. Principal contributions to the endowment fund have been set aside by the Board of Directors as perpetual investments. Income from the investments may be used for any purposes the Organization chooses. The Organization may receive grant funds, but may not have expended them for the purposes of the grant at the end of the fiscal year. These funds are held until the work for the grant has been completed. The Organization may draw upon board-designated funds in the event of an unanticipated liquidity need with board approval.

United Way of Yellowstone County, Inc.

NOTES TO THE FINANCIAL STATEMENTS

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3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, are as follows:

June 30		2023		2022
General operating deposits	\$	158,284	\$	157,176
Emergency Food and Shelter Fund deposits		26,051		3,718
General operating funds		128,842		226,180
General operating certificates of deposit		501,015		309,605
Investment money market fund		80,244		98,938
Total Cash and Cash Equivalents	\$	894,436	\$	795,617

4. ENDOWMENT INVESTMENTS

Endowment investments, are as follows:

June 30, 2023	Fair Value of Assets			
	Level 1	Level 2	Level 3	Total
Fixed-income securities	\$ 578,562	\$ -	\$ -	\$ 578,562
Equity securities	1,214,054	-	-	1,214,054
Complementary strategies	67,538	-	-	67,538
Real asset securities	51,853	-	-	51,853
Total Endowment Investments	\$ 1,912,007	\$ -	\$ -	\$ 1,912,007

June 30, 2022	Fair Value of Assets			
	Level 1	Level 2	Level 3	Total
Fixed-income securities	\$ 645,632	\$ -	\$ -	\$ 645,632
Equity securities	1,049,316	-	-	1,049,316
Complementary strategies	73,985	-	-	73,985
Real asset securities	58,301	-	-	58,301
Total Endowment Investments	\$ 1,827,234	\$ -	\$ -	\$ 1,827,234

United Way of Yellowstone County, Inc.

NOTES TO THE FINANCIAL STATEMENTS

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Net investment income (loss), is summarized as follows:

June 30	2023	2022
Without donor restriction:		
Interest income on cash and cash equivalents	\$ 5,568	\$ 914
Investment interest and dividends	52,093	49,015
Net realized gains	5,181	21,253
Net unrealized gains (losses)	145,546	(316,355)
Total Investment Income (Loss)	208,388	(245,173)
Investment expenses	(16,922)	(21,193)
Net Investment Income (Loss)	\$ 191,466	\$ (266,366)

5. CASH SURRENDER VALUE OF LIFE INSURANCE

In November 2001, the Organization received a single premium whole life insurance policy from a donor. Under the terms of the insurance, the Organization receives the cash surrender value if the policy is terminated, and, upon death of the insured, receives a guaranteed death benefit. The cash surrender value of the life insurance is \$23,508 and \$21,868 as of June 30, 2023 and 2022, respectively.

6. ACCRUED VACATION PAYABLE

Employees of the Organization are entitled to paid vacation, depending on length of service and other factors. Accrued but unused vacation leave in the amounts of \$18,210 and \$29,260 are included in accrued expenses on the statements of financial position at June 30, 2023 and 2022, respectively.

7. AGENCY FUNDS

The Organization acts as an agent for various organizations or projects where funds are to be distributed only for the benefit of, and upon the instructions of those organizations or projects. The Agency Funds consist of cash and cash equivalents and pledges receivable of \$956 and \$18,926 as of June 30, 2023 and 2022, respectively.

United Way of Yellowstone County, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

8. LONG-TERM DEBT

Long-term debt, consists of the following:

June 30	2023	2022
Note payable to Wells Fargo at 3.5%; monthly payments in the amount of \$5,768 including interest; matures December 15, 2032; secured by building.	\$ 556,454	\$ 604,981
Current maturities	(50,229)	(49,976)
Unamortized loan fees	(7,125)	(7,875)
Total Note Payable	\$ 499,100	\$ 547,130

The proceeds from the note payable were used to repay a bridge loan of \$975,000 and \$15,000 in origination and closing fees, respectively. These fees were capitalized immediately and amortized over the 20-year life of the note payable. The Organization incurred amortization expense of \$750 during the years ended June 30, 2023 and 2022, respectively, and is included in interest expense in the statements of functional expenses.

Maturities on long-term debt, are as follows:

Years Ending June 30	Principal Payments
2024	\$ 50,229
2025	52,011
2026	53,887
2027	55,831
2028	57,901
Thereafter	286,595
Total	\$ 556,454

9. LEASE OBLIGATIONS

The Organization leases equipment under an agreement that is classified as a finance lease. At June 30, 2023, the leased equipment is included in finance lease right-of-use assets line item at a cost of \$9,552. Accumulated depreciation of the leased asset at June 30, 2023, was \$678. Depreciation of the asset under the finance lease is included with depreciation expense.

