

Sioux Falls Area Community Foundation, Inc.

Consolidated Financial Report
June 30, 2024

Contents

Independent auditor's report	1-2
------------------------------	-----

Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4
Consolidated statements of functional expenses	5
Consolidated statements of cash flows	6
Notes to consolidated financial statements	7-22

Independent auditor's report on the supplementary information	23
---	----

Supplementary information	
Schedules of activities—operating fund	24



RSM US LLP

Independent Auditor's Report

Board of Directors
Sioux Falls Area Community Foundation, Inc.

Opinion

We have audited the consolidated financial statements of Sioux Falls Area Community Foundation, Inc. and subsidiaries (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 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 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 the 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.

RSM US LLP

Sioux Falls, South Dakota
September 30, 2024

Sioux Falls Area Community Foundation, Inc.

**Consolidated Statements of Financial Position
June 30, 2024 and 2023**

	2024	2023
Assets		
Cash and cash equivalents	\$ 75,912,005	\$ 53,864,335
Liquidated investments receivable	-	126,746
Interest and dividends receivable	651,472	532,198
Contributions receivable	45,056,774	1,025,219
Prepaid expenses and other assets	951,162	1,701,534
Beneficial interest in split-interest agreements	2,884,000	2,782,000
Investments:		
Certificates of deposit	1,793,797	2,375,441
Securities	231,713,126	215,463,721
Cash surrender value of life insurance	4,040,384	3,908,563
Property and equipment, net	1,498,873	1,343,843
Total assets	\$ 364,501,593	\$ 283,123,600
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 241,114	\$ 89,851
Grants payable	30,000	96,400
Charitable gift annuities payable	150,493	154,024
Assets held for others	44,810,119	41,083,518
Total liabilities	45,231,726	41,423,793
Net assets:		
Without donor restrictions	264,336,628	228,933,876
With donor restrictions	54,933,239	12,765,931
Total net assets	319,269,867	241,699,807
Total liabilities and net assets	\$ 364,501,593	\$ 283,123,600

See notes to consolidated financial statements.

Sioux Falls Area Community Foundation, Inc.

**Consolidated Statements of Activities
Years Ended June 30, 2024 and 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains (losses) and support:						
Contributions of cash and other financial assets, net	\$ 48,813,647	\$ 41,440,000	\$ 90,253,647	\$ 23,405,563	\$ 921,500	\$ 24,327,063
Contributions of nonfinancial assets	-	-	-	970,000	-	970,000
Investment return, net	23,951,052	1,061,006	25,012,058	16,466,619	438,727	16,905,346
Change in value of split-interest agreements	-	179,646	179,646	-	2,645	2,645
Change in value of charitable gift annuities payable	(9,850)	-	(9,850)	26,683	-	26,683
Death benefits received and change in cash surrender value of life insurance, net of premiums	287,601	-	287,601	170,264	-	170,264
Other income (net)	(3,083)	26,407	23,324	-	-	-
Net assets released from restrictions	539,751	(539,751)	-	299,815	(299,815)	-
Total revenue, gains (losses) and support	73,579,118	42,167,308	115,746,426	41,338,944	1,063,057	42,402,001
Distributions and expenses:						
Program and fund services:						
Grants, net	36,261,985	-	36,261,985	26,556,574	-	26,556,574
Fund services	816,350	-	816,350	756,693	-	756,693
Total program distributions and expenses	37,078,335	-	37,078,335	27,313,267	-	27,313,267
Management and general	369,057	-	369,057	323,235	-	323,235
Asset development and fundraising	728,974	-	728,974	786,527	-	786,527
Total distributions and expenses	38,176,366	-	38,176,366	28,423,029	-	28,423,029
Change in net assets	35,402,752	42,167,308	77,570,060	12,915,915	1,063,057	13,978,972
Net assets, beginning of year	228,933,876	12,765,931	241,699,807	216,017,961	11,702,874	227,720,835
Net assets, end of year	\$ 264,336,628	\$ 54,933,239	\$ 319,269,867	\$ 228,933,876	\$ 12,765,931	\$ 241,699,807

See notes to consolidated financial statements.

