

Watertown Area Community Foundation
Watertown Area Community Foundation, Inc.
Watertown, South Dakota

Consolidating Financial Statements

December 31, 2024

**Watertown Area Community Foundation
Watertown Area Community Foundation, Inc.
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December 31, 2024**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Watertown Area Community Foundation and Watertown Area Community Foundation, Inc.

We have audited the accompanying consolidating financial statements of Watertown Area Community Foundation and Watertown Area Community Foundation, Inc. (nonprofit organizations), which comprise the consolidating statement of financial position as of December 31, 2024, and the related consolidating statements of activities, cash flows, and functional expenses for the year 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 and Watertown Area Community Foundation, Inc. as of December 31, 2024, 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 Watertown Area Community Foundation, Inc. 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 and Watertown Area Community Foundation, 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 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 and Watertown Area Community Foundation, 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.

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 17 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
December 12, 2025

Watertown Area Community Foundation
Watertown Area Community Foundation, Inc.
Consolidating Statement of Financial Position
December 31, 2024

ASSETS	<u>Trust</u>	<u>Corporation</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 26,048	\$ 1,066,158	\$ -	\$ 1,092,206
Accrued Interest	12,227	22,542	-	34,769
TOTAL CURRENT ASSETS	<u>38,275</u>	<u>1,088,700</u>	<u>-</u>	<u>1,126,975</u>
OTHER ASSETS				
Investments	658,790	33,420,489	-	34,079,279
Cash Surrender Value of Life Insurance	-	19,097	-	19,097
OTHER ASSETS	<u>658,790</u>	<u>33,439,586</u>	<u>-</u>	<u>34,098,376</u>
FIXED ASSETS				
Property and Equipment	407,385	-	-	407,385
Less: Accumulated Depreciation	(160,557)	-	-	(160,557)
NET FIXED ASSETS	<u>246,828</u>	<u>-</u>	<u>-</u>	<u>246,828</u>
TOTAL ASSETS	<u>\$ 943,893</u>	<u>\$ 34,528,286</u>	<u>\$ -</u>	<u>\$ 35,472,179</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accrued Payroll Taxes	\$ -	\$ 2,452	\$ -	\$ 2,452
Beneficiary Payments Payable	-	260,813	-	260,813
Agency Endowment Funds	18,035	12,507,332	-	12,525,367
TOTAL CURRENT LIABILITIES	<u>18,035</u>	<u>12,770,597</u>	<u>-</u>	<u>12,788,632</u>
LONG-TERM LIABILITIES				
Beneficiary Payments, net of current portion	\$ -	\$ 280,000	\$ -	\$ 280,000
TOTAL LONG-TERM LIABILITIES	<u>-</u>	<u>280,000</u>	<u>-</u>	<u>280,000</u>
NET ASSETS				
Without Donor Restrictions:				
Undesignated	918,416	949,986	-	1,868,402
With Donor Restrictions	7,442	20,527,703	-	20,535,145
TOTAL NET ASSETS	<u>925,858</u>	<u>21,477,689</u>	<u>-</u>	<u>22,403,547</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 943,893</u>	<u>\$ 34,528,286</u>	<u>\$ -</u>	<u>\$ 35,472,179</u>

See notes to the financial statements.

Watertown Area Community Foundation
Watertown Area Community Foundation, Inc.
Consolidating Statement of Activities
For the Year Ended December 31, 2024

