

Watertown Area Community Foundation
Watertown, South Dakota

Financial Statements

December 31, 2023

**Watertown Area Community Foundation
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December 31, 2023 and 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Watertown Area Community Foundation

We have audited the accompanying financial statements of Watertown Area Community Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses 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 Watertown Area Community Foundation 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 audit 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 Watertown Area Community Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Watertown Area Community Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule Beneficiary Costs on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Johnson & Roggenbuck, P.A.
Ortonville, Minnesota
November 18, 2024

**Watertown Area Community Foundation
Statement of Financial Position
December 31, 2023 and 2022**

ASSETS	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,621,954	\$ 2,839,090
Contributions Receivable	98,920	-
Accrued Interest	48,021	30,564
Employee Retention Credit Receivable	-	2,790
TOTAL CURRENT ASSETS	2,768,895	2,872,444
OTHER ASSETS		
Investments	30,257,520	26,957,883
Cash Surrender Value of Life Insurance	16,341	16,453
Artwork	12,785	12,785
OTHER ASSETS	30,286,646	26,987,121
FIXED ASSETS		
Property and Equipment	407,385	371,477
Less: Accumulated Depreciation	(149,004)	(138,341)
NET FIXED ASSETS	258,381	233,136
TOTAL ASSETS	\$ 33,313,922	\$ 30,092,701
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued Payroll Taxes	\$ 4,581	\$ 4,709
Beneficiary Payments Payable	376,065	460,893
Agency Endowment Funds	11,693,396	10,499,945
TOTAL CURRENT LIABILITIES	12,074,042	10,965,547
LONG-TERM LIABILITIES		
Beneficiary Payments, net of current portion	\$ 310,000	\$ 430,000
TOTAL LONG-TERM LIABILITIES	310,000	430,000
NET ASSETS		
Without Donor Restrictions:		
Undesignated	2,021,681	1,978,745
With Donor Restrictions	18,908,199	16,718,409
TOTAL NET ASSETS	20,929,880	18,697,154
TOTAL LIABILITIES AND NET ASSETS	\$ 33,313,922	\$ 30,092,701

See notes to the financial statements.

Watertown Area Community Foundation
Statement of Activities
For the Years Ended December 31, 2023 and 2022

	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Gains		
Contributions of Cash and Other Financial Assets	\$ 233,080	\$ 224,987
Investment Income	194,128	209,157
Realized and Unrealized Gain (Loss) on Investments	246,021	(452,305)
Other Income	-	2,349
Total Revenue and Gains	673,229	(15,812)
Net Assets Released from Restrictions	616,770	1,081,815
Total Revenue, Gains, and Other Support	1,289,999	1,066,003
Expenses		
Program Services		
Beneficiary Costs	850,206	765,626
Supporting Services:		
Management and General	582,212	544,261
Fundraising	77,161	73,163
Total Expenses	1,509,579	1,383,050
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(219,580)	(317,047)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions of Cash and Other Financial Assets	820,439	844,812
Investment Income	551,038	632,617
Realized and Unrealized Gain (Loss) on Investments	1,681,938	(3,150,092)
Other Income	15,661	15,661
Net Assets Released from Restrictions	(616,770)	(1,081,815)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	2,452,306	(2,738,817)
CHANGE IN NET ASSETS	2,232,726	(3,055,864)
NET ASSETS, Beginning of Year	18,697,154	21,753,018
NET ASSETS, End of Year	\$ 20,929,880	\$ 18,697,154

See notes to the financial statements.

**Watertown Area Community Foundation
Statement of Functional Expenses
For the Year Ended December 31, 2023**

	Program Services		Supporting Services		Total
	Beneficiary Costs	Management and General	Fundraising		
Beneficiary Payments	\$ 850,206	\$ -	\$ -	\$ -	\$ 850,206
Salaries	-	239,813	-	-	239,813
Payroll Taxes	-	22,011	-	-	22,011
Employee Benefits	-	23,002	-	-	23,002
Meetings & Conventions	-	4,562	-	-	4,562
Membership Fees	-	6,039	-	-	6,039
Advertising	-	-	46,040	-	46,040
Trust Fees	-	180,147	-	-	180,147
Donor Development	-	-	21,716	-	21,716
Insurance	-	9,742	-	-	9,742
Depreciation	-	10,662	-	-	10,662
Building Repairs	-	3,337	-	-	3,337
Property Taxes	-	4,241	-	-	4,241
Office Expense	-	25,648	1,627	-	27,275
Professional Fees	-	45,433	-	-	45,433
Utilities	-	5,703	-	-	5,703
Miscellaneous	-	1,872	7,778	-	9,650
Total Expenses	\$ 850,206	\$ 582,212	\$ 77,161	\$ -	\$ 1,509,579

See notes to the financial statements.