Sioux Falls Area Community Foundation, Inc.

Consolidated Statements of Functional Expenses
Years Ended June 30, 2024 and 2023

	2024				2023			
	Program and Fund Services	Management and General	Asset Development and Fundraising	Total	Program and Fund Services	Management and General	Asset Development and Fundraising	Total
Grants, net	\$ 36,261,985	\$ -	\$ -	\$ 36,261,985	\$ 26,556,574	\$ -	\$ -	\$ 26,556,574
Personnel and benefits	410,477	281,470	480,843	1,172,790	394,283	243,528	521,846	1,159,657
Other fund expenses	279,637	-	-	279,637	220,919	-	-	220,919
Software, equipment and maintenance	42,814	29,358	50,153	122,325	58,953	36,412	78,026	173,391
Marketing and communications	12,668	-	114,012	126,680	9,922	-	89,297	99,219
Depreciation	19,560	13,413	22,913	55,886	20,389	12,593	26,987	59,969
Professional fees	10,012	13,093	15,403	38,508	12,071	12,071	22,286	46,428
Staff and board development	8,625	5,915	10,104	24,644	7,326	4,525	9,697	21,548
Occupancy	7,334	5,029	8,591	20,954	6,997	4,322	9,261	20,580
Supplies and postage	7,288	4,141	8,692	20,121	6,266	3,232	8,166	17,664
Organization dues	1,834	8,257	8,257	18,348	1,667	1,667	13,334	16,668
Insurance	6,386	4,379	7,481	18,246	4,781	2,953	6,327	14,061
Scholarship and grant-making	7,997	-	-	7,997	12,234	-	-	12,234
Miscellaneous	1,718	4,002	2,525	8,245	885	1,932	1,300	4,117
Total expenses	\$ 37,078,335	\$ 369,057	\$ 728,974	\$ 38,176,366	\$ 27,313,267	\$ 323,235	\$ 786,527	\$ 28,423,029

See notes to consolidated financial statements.

Sioux Falls Area Community Foundation, Inc.

Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 77,570,060	\$ 13,978,972
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	55,886	59,969
Net realized/unrealized gain on investments	(16,151,843)	(10,224,706)
Payment received on charitable lead trust	77,645	77,645
Change in charitable gift annuities payable	9,850	(26,683)
Change in value of split-interest agreements	(179,646)	(2,645)
Death benefits received and change in cash surrender value of life insurance	234,471	200,868
Loss on disposal of equipment	3,083	-
Change in assets and liabilities:		
Liquidated investments receivable	126,746	1,041,540
Interest and dividends receivable	(119,274)	(224,358)
Contributions receivable	(44,031,555)	455,781
Prepaid expenses and other assets	750,372	(921,598)
Accounts payable and accrued liabilities	(5,515)	(10,625)
Change in value of assets held for others	350,932	(211,712)
Grants payable	(66,400)	(275,850)
Net cash provided by operating activities	18,624,812	3,916,598
Cash flows from investing activities:		
Purchase of property and equipment	(57,221)	(9,203)
Premiums paid for life insurance policies	(375,495)	(177,198)
Proceeds from life insurance policies	9,203	119,540
Proceeds from sale and maturities of investment securities and certificates of deposit	50,504,451	29,845,266
Purchase of investment securities and certificates of deposit	(46,644,699)	(33,494,846)
Net cash provided by (used in) investing activities	3,436,239	(3,716,441)
Cash flows from financing activities:		
Payment of charitable gift annuities payable	(13,381)	(33,811)
Net cash used in financing activities	(13,381)	(33,811)
Net increase in cash and cash equivalents	22,047,670	166,346
Cash and cash equivalents:		
Beginning	53,864,335	53,697,989
Ending	\$ 75,912,005	\$ 53,864,335
Supplemental schedule of noncash investing activities:		
Property and equipment purchases included in accounts payable	\$ 156,778	\$ -

See notes to consolidated financial statements.

Sioux Falls Area Community Foundation, Inc.