	<u>Trust</u>	<u>Corporation</u>	<u>Eliminations</u>	<u>Total</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Revenue and Gains				
Contributions of Cash and Other Financial Assets	\$ 286,069	\$ 74,815	\$ (47,303)	\$ 313,581
Investment Income	149,039	23,595	-	172,634
Realized and Unrealized Gain (Loss) on Investments	230,753	(4,773)	-	225,980
Grant Income	-	-	-	-
Other Income	-	-	-	-
Total Revenue and Gains	<u>665,861</u>	<u>93,637</u>	<u>(47,303)</u>	<u>712,195</u>
Net Assets Released from Restrictions	<u>985,455</u>	<u>129,722</u>	<u>-</u>	<u>1,115,177</u>
Total Revenue, Gains, and Other Support	<u>1,651,316</u>	<u>223,359</u>	<u>(47,303)</u>	<u>1,827,372</u>
Expenses				
Program Services				
Beneficiary Costs	1,034,631	234,856	(47,303)	1,222,184
Supporting Services:				
Management and General	503,711	78,445	-	582,156
Fundraising	106,328	127	-	106,455
Total Expenses	<u>1,644,670</u>	<u>313,428</u>	<u>(47,303)</u>	<u>1,910,795</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>6,646</u>	<u>(90,069)</u>	<u>-</u>	<u>(83,423)</u>
NET ASSETS WITH DONOR RESTRICTIONS				
Contributions of Cash and Other Financial Assets	860,504	113,160	-	973,664
Contributions of Nonfinancial Assets	14,867	-	-	14,867
Investment Income	589,968	16,848	-	606,816
Realized and Unrealized Gain (Loss) on Investments	1,117,440	(56,181)	-	1,061,259
Grant Income	-	-	-	-
Other Income	15,661	-	-	15,661
Net Assets Released from Restrictions	<u>(985,455)</u>	<u>(129,722)</u>	<u>-</u>	<u>(1,115,177)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>1,612,985</u>	<u>(55,895)</u>	<u>-</u>	<u>1,557,090</u>
CHANGE IN NET ASSETS	<u>1,619,631</u>	<u>(145,964)</u>	<u>-</u>	<u>1,473,667</u>
Transfer to affiliate	<u>(21,623,653)</u>	<u>21,623,653</u>	<u>-</u>	<u>-</u>
NET ASSETS, Beginning of Year	<u>20,929,880</u>	<u>-</u>	<u>18,697,154</u>	<u>18,697,154</u>
NET ASSETS, End of Year	<u>\$ 925,858</u>	<u>\$ 21,477,689</u>	<u>\$ 18,697,154</u>	<u>\$ 20,170,821</u>

See notes to the financial statements.

Watertown Area Community Foundation
Statement of Functional Expenses
For the Year Ended December 31, 2024

	Program Services	Supporting Services		Total
	Beneficiary Costs	Management and General	Fundraising	
Beneficiary Payments	\$ 1,034,631	\$ -	\$ -	\$ 1,034,631
Salaries	-	181,125	-	181,125
Payroll Taxes	-	15,414	-	15,414
Employee Benefits	-	16,913	-	16,913
Meetings & Conventions	-	7,272	-	7,272
Membership Fees	-	6,010	-	6,010
Advertising	-	-	72,521	72,521
Trust Fees	-	180,908	-	180,908
Donor Development	-	-	31,098	31,098
Insurance	-	12,528	-	12,528
Depreciation	-	11,553	-	11,553
Building Repairs	-	2,506	-	2,506
Property Taxes	-	4,558	-	4,558
Office Expense	-	14,757	-	14,757
Professional Fees	-	42,114	-	42,114
Utilities	-	6,186	-	6,186
Miscellaneous	-	1,867	2,709	4,576
Total Expenses	\$ 1,034,631	\$ 503,711	\$ 106,328	\$ 1,644,670

See notes to the financial statements.

Watertown Area Community Foundation, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2024

	Program Services		Supporting Services		Total
	Beneficiary Costs	Management and General	Fundraising		
Beneficiary Payments	\$ 234,856	\$ -	\$ -	\$ -	\$ 234,856
Salaries	-	60,375	-	-	60,375
Payroll Taxes	-	5,602	-	-	5,602
Employee Benefits	-	5,674	-	-	5,674
Meetings & Conventions	-	200	-	-	200
Advertising	-	-	127	-	127
Trust Fees	-	220	-	-	220
Office Expense	-	155	-	-	155
Professional Fees	-	6,219	-	-	6,219
Total Expenses	\$ 234,856	\$ 78,445	\$ 127	\$ -	\$ 313,428

See notes to the financial statements.

**Watertown Area Community Foundation
 Watertown Area Community Foundation, Inc.
 Consolidating Statement of Cash Flows
 For the Year Ended December 31, 2024**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 1,473,667
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	11,553
Transfer of assets to affiliate	
Realized and unrealized (gain) loss on sale of investments	(1,287,239)
Donation of investments	(452,452)
Donation of nonfinancial assets	(14,867)
(Increase) decrease in cash value of life insurance over premiums paid	(2,756)
(Increase) Decrease in Operating Assets:	
Accrued Interest	13,252
Contributions Receivable	98,920
Increase (Decrease) in Operating Liabilities:	
Accrued payroll taxes	(2,129)
Beneficiary payments payable	(145,252)
Agency endowment funds	831,971
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>524,668</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	12,908,063
Purchase of investments	(14,962,479)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(2,054,416)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
None	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(1,529,748)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,621,954</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,092,206</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES	
Net change in realized and unrealized gains on agency endowment funds	\$ 697,253
Realized and unrealized gain (loss) on sale of investments	1,287,239
Donation of investments	452,452

See notes to the financial statements.