**Watertown Area Community Foundation
Statement of Functional Expenses
For the Year Ended December 31, 2022**

	Program Services		Supporting Services	
	Beneficiary Costs	Management and General	Fundraising	Total
Beneficiary Payments	\$ 765,626	\$ -	\$ -	\$ 765,626
Salaries	-	218,930	-	218,930
Payroll Taxes	-	17,972	-	17,972
Employee Benefits	-	22,301	-	22,301
Meetings & Conventions	-	22,330	-	22,330
Membership Fees	-	9,884	-	9,884
Advertising	-	-	47,886	47,886
Trust Fees	-	177,340	-	177,340
Donor Development	-	-	24,592	24,592
Insurance	-	9,195	-	9,195
Depreciation	-	10,574	-	10,574
Building Repairs	-	3,079	-	3,079
Property Taxes	-	3,834	-	3,834
Office Expense	-	18,348	-	18,348
Professional Fees	-	17,996	-	17,996
Utilities	-	4,788	-	4,788
Miscellaneous	-	7,690	685	8,375
Total Expenses	\$ 765,626	\$ 544,261	\$ 73,163	\$ 1,383,050

See notes to the financial statements.

Watertown Area Community Foundation
Statement of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,232,726	\$ (3,055,864)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	10,662	10,574
Realized and unrealized (gain) loss on sale of investments	(1,927,959)	3,602,397
Donation of investments	(150,010)	(392,854)
(Increase) decrease in cash value of life insurance over premiums paid	112	(2,547)
(Increase) Decrease in Operating Assets:		
Accrued Interest	(17,457)	(12,372)
Contributions Receivable	(98,920)	-
Employee Retention Tax Credit Receivable	2,790	3,339
Increase (Decrease) in Operating Liabilities:		
Accrued payroll taxes	(128)	1,158
Beneficiary payments payable	(204,828)	(308,902)
Agency endowment funds	1,193,451	(359,868)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,040,439	(514,939)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	6,437,322	6,437,322
Purchase of investments	(7,658,988)	(5,849,644)
Purchase of property and equipment	(35,909)	(9,670)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,257,575)	578,008
CASH FLOWS FROM FINANCING ACTIVITIES		
None	-	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH	(217,136)	63,069
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,839,090	2,776,021
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,621,954	\$ 2,839,090
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Net change in realized and unrealized gains on agency endowment funds	\$ 829,148	\$ (1,491,547)
Realized and unrealized gain (loss) on sale of investments	1,927,959	(3,602,397)
Donation of investments	150,010	392,854

See notes to the financial statements.

Watertown Area Community Foundation

**Notes to the Financial Statements
December 31, 2023 and 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Watertown Area Community Foundation (Foundation) have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) for not-for-profit organizations, including Accounting Standards Updates (ASUs). Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The financial statements are presented in accordance with ASU 2016-14, "Financial Statements of Not-for-Profit Organizations." Under the ASU, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets without donor restrictions are not restricted by any donor or grantor-imposed time, purpose, or other restrictions. Any previous restrictions have expired or otherwise have been satisfied. Net assets without donor restrictions represent funds that are fully available, at the discretion of management and the Board of Directors, for Watertown Area Community Foundation to utilize in support of its mission, including programs, fundraising, and core management, activities. At its discretion, the Board of Directors may designate a portion of without donor restriction net assets for specific purposes, such as the pursuit of strategic opportunities, establishing an operating reserve and ensuring the organization's long-term financial viability. Since Board-designated net assets without donor restrictions.

Net assets with donor restrictions: Net assets with donor restrictions consist of assets whose use is limited by donor or grantor-imposed time and or purpose restrictions. When donor or grantor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas. Accordingly, certain costs have been allocated among programs and supporting services benefited. The allocation is determined by the management.

Cash and Cash Equivalents

For the purpose of reporting the statement of cash flows, the Foundation includes all unrestricted and undesignated cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments which are not restricted or designated, purchased with an original maturity, of three months or less as cash and cash equivalents on the accompanying statement of financial position. Because of their short-term nature, the fair value of cash equivalents approximates the carrying value.