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Basis of consolidation: The consolidated financial statements (collectively, the financial statements) include the accounts of the Sioux Falls Area Community Foundation, Inc. and the following limited liability company subsidiaries, EastBank Land Company II, LLC, EastBank Land IV, LLC and EastBank Land V, LLC, which are collectively referred to as the Foundation. These South Dakota subsidiaries are wholly-owned single-member limited liability companies that are disregarded for federal income tax purposes. All material interorganizational transactions have been eliminated.

Nature of organization: The Foundation was established to build and preserve endowment funds for the support of community needs. By virtue of this purpose and its sources of support, the Foundation is classified as a publicly supported charity and not a private foundation. Subsidiaries were established to own, manage, sell, lease, and otherwise hold title to and operate real estate for the benefit of the Foundation. The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code.

A summary of the Foundation's significant accounting policies is as follows:

Basis of presentation: The financial statements are prepared in accordance with the requirements of Accounting Standards Codification (ASC) 958, Not-for-Profit Entities. The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets without donor restrictions are available for general use and not subject to donor restrictions. When the governing body of an organization has the right to remove a donor restriction, known as variance power, accounting standards provide that the contributions should be classified as net assets without donor restrictions.

Net assets with donor restrictions: These net assets consist of donor-imposed restrictions that are temporary in nature and may or will be met, either by actions of the Foundation and/or the passage of time, or other donor-imposed restrictions that are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity.

Assets held for others: Following the requirements of ASC 958, any fund established with the Foundation by a nonprofit organization for its own benefit with its own funds is classified as an agency fund. The Foundation is required to report any funds deemed to be agency funds as an asset with a corresponding liability due to the other organization. The Foundation also records a liability for assets held for other organizations when a specific beneficiary is named, and variance power is not granted by the donor.

Use of estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated statements of financial position and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. An estimate significant to the financial statements is the fair value of investments.

Sioux Falls Area Community Foundation, Inc.

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Revenue recognition: Contributions are recognized as revenue when they are received or unconditionally pledged. If contributions are received by the Foundation that have both a right of return and barriers, these are conditional and recognized as revenue as the conditions are met. Contributions of split-interest agreements are recorded at their fair value when received or when notification has been received that the Foundation is an unconditional beneficiary of the agreement. Contributions that are designated for specific organizations are shown net of contributions in the consolidated statements of activities. Nonfinancial contributions during the year ended June 30, 2023, of \$970,000 relate to contributed land, which was valued based on a real estate appraisal. The land was sold in 2024.

Cash and cash equivalents: For purposes of reporting cash flows, the Foundation considers highly liquid securities with an original maturity of three months or less to be cash equivalents. Cash equivalents consist of money market accounts, commercial paper and treasury bills with original maturities of three months or less, some of which are held for investment. The Foundation maintains account balances that are in excess of federally insured limits of \$250,000. The Foundation has not experienced any losses in such accounts.

Liquidated investments receivable: Liquidated investments receivable relate to investments that have been sold prior to year-end for which the proceeds had not been received as of year-end.

Contributions receivable: The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statements of activities. The Foundation determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At June 30, 2024 and 2023, there was no allowance for uncollectible contributions.

Prepaid expenses and other assets: As of June 30, 2024 and 2023, prepaid expenses and other assets include \$715,000, in assets received under agency arrangements. Contributed real estate is carried at the fair value at the time of the receipt.

Beneficial interest in split-interest agreements: The Foundation is a named charitable beneficiary for a charitable lead annuity trust and a charitable remainder unitrust (split-interest agreements). These trusts are held and managed by independent third-party trustees. The assets held in the charitable remainder trust will remain in trust, paying income to the donors during their lifetime, and a percentage of the remainder assets will be transferred to the Foundation upon the donors' deaths. The assets held in the charitable lead trust will also remain in trust; however, the Foundation will receive an annual payment during the trust's term, and the remainder will be disbursed to named beneficiaries upon termination. Both charitable trusts have been recorded in the accompanying financial statements as net assets with donor restrictions and as support of the Foundation at the present value of their estimated future benefit to the Foundation. The Foundation did not recognize contribution revenue from these agreements during the years ended June 30, 2024 and 2023.

Sioux Falls Area Community Foundation, Inc.