**Watertown Area Community Foundation
and Watertown Area Community Foundation, Inc.**

**Notes to the Consolidated Financial Statements
December 31, 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Watertown Area Community Foundation and Watertown Area Community Foundation, Inc (collectively, the Foundation). All significant intercompany balances have been eliminated.

Basis of Accounting

The financial statements of the 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.

**Watertown Area Community Foundation
and Watertown Area Community Foundation, Inc.**

**Notes to the Consolidated Financial Statements
December 31, 2024**

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.

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
and Watertown Area Community Foundation, Inc.**

**Notes to the Consolidated Financial Statements
December 31, 2024**

Advertising

The Organization uses advertising to promote its annual campaign. The advertising costs are expensed as incurred. Advertising costs for 2024 were \$72,648.

Income Taxes

The Trust and Corporation are not-for-profit organizations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore qualify as organizations eligible to receive deductible charitable contributions and have 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, 2021 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 (the Trust) 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. In 2022, the Watertown Area Community Foundation, Inc. (the Corporation) was formed. In 2024, the trustees of the Trust transitioned the Trust operations to a corporate form. This was executed by converting the Trust from a publicly supported charity to a supporting organization of the Corporation under section 509(a)(3) of the Internal Revenue Code. Substantially all assets and liabilities and obligations were transferred to the Corporation.

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 Trust and Corporation.

**Watertown Area Community Foundation
and Watertown Area Community Foundation, Inc.**

**Notes to the Consolidated Financial Statements
December 31, 2024**

NOTE 3 – INVESTMENTS

As of December 31, 2024, investments consisted of the following:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Fixed income -			
U.S. Government obligations	\$ 3,611,874	\$ 3,503,387	\$ (108,487)
Corporate Bonds	4,119,737	3,985,323	(134,414)
Mortgage	1,012,138	881,311	(130,827)
Preferred Stock	209,165	206,938	(2,227)
High yield	556,252	564,813	8,561
Mutual funds	4,212,789	4,088,438	(124,351)
Equity -			
Large & mid cap	7,718,939	9,232,874	1,513,935
Small cap	1,215,990	1,266,057	50,067
Preferred Stock	96,560	81,140	(15,420)
Other	1,307,599	1,372,635	65,036
U.S. equity securities	2,391,569	3,467,765	1,076,196
Foreign equity securities	2,455,242	2,448,788	(6,454)
Natural resources	289,031	260,965	(28,066)
Private equity	738,989	1,047,472	308,483
Real estate	628,758	1,144,120	515,362
Global alternatives	508,316	527,253	18,937
	<u>\$ 31,072,948</u>	<u>\$ 34,079,279</u>	<u>\$ 3,006,331</u>

**Watertown Area Community Foundation
and Watertown Area Community Foundation, Inc.**

**Notes to the Consolidated Financial Statements
December 31, 2024**

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
and Watertown Area Community Foundation, Inc.**

**Notes to the Consolidated Financial Statements
December 31, 2024**

Investments at fair value as of December 31, 2024:

Investment	Level 1	Level 2	Level 3	Total
Fixed income -				
U.S. Government obligations	\$ 3,503,387	\$ -	\$ -	\$ 3,503,387
Corporate Bonds	3,985,323	-	-	3,985,323
Mortgage	881,311	-	-	881,311
Preferred Stock	206,938	-	-	206,938
High yield	564,813	-	-	564,813
Mutual funds	4,088,438	-	-	4,088,438
Equity -				
Large & mid cap	9,232,874	-	-	9,232,874
Small cap	1,266,057	-	-	1,266,057
Preferred Stock	81,140	-	-	81,140
Other	1,372,635	-	-	1,372,635
U.S. equity securities	3,467,765	-	-	3,467,765
Foreign equity securities	2,448,788	-	-	2,448,788
Natural resources	260,965	-	-	260,965
Private equity	1,047,472	-	-	1,047,472
Real estate	-	1,144,120	-	1,144,120
Global alternatives	527,253	-	-	527,253
	<u>\$ 32,935,159</u>	<u>\$ 1,144,120</u>	<u>\$ -</u>	<u>\$ 34,079,279</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2024</u>
Land	\$ 10,867
Building and improvements	358,231
Office furniture and fixtures	38,287
	<u>407,385</u>
Less: Accumulated Depreciation	<u>(160,557)</u>
Net Book Value	<u>\$ 246,828</u>