Watertown Area Community Foundation

**Notes to the Financial Statements
December 31, 2023 and 2022**

Investments

The Foundation invests in debt and marketable equity securities. Debt securities consist of obligations of the U.S. government as well as corporations. The fair value of the mutual funds, U.S. government securities, corporate bonds and common stock are based upon quoted market prices. Unrealized gains and losses are included in the accompanying statement of activities. Donated investments are recorded at their fair value on the date of donation.

Property & Equipment

Property and equipment with useful lives of more than one year and a cost of more than \$1,000 are capitalized. Donated property and equipment are stated at the estimate fair value at the date of donation. Property and equipment purchased is stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives described below.

Buildings and improvements	20-40 years
Office furniture and fixtures	5-10 years

Revenue Recognition

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions except for gifts or grants that are reimbursements of expenses which are recorded as unrestricted support in the period the reimbursements are received.

The Foundation reports gifts of land, buildings, equipment, and artwork as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor restrictions about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service

Fair value of financial instruments

Donated materials and artwork are reflected as contribution at their estimated values on the date of donation. No amounts have been reflected in the statements for donated services as no objective basis is available to measure the value of such services.

Unless otherwise indicated, the fair value of all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

Watertown Area Community Foundation

Notes to the Financial Statements December 31, 2023 and 2022

Advertising

The Organization uses advertising to promote its annual campaign. The advertising costs are expensed as incurred. Advertising costs for 2023 were \$46,040 and \$47,886 in 2022.

Income Taxes

Watertown Area Community Foundation is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore qualifies as an organization eligible to receive deductible charitable contributions and has been classified as an organization that is not a private foundation. Income that is unrelated to the organization's tax-exempt purposes, less applicable deductions, is subject to federal corporate income taxes.

Tax years including the year ended December 31, 2020 and later are subject to examination by tax authorities. There are no known years under examination.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

NOTE 2 - NATURE OF THE ORGANIZATION

The Watertown Area Community Foundation was formed in 1979 to receive and accept cash donations and property exclusively for educational, cultural, charitable, and benevolent purposes, thereby enhancing quality of life in the community of Watertown.

A seven-member board of directors who is responsible for distribution of such resources to area charitable and educational organizations administers the resources of the Foundation.

NOTE 3 – INVESTMENTS

As of December 31, 2023, investments consisted of the following:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money market and brokered CDs	\$ 70,883	\$ 70,883	\$ -
U.S. Government obligations	3,005,548	2,902,202	(103,346)
Corporate Bonds	2,333,154	2,184,860	(148,294)
Stocks	2,230,100	4,571,813	2,341,713
Fixed income securities	8,412,188	7,810,643	(601,545)
Equity securities (primarily mutual funds)	10,587,955	11,813,335	1,225,380
Real estate and specialty assets	820,308	903,784	83,476
	<u>\$ 27,460,136</u>	<u>\$ 30,257,520</u>	<u>\$ 2,797,384</u>

Watertown Area Community Foundation

Notes to the Financial Statements December 31, 2023 and 2022

As of December 31, 2022, investments consisted of the following:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money market and brokered CDs	\$ 163,116	\$ 163,116	\$ -
U.S. Government obligations	1,649,074	1,520,206	(128,868)
Corporate Bonds	2,014,187	1,798,806	(215,381)
Stocks	2,456,397	3,956,146	1,499,749
Fixed income securities	8,361,089	7,413,899	(947,190)
Equity securities (primarily mutual funds)	11,842,332	11,489,955	(352,377)
Real estate and specialty assets	620,939	615,755	(5,184)
	<u>\$ 27,107,134</u>	<u>\$ 26,957,883</u>	<u>\$ (149,251)</u>

NOTE 4 – FAIR VALUE MEASUREMENTS

Assets and liabilities are measured at their fair value, defined as the price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

A three-level fair value hierarchy that prioritizes the inputs is used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access as of the measurement date.
- Level 2 – Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that reflect the Organization’s own assumptions about the assumption that market participants would use in pricing an asset or liability.