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Investment securities: Investments in equity securities with readily determinable fair values and all debt securities are presented in the financial statements at fair value, with gains and losses included in the consolidated statements of activities. Fair values are based upon quoted market prices. If quoted market prices are not available, fair values are based upon quoted market prices of comparable instruments or by discounted cash flow models. Alternative asset funds consist of fund investment partnerships and are stated at net asset value (NAV), which has been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the investment fund managers, principally with respect to the NAV of the respective investment partnerships. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Net gains on investments carried at fair value include realized and unrealized gains and losses. Investments in certificates of deposit are carried at cost.

Cash surrender value of life insurance: The Foundation is the owner and beneficiary of life insurance policies on the lives of certain donors. Premiums paid by donors are recorded as contributions received and life insurance premium expense.

Property and equipment: These assets are stated at cost, if purchased, or estimated fair value at the date received, if donated. Expenditures for the acquisition of property and equipment over \$1,000 are capitalized. Expenditures for maintenance and repairs are charged to expense in the year incurred. Depreciation is computed on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building and building improvements	15-40
Land improvements	20
Furniture, equipment and software	3-5

Grants payable: Grants payable consist of amounts awarded, but not paid, to various individuals and nonprofit organizations. These grants are generally paid the following year.

Donated services: Donation of services is recorded as revenue and expense if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No donated services were recognized for the years ended June 30, 2024 and 2023.

Marketing and communication costs: Marketing and communication costs are expensed as incurred. Marketing and communication expense was \$126,680 and \$99,219 for the years ended June 30, 2024 and 2023, respectively.

Income tax status: The state of South Dakota has no income tax. The Foundation is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code; however, the Foundation is required to pay income tax on its unrelated business income primarily resulting from pass-through entities in which it has an ownership interest. The Foundation paid no income tax for the years ended June 30, 2024 and 2023.

The Foundation files Forms 990 and 990-T returns in the U.S. federal jurisdiction. The Foundation is no longer subject to U.S. federal income tax examinations by tax authorities beyond three years. The Foundation has no federal or state tax examinations currently in process.

Sioux Falls Area Community Foundation, Inc.

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require recognition in the financial statements.

Functional expenses: The costs of providing program services and other activities are summarized on a functional expense basis in the consolidated statements of activities. Direct expenses are charged to program and fund services, management and general, and asset development and fundraising based upon their use, while indirect costs are allocated among the activities based on estimated time spent in the activity.

Reclassifications: Certain amounts in the prior year's consolidated statement of cash flows have been reclassified to conform to the current year's presentation, with no impact on the total net cash provided by (used in) operating activities, investing activities or financing activities.

Accounting pronouncements adopted: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Among other things, these amendments require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Impacted organizations will now use forward-looking information to better inform their credit loss estimates. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The Foundation implemented this standard for the fiscal year beginning on July 1, 2023. The adoption of this standard did not have a material impact on the Foundation's consolidated financial statements.

Subsequent events: Subsequent events were evaluated through September 30, 2024, the date these consolidated financial statements were available to be issued.

Sioux Falls Area Community Foundation, Inc.

Notes to Consolidated Financial Statements

Note 2. Investment in Securities

A summary of investment securities by major investment type is as follows:

	June 30, 2024		
	Cost	Unrealized Gains (Losses), Net	Fair Value
Government bonds, notes and funds	\$ 34,986,306	\$ (3,278,896)	\$ 31,707,410
Nongovernmental bonds and bond funds	28,655,158	(2,090,339)	26,564,819
Balanced funds	16,678,376	(534,237)	16,144,139
Equity funds	119,559,824	32,080,285	151,640,109
Real asset funds	45,758	22,084	67,842
Equity securities	4,705,549	868,340	5,573,889
Alternative asset funds	4,355	10,563	14,918
	<u>\$ 204,635,326</u>	<u>\$ 27,077,800</u>	<u>\$ 231,713,126</u>