**Watertown Area Community Foundation
and Watertown Area Community Foundation, Inc.**

**Notes to the Consolidated Financial Statements
December 31, 2024**

NOTE 6 – AGENCY ENDOWMENT FUNDS

The Foundation had 25 agency endowment funds for the year ended December 31, 2024. Activity in such funds was as follows:

	2024
Beginning balance	\$ 11,693,396
Contributed funds	72,714
Investment Income	377,304
Unrealized & realized investment gains	662,888
Administrative fees	(121,229)
Grants paid	(140,708)
General expenses	(18,998)
Ending balance	\$ 12,525,367

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
Scholarships	\$ 3,263,846	\$ 432,455
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	2,719,601	-
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	2,124,723	-
Permanent endowment; the income from which is to be distributed to the Watertown Community Concert Association, Town Players, and the Watertown Area Community Foundation	1,518,432	526,570

**Watertown Area Community Foundation
and Watertown Area Community Foundation, Inc.**

**Notes to the Consolidated Financial Statements
December 31, 2024**

	Permanently	Temporarily
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	1,336,965	-
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	671,984	-
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	12,875
History	408,742	206,662
Visual, dramatic arts and a cultural center	-	246,074
Youth	232,211	-
Youth or community projects	-	150,342
Conservation projects	106,117	21,414
Covid-19 pandemic emergency needs	-	90,065
South Dakota Public Broadcasting	-	59,157
Town Players, Boys and Girls Club of Watertown, Community Transit of Watertown/Sisseton, and Beacon Center	50,000	11,626
Child Welfare	79,489	6,314
Human Service Agency, Salvation Army, and the Watertown Area Community Foundation	60,025	8,517
Promotion of band and orchestra music programs; tree planting	42,541	43,937
Other	2,440,982	3,184,956
	<u>\$ 15,534,181</u>	<u>\$ 5,000,964</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
and Watertown Area Community Foundation, Inc.**

**Notes to the Consolidated Financial Statements
December 31, 2024**

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:

	2024
Cash and cash equivalents	\$ 1,092,206
Investments	34,079,279
Less those unavailable for general expenditure within one year due to:	
Purpose restrictions	4,993,522
Perpetual endowments	15,534,181
Total	<u>\$ 14,643,782</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 December 12, 2025, the date on which the financial statements were available to be issued.

Watertown Area Community Foundation
Watertown Area Community Foundation, Inc.
Consolidated Schedule of Beneficiary Costs
For the Year Ended December 31, 2024

	<u>Trust</u>	<u>Corporation</u>	<u>Total</u>
Broad Ripple Strategies	\$ 125,100	\$ -	\$ 125,100
Friends of the Goss Foundation	104,059	-	104,059
Human Service Agency	53,546	45,530	99,076
Lake Area Zoological Society	20,179	52,207	72,386
Watertown Cares	60,733	-	60,733
City of Watertown	50,000	-	50,000
Deuel High School	49,421	-	49,421
Joy Ranch	44,554	-	44,554
Codington County Historical Society	32,500	-	32,500
East Central CASA	25,999	-	25,999
Prairie Lakes Healthcare Foundation	-	24,284	24,284
Community Transit of Watertown/Sisseton	23,582	-	23,582
Boys and Girls Club of Watertown	17,237	4,947	22,184
First Congregational Church	16,200	5,240	21,440
Cattail Crossing Golf Course	10,000	10,000	20,000
Watertown High School	-	20,000	20,000
The Salvation Army	15,651	-	15,651
Watertown Community Concert Association	15,546	-	15,546
Lake Area Technical Institute	15,000	-	15,000
Watertown Pickleball Association	14,000	-	14,000
Build It Now	13,013	-	13,013
PACH	11,774	-	11,774
Sleep in Heavenly Peace	10,452	-	10,452
Mellette Memorial Association	7,790	-	7,790
American Friends of St. Jude	7,500	-	7,500
Jenkins Living Center	-	7,207	7,207
Watertown Christian School	6,000	-	6,000
Beacon Center	5,715	-	5,715
Miscellaneous (\$5,000 & under)	279,080	65,441	344,521
	<u>\$ 1,034,631</u>	<u>\$ 234,856</u>	<u>\$ 1,269,487</u>