United Way of Yellowstone County, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The aggregate minimum annual lease payments under the finance lease arrangement and discount factor used in calculating minimum lease payments on the right-of-use asset, is as follows:

Years Ending June 30		Finance Leases
2024	\$	2,378
2025		2,301
2026		2,221
2027		2,138
2028		1,378
Thereafter		-
Subtotal		10,416
Less: Amount representing interest		925
Present Value of Minimum Lease Payments		9,491
Less: Current maturities of leases		1,901
Deferred rent		61
Leases - Net of Current Maturities	\$	7,651
Weighted-average remaining lease term:		
Finance leases		4.75 years
Weighted-average discount rate:		
Finance leases		3.96%

United Way of Yellowstone County, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

10. ANNUITY OBLIGATION

The Organization receives charitable donations for annuities from donors with a provision that a fixed income be paid to the donor and/or the named beneficiary for life. The annuity obligation represents the present value of payments to be made over the life expectancies of the annuitant and/or their named beneficiaries based on Internal Revenue Service (IRS) annuity tables. The contributions received and the related obligations are restricted in perpetuity until the death of the annuitant and/or their named beneficiary at which time the remaining assets remain restricted or the donor restriction is removed based upon the terms of the original annuity agreement. The recorded obligation is recognized as income at the time of death. On an annual basis, the Organization reevaluates the liability related to the required distributions to the designated beneficiaries based on actuarial assumptions. Activity under charitable agreements, is as follows:

	Charitable Gift Annuities
Estimated Present Value of Liability - July 1, 2021	\$ 16,224
Additions to annuity liability	1,357
Estimated Present Value of Liability - July 1, 2022	17,581
Additions to annuity liability	1,887
Estimated Present Value of Liability - July 1, 2023	\$ 19,468

11. PENSION PLAN

The Organization has a 403(b) Plan covering all full-time and part-time employees who have performed services for the Organization in at least one year of the immediately preceding five years and does not include employees whose total compensation during the year is less than the amount specified in the IRC. The Organization contributes an amount equal to 5.0% of the annual compensation plus matches employees' contributions up to 5.0% of annual compensation. Pension plan contributions totaled \$51,490 and \$47,298 for the years ended June 30, 2023 and 2022, respectively.

12. ENDOWMENT FUNDS

The Organization's endowment fund (the Endowment) consists of gifts by individual donors who desire to make substantial long-term gifts to the community and to develop new and significant source of revenue for the Organization. The endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

United Way of Yellowstone County, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. At June 30, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity the original value of the gift.

Income from the investment of these gifts may be used to (i) stabilize program funding during period of below normal average campaigns; (ii) fund special projects and grants in the community; (iii) ensure long-term growth; (iv) enhance the Organization's ability to meet changing community needs in both the short and long-term; and, (v) support the administrative expenses of the Organization as deemed appropriate.

Investment Policy and Objectives

The Organization has adopted an overall investment objective for the assets of growth and income. This is a total return approach to managing the assets, emphasizing on both current income and growth in principal. The Organization monitors the performance on an annual basis. Performance is reported in terms of rate of return and changes in dollar value. The returns are compared to the appropriate market indexes for the most recent quarter and for annual and cumulative prior time periods. The Endowment's asset allocation is also reported on an annual basis.

It is desired that the Endowment produce a level of return higher than the market as represented by a benchmark index or mix of indexes reflective of the objectives and risk tolerance. This primary benchmark or policy index is to be constructed as follows: 60.0% Standard & Poor's 500 Stock Index, 35.0% BarCap US Govt/Credit Intermediate Bond Index and 5.0% 90-day Treasury Bills. The secondary benchmark is to be constructed as follows: 25.0% Standard and Poor's 500, 5.0% Russell Midcap Index, 5.0% Russell 2000 Index, 15.0% EAFE Index, 5.0% NAREIT Equity Index, 7.0% HFRX Global Hedge Fund Index, 35.0% BarCap US Govt/Credit Intermediate Bond Index, and 3.0% 90-day Treasury Bills. The account is desired to exceed the arithmetic mean of these benchmarks on a risk-adjusted basis over a year rolling time period.

The Organization is comfortable with a moderate risk strategy. This is a goal of relatively more stable returns over the longer term, with a reduced potential of negative returns in any given year. Specifically, the risk level of the portfolio as measured by volatility (standard deviation) should be similar to the volatility of the underlying comparative benchmarks.