	June 30, 2023		
	Cost	Unrealized Gains (Losses), Net	Fair Value
Government bonds, notes and funds	\$ 37,133,744	\$ (3,003,736)	\$ 34,130,008
Nongovernmental bonds and bond funds	25,227,012	(2,852,355)	22,374,657
Balanced funds	17,848,282	(1,306,575)	16,541,707
Equity funds	117,935,444	19,244,585	137,180,029
Real asset funds	56,399	21,659	78,058
Equity securities	1,177,423	(22,865)	1,154,558
LLC units	3,949,732	-	3,949,732
Alternative asset funds	18,625	36,347	54,972
	<u>\$ 203,346,661</u>	<u>\$ 12,117,060</u>	<u>\$ 215,463,721</u>

Market volatility of marketable investment securities may substantially impact the value of such investments at any given time. It is possible that the value of the Foundation's investments has changed significantly since June 30, 2024.

Sioux Falls Area Community Foundation, Inc.

Notes to Consolidated Financial Statements

Note 3. Investment Return

The investment return for the years ended June 30, 2024 and 2023, consists of the following components:

	2024	2023
Interest and dividends	\$ 9,106,808	\$ 6,849,639
Net realized and unrealized gain on investments	16,151,843	10,224,706
Investment fees	(246,593)	(168,999)
	<u>\$ 25,012,058</u>	<u>\$ 16,905,346</u>

Note 4. Fair Value Measurements

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. The standards provide a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standards are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

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; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Inputs to the valuation methodology are unobservable, corroborated by little or no market data and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Alternative asset funds: As a practical expedient, investments in investment partnerships may be valued at the reported NAV. Certain funds may provide the manager with the ability to suspend or postpone redemption (a gate), or a lock-in period upon initial subscription, within which the Foundation may not redeem without incurring a penalty. Investments valued using the NAV (or its equivalents) practical expedient have not been classified in the fair value hierarchy. As of June 30, 2024 and 2023, all investment partnerships have been valued using the NAV practical expedient method.

Sioux Falls Area Community Foundation, Inc.

Notes to Consolidated Financial Statements

Note 4. Fair Value Measurements (Continued)

The following tables summarize by level, within the fair value hierarchy, the Foundation's assets and liabilities that are valued at fair value on a recurring basis as of June 30, 2024 and 2023. In addition, investments reported at NAV are also included to permit reconciliation to the consolidated statements of financial position.

	June 30, 2024				
	Level 1	Level 2	Level 3	NAV	Total
Government bonds, notes and funds	\$ 30,483,018	\$ 1,224,392	\$ -	\$ -	\$ 31,707,410
Nongovernmental bonds and bond funds	26,564,819	-	-	-	26,564,819
Balanced funds	16,144,139	-	-	-	16,144,139
Equity funds	151,640,109	-	-	-	151,640,109
Real asset funds	67,842	-	-	-	67,842
Equity securities	5,573,889	-	-	-	5,573,889
Alternative asset funds (NAV)	-	-	-	14,918	14,918
Total investments	\$ 230,473,816	\$ 1,224,392	\$ -	\$ 14,918	\$ 231,713,126
Beneficial interest in split-interest agreements	\$ -	\$ 684,000	\$ 2,200,000	\$ -	\$ 2,884,000
Assets held for others liability	-	(44,810,119)	-	-	(44,810,119)
Charitable gift annuities payable	-	-	(150,493)	-	(150,493)
	June 30, 2023				
	Level 1	Level 2	Level 3	NAV	Total
Government bonds, notes and funds	\$ 32,982,345	\$ 1,147,663	\$ -	\$ -	\$ 34,130,008
Nongovernmental bonds and bond funds	22,374,657	-	-	-	22,374,657
Balanced funds	16,541,707	-	-	-	16,541,707
Equity funds	137,180,029	-	-	-	137,180,029
Real asset funds	78,058	-	-	-	78,058
Equity securities	1,154,558	-	-	-	1,154,558
LLC units	-	-	3,949,732	-	3,949,732
Alternative asset funds (NAV)	-	-	-	54,972	54,972
Total investments	\$ 210,311,354	\$ 1,147,663	\$ 3,949,732	\$ 54,972	\$ 215,463,721
Beneficial interest in split-interest agreements	\$ -	\$ 782,000	\$ 2,000,000	\$ -	\$ 2,782,000
Assets held for others liability	-	(41,083,518)	-	-	(41,083,518)
Charitable gift annuities payable	-	-	(154,024)	-	(154,024)

Sioux Falls Area Community Foundation, Inc.