The following is a description of the valuation methodologies for assets measured at fair value:

Investments: The fair value of investments is the market value based on quoted market price, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based on externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Watertown Area Community Foundation

**Notes to the Financial Statements
December 31, 2023 and 2022**

Investments at fair value as of December 31, 2023:

Investment	Level 1	Level 2	Level 3	Total
Money market and brokered CDs	\$ 70,883	\$ 70,883	\$ -	\$ 141,766
U.S. Government obligations	2,902,202	-	-	2,902,202
Corporate Bonds	2,184,860	-	-	2,184,860
Stocks	4,571,813	-	-	4,571,813
Fixed income securities	7,810,643	-	-	7,810,643
Equity securities (primarily mutual funds)	11,813,335	-	-	11,813,335
Real estate and specialty assets	-	903,784	-	903,784
	<u>\$ 29,353,736</u>	<u>\$ 974,667</u>	<u>\$ -</u>	<u>\$ 30,328,403</u>

Investments at fair value as of December 31, 2022:

Investment	Level 1	Level 2	Level 3	Total
Money market and brokered CDs	\$ 163,116	\$ -	\$ -	\$ 163,116
U.S. Government obligations	1,520,206	-	-	1,520,206
Corporate Bonds	1,798,806	-	-	1,798,806
Stocks	3,956,146	-	-	3,956,146
Fixed income securities	7,413,899	-	-	7,413,899
Equity securities (primarily mutual funds)	11,489,955	-	-	11,489,955
Real estate and specialty assets	-	615,755	-	615,755
	<u>\$ 26,342,128</u>	<u>\$ 615,755</u>	<u>\$ -</u>	<u>\$ 26,957,883</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2023	2022
Land	\$ 10,867	\$ 10,867
Building and improvements	358,231	328,269
Office furniture and fixtures	38,287	32,341
	<u>407,385</u>	<u>371,477</u>
Less: Accumulated Depreciation	(149,004)	(138,341)
Net Book Value	<u>\$ 258,381</u>	<u>\$ 233,136</u>

Watertown Area Community Foundation

**Notes to the Financial Statements
December 31, 2023 and 2022**

NOTE 6 – AGENCY ENDOWMENT FUNDS

The Foundation had 25 agency endowment funds for the year ended December 31, 2023 and 25 for the year ended December 31, 2022. Activity in such funds was as follows:

	2023	2022
Beginning balance	\$ 10,499,945	\$ 10,859,814
Contributed funds	134,201	1,033,597
Investment Income	366,752	329,161
Unrealized & realized investment gains	829,148	(1,501,920)
Administrative fees	(65,465)	(98,989)
Grants paid	(53,540)	(107,593)
General expenses	(17,645)	(14,125)
Ending balance	<u>\$ 11,693,396</u>	<u>\$ 10,499,945</u>

NOTE 7 – NET ASSETS

The Foundation records its activities in the following two net asset classes:

With donor restrictions represent gifts and bequests which are subject to donor-imposed stipulations that they be maintained permanently by the Foundation and the Foundation is permitted to use all of the income earned on related investments for general or specific purposes. It also includes net assets to donor-stipulations that may or will be met by actions of the Foundation and/or the passage of time.

Without donor restrictions represent net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions are summarized below.

	Permanently		Temporarily	
	2023	2022	2023	2022
Scholarships	\$ 3,508,721	\$ 3,305,220	\$ 523,180	\$ 155,541
Permanent endowment; the income from which is to be distributed to the Watertown Area Community Foundation, the Human Services Foundation, Prairie Lakes Healthcare Foundation and First Congregational Church of Watertown	2,665,237	2,508,019	-	-
Endowment requiring 20% of the annual income to be added to the principal of the fund and the remaining 80% to be distributed to the Watertown Area Community Foundation, Prairie Lakes Hospital Foundation, Human Service Agency, Mother of God Priory, Lake Area Zoological Society and Jenkins Living Center	2,048,468	1,892,186	-	-
Permanent endowment; the income from which is to be distributed to the Watertown Community Concert Association, Town Players, and the Watertown Area Community Foundation	1,518,297	1,518,297	460,903	312,643