Funds With Deficiencies

From time-to-time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donor or MUPMIFA requires the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature reported in net assets without donor restrictions as of June 30, 2023 and 2022.

United Way of Yellowstone County, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Spending Policy

The Endowment is governed by the Organization's Gift Acceptance and Endowment Disbursement Guidelines. Unless otherwise directed by the donor as a result of conditions contained within the gift, or upon arrival of the Board of Directors for emergency situations, there shall be no disbursement of invested assets, principal, or interest that would decrease the invested assets below a balance of \$1,000,000.

Distributions are limited to 10.0% of the market value of the invested assets as of the prior calendar year-end, subject to the initial restriction of the \$1,000,000 balance. The amount of disbursement is determined annually by the Board of Directors during the budgeting process. The Organization may also elect to take no distributions in any given year.

To the extent that the amount be distributed has been determined and that all donor directives have been met, said amounts may be distributed at the discretion of the Board of Directors. In general; however, these funds will be utilized to stabilize program funding during periods of below normal annual campaigns, for special purpose program grants, for special purpose programs and activities, and to support the administrative activities of the Organization.

Composition of Endowment Fund

The composition of the assets in the Endowment is included in note 4, as there are funds invested in addition to the donor-restricted and board-designated endowment funds. Unless otherwise stated by the donor, earnings on donor-restricted endowment funds are available for general use and have been presented on the statements of financial position and statements of activities without donor restrictions.

Composition of and changes in endowment net assets, were as follows:

	Without Donor Restriction		With Donor Restriction	Total
	General	Board Designated		
Endowments at July 1, 2021	\$ 1,421,623	\$ 123,537	\$ 501,875	\$ 2,047,035
Contributions	-	-	18,000	18,000
Additions	99,977	-	-	99,977
Sales of investments	(41,319)	-	-	(41,319)
Net depreciation - realized and unrealized	(295,102)	-	-	(295,102)
Change in value of split-interest agreements	-	-	(1,357)	(1,357)
Endowments at June 30, 2022	1,185,179	123,537	518,518	1,827,234
Contributions	-	-	15,000	15,000
Additions	54,898	-	-	54,898
Sales of investments	(30,000)	-	-	(30,000)
Net appreciation - realized and unrealized	150,727	-	-	150,727
Distribution pursuant to Board approval	-	(103,966)	-	(103,966)
Change in value of split-interest agreements	-	-	(1,886)	(1,886)
Endowments at June 30, 2023	\$ 1,360,804	\$ 19,571	\$ 531,632	\$ 1,912,007

United Way of Yellowstone County, Inc.

NOTES TO THE FINANCIAL STATEMENTS

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13. NET ASSETS WITH DONOR RESTRICTIONS

In FY 2022, donor-restricted contributions include those for Graduation Matters and Literacy programs. These were satisfied in FY 2023.

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

June 30		2023		2022
Donor-restricted endowment funds to be held in perpetuity	\$	531,632	\$	518,518
Campaign contributions restricted for purpose		-		5,842
Total Net Assets With Donor Restrictions	\$	531,632	\$	524,360

14. BOARD-DESIGNATED NET ASSETS

The Board of Directors designated certain funds for special purposes.

- Board-Designated Endowment is the principal of non-restricted gifts in the form of cash, bequests, or stock.
- Board-Designated General represents funds to be used to stabilize program funding during periods of below normal campaigns, for special purpose program grants, for special purpose United Way of Yellowstone County, Inc. programs and activities, and to support the administrative activities of the Organization.
- Board-Designated Building Fund represents income generated from leasing of office space in the United Way building. The income will be used to pay for future building maintenance costs. In addition, the Board designated a portion of the endowment included in net assets without donor restriction to be used for building maintenance.
- Board-Designated Capital Improvement represents funds set aside to be used for building and other capital improvements.

Amounts for the following purposes have been designated:

	Endowment	General	Building Fund	Capital Improvement	Total Designated
Board-Designated Net Assets - July 1, 2021	\$ 123,537	\$ 569,565	\$ 176,488	\$ 150,000	\$ 1,019,590
Board transfers	-	-	10,000	10,000	20,000
Board-Designated Net Assets - June 30, 2022	123,537	569,565	186,488	160,000	1,039,590
Board transfers and approved distributions	(103,966)	-	10,000	10,000	(83,966)
Board-Designated Net Assets - June 30, 2023	\$ 19,571	\$ 569,565	\$ 196,488	\$ 170,000	\$ 955,624