Notes to Consolidated Financial Statements

Note 4. Fair Value Measurements (Continued)

The following is a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3):

	LLC units	Beneficial interest in split-interest agreements	Charitable gift annuities payable
Balance, June 30, 2022	\$ -	\$ 2,000,000	\$ (214,518)
Contribution of investment	3,949,732	-	-
Change in value	-	-	60,494
Balance, June 30, 2023	3,949,732	2,000,000	(154,024)
Sale of investment	(4,216,613)	-	-
Change in value	266,881	200,000	3,531
Balance, June 30, 2024	\$ -	\$ 2,200,000	\$ (150,493)

The following table provides a summary of redemption restrictions of alternative asset funds as of June 30, 2024 and 2023:

Investment Strategy	Redemption Restrictions	Fair Value	
		2024	2023
Distressed debt	Limited to realizations of longer-term investments during the year, redeemable annually at December 31 with 120 days' notice	\$ 14,918	\$ 54,972

The following methods and assumptions were used to estimate fair value of the items included on the above fair value hierarchy table:

- The fair value of the beneficial interest in split-interest agreements is calculated based on fair value of the trust assets or the stipulated payout, as adjusted by the actuarial assumptions and discounted at the Internal Revenue Service applicable federal rate
- See Note 1 for the methodology used for determining fair values of investment securities and split-interest agreements
- The liability for assets held for others is carried at the fair value of the underlying net investments

Note 5. Certificates of Deposit

The Foundation had certificates of deposit at various financial institutions of \$1,793,797 and \$2,375,441 as of June 30, 2024 and 2023, respectively. As of June 30, 2024, the certificates bear interest rates ranging from 1.30% to 5.40% and have maturity dates ranging from September 2024 to July 2031, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the consolidated financial statements.

Sioux Falls Area Community Foundation, Inc.

Notes to Consolidated Financial Statements

Note 6. Property and Equipment

The following summarizes property and equipment as of June 30:

	2024	2023
Land and land improvements	\$ 304,129	\$ 304,129
Building and building improvements	1,436,168	1,436,168
Furniture, equipment and software	139,211	175,636
Construction in progress	209,845	-
	<u>2,089,353</u>	<u>1,915,933</u>
Less accumulated depreciation	(590,480)	(572,090)
	<u>\$ 1,498,873</u>	<u>\$ 1,343,843</u>

As of June 30, 2024, the Foundation has commitments on construction contracts totaling approximately \$1,500,000.

Note 7. Contributions Receivable

Unconditional promises to give are estimated to be collected as follows at June 30, 2024 and 2023:

	2024	2023
Within one year	\$ 3,616,774	\$ 1,025,219
In one to five years	40,000,000	-
Over five years	10,000,000	-
	<u>53,616,774</u>	<u>1,025,219</u>
Less discount to net present value at rate of 5.60%	(8,560,000)	-
	<u>\$ 45,056,774</u>	<u>\$ 1,025,219</u>

One donor accounted for 92% of total contributions receivable at June 30, 2024, and 59% of total contribution revenue for the year ended June 30, 2024.

Sioux Falls Area Community Foundation, Inc.

Notes to Consolidated Financial Statements

Note 8. Liquidity and Availability

The Foundation regularly monitors liquidity required to meet its operating, grant-making and other contractual obligations while also striving to maximize the return on investment of its funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, certificates of deposit, and marketable debt and equity securities. Contributions receivable and interest and dividends receivable are expected to be received within one year, and portions of these balances are considered available for meeting current obligations. The portion of the beneficial interest in split-interest agreements due within one year is considered available for meeting current obligations.