Watertown Area Community Foundation

**Notes to the Financial Statements
December 31, 2023 and 2022**

	Permanently		Temporarily	
	2023	2022	2023	2022
Endowment requiring 20% of the annual income to be added to the principal of the fund and the remaining 80% to be distributed equally to the Watertown Area Community Foundation, Lake Area Zoological Society, Jenkins Living Center, Lake Area Technical Institute and Boys and Girls Club of Watertown	1,290,837	1,189,276	-	-
Investment in perpetuity; the income from which is expendable to support music and the arts, Watertown Community Concert Association, Lake Kampeska, Codington County Historical Society, the Mellette House, Habitat for Humanity and Education	644,129	576,874	-	-
Permanent endowment; the income from which is to be distributed evenly between the South Dakota State University Foundation and the Watertown Area Community Foundation	478,523	-	10,859	-
History	408,742	399,114	68,611	
Visual, dramatic arts and a cultural center	-	-	195,172	170,425
Youth	142,214	116,637	-	-
Youth or community projects	-	-	102,913	86,822
Conservation projects	92,859	72,671	-	-
Covid-19 pandemic emergency needs	-	-	83,513	74,578
South Dakota Public Broadcasting Town Players, Boys and Girls Club of Watertown, Community Transit of Watertown/Sisseton, and Beacon Center	50,000	50,000	11,717	7,494
Child Welfare	50,547	33,708	-	-
Human Service Agency, Salvation Army, and the Watertown Area Community Foundation	48,025	44,000	6,552	2,927
Promotion of band and orchestra music programs; tree planting	42,541	32,637	15,572	-
Other	1,547,404	1,462,244	2,838,054	2,656,559
	<u>\$ 14,536,544</u>	<u>\$ 13,200,883</u>	<u>\$ 4,371,655</u>	<u>\$ 3,517,526</u>

The resources of the Foundation are pooled for investment purposes to provide investment flexibility for maximization of earnings. Earnings on such investments are allocated between net assets without donor restrictions and net assets with donor restrictions on a "percentage participation" basis.

Watertown Area Community Foundation

Notes to the Financial Statements December 31, 2023 and 2022

The Foundation has adopted an investment policy for endowment assets with the primary objective being that the investment of the principal endowment will provide capital appreciation of 3-5% over the rate of inflation over a period of three years in order to generate a reasonable net income to fund activities supported by the Foundation.

The Foundation has a spending policy with a goal of annually distributing up to 4% of the fair market value of the underlying assets in grants and use 1.7% of the fair market value for investment and administrative costs. This distribution is based upon a moving average value of the assets using the previous 6-12 quarters plus the current quarter.

The Foundation annually reviews and approves the investment spending policies of the Foundation.

NOTE 9 – LIQUIDITY

The Organization's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	2023	2022
Cash and cash equivalents	\$ 2,621,954	\$ 2,839,090
Investments	30,257,520	26,957,883
Less those unavailable for general expenditure within one year due to:		
Purpose restrictions	4,371,655	3,517,526
Perpetual endowments	14,536,544	13,200,883
Total	<u>\$ 13,971,275</u>	<u>\$ 13,078,564</u>

The Foundation manages its liquidity and reserves by operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through November 18, 2024, the date on which the financial statements were available to be issued.

Watertown Area Community Foundation
Schedule of Beneficiary Costs
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Friends of the Goss Foundation	\$ 102,955	\$ 78,000
Watertown Pickleball Association	56,700	-
Lake Area Zoological Society	49,163	10,607
Watertown Hockey Association	44,250	-
Deuel High School	43,090	49,614
Watertown Community Concert Association	35,000	-
Human Service Agency	34,732	28,734
PACH	29,649	8,499
Fall Out Shelter	28,500	-
Boys and Girls Club of Watertown	28,395	-
Jenkins Living Center	25,633	6,500
Joy Ranch	25,360	33,924
Grove Park	25,000	-
Lake Area Technical Institute	19,788	113,019
Scholarships	19,325	25,264
Watertown Cares	15,000	-
Prairie Lakes Healthcare Foundation	14,667	14,171
First Congregational Church	14,658	13,879
Watertown Town Players	14,052	6,247
East Central CASA	10,576	5,747
South Dakota News Watch	10,000	-
City of Watertown	8,800	-
Sleep in Heavenly Peace	7,900	-
Brothers and Sisters Behind Bars	7,500	11,001
Watertown United Way	7,177	16,615
St. Judes Children's Hospital	7,140	-
Divine Providence of South Dakota	6,973	5,150
Community Transit of Watertown/Sisseton	6,902	-
Codington County Welfare	6,500	-
Arrow Education Foundation	6,300	6,000
First United Methodist	6,250	-
The Salvation Army	6,109	-
Watertown Police Department	6,000	-
4 The Kids	5,500	-
Hosanna Lutheran Church	5,100	5,000
Build It Now	-	55,020
Castlewood Community Foundation	-	16,800
Codington County Historical Society	-	7,667
Glacial Lakes SAFE	-	14,000
Kidson Cares	-	10,000
Mellette Memorial Association	-	7,749
Northern Prairie Arts	-	6,142
Tucson Arizona Boys Chorus	-	10,000
Watertown Relief Fund	-	5,000
Miscellaneous (\$5,000 & under)	109,562	195,277
	<u>\$ 850,206</u>	<u>\$ 765,626</u>