	2024	2023
Financial assets as of June 30:		
Cash and cash equivalents	\$ 75,912,005	\$ 53,864,335
Liquidated investments receivable	-	126,746
Interest and dividends receivable	651,472	532,198
Contributions receivable	45,056,774	1,025,219
Beneficial interest in split-interest agreements	2,884,000	2,782,000
Certificates of deposit	1,793,797	2,375,441
Securities	231,713,126	215,463,721
Cash surrender value of life insurance	4,040,384	3,908,563
Total financial assets as of June 30	<u>362,051,558</u>	<u>280,078,223</u>
Amounts not available to be used within one year:		
Cash surrender value of life insurance policies	(4,040,384)	(3,908,563)
Beneficial interest in split-interest agreements	(2,884,000)	(2,782,000)
Illiquid securities	(14,918)	(54,972)
Certificates of deposits maturing after one year	(818,993)	(1,785,857)
Total endowments and quasi-endowments	(174,507,684)	(159,115,668)
Financial assets held for others	(44,095,119)	(40,368,518)
Contributions receivable expected after 12 months	(41,440,000)	-
Amounts designated for charitable gift annuities reserve	(43,912)	(38,297)
Amounts designated for capital reserve expenditures	(159,234)	(387,849)
Amounts designated for capital project	(1,885,407)	-
Amounts approved for spending in the next year:		
Available portion of beneficial interest in split-interest agreements	2,277,645	2,077,645
Spendable portion of quasi-endowments	9,588,527	9,158,788
Financial assets available to meet general expenditures within one year	<u>\$ 104,028,079</u>	<u>\$ 82,872,932</u>

Sioux Falls Area Community Foundation, Inc.

Notes to Consolidated Financial Statements

Note 9. Board-Designated Net Assets and Net Assets With Donor Restrictions

The board has designated operating financial assets for future capital expenditures. The cash flow needs for capital expenditures fluctuate significantly from year to year. By establishing and maintaining this reserve, funds should be available to purchase capital items when needed by the Foundation. Operating surpluses and annual depreciation expense can be used to fund this reserve. The capital expenditure reserve balance as of June 30, 2024 and 2023, was \$159,234 and \$387,849, respectively.

The board has also designated operating financial assets as a charitable gift annuities reserve, which include investment income. The Foundation intends to maintain this reserve at a minimum of 10% of charitable gift annuities payable. In addition, 10% of the residuum of new charitable gift annuities is added to the reserve. The charitable gift annuities reserve was \$43,912 and \$38,297 as of June 30, 2024 and 2023, respectively. In addition, the Foundation's endowment funds without donor restrictions are included in Note 10.

The board has also designated operating financial assets for a capital improvement project for the renovation and expansion of the current facility. The capital project reserve balance as of June 30, 2024 and 2023, was \$1,885,407 and \$0, respectively.

Net assets subject to donor restriction include contributions receivable, all assets related to split-interest agreements, and time- or use-restricted endowment funds. These net assets become net assets without donor restrictions when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or the passage of time.

The Foundation has two permanent endowment funds subject to donor restrictions as of June 30, 2024 and 2023. The donors of these funds stipulated that the principal of the endowments is to be invested and not used for other purposes, and the Foundation agreed to these stipulations.

Net assets are subject to the following donor restrictions as of June 30:

	2024	2023
Endowment funds with donor restrictions (see Note 10)	\$ 9,994,664	\$ 9,062,431
Beneficial interest in split-interest agreements	2,884,000	2,782,000
Contributions receivable	42,054,575	921,500
Total net assets subject to donor restrictions	<u>\$ 54,933,239</u>	<u>\$ 12,765,931</u>

The following summarizes the net assets released from donor restrictions, as the time constraints or purposes have been fulfilled as of June 30:

	2024	2023
Time restrictions	\$ 422,657	\$ 205,465
Donor-imposed purpose restrictions	117,094	94,350
	<u>\$ 539,751</u>	<u>\$ 299,815</u>

Sioux Falls Area Community Foundation, Inc.

Notes to Consolidated Financial Statements

Note 10. Endowment Funds

The Foundation's Board of Directors, on the advice of legal counsel, has determined that the Uniform Prudent Management of Institutional Funds Act (UPMIFA), adopted by the 2007 South Dakota legislature, does not apply to the majority of the Foundation's assets. The Foundation is governed subject to its articles of incorporation and bylaws, and most contributions are subject to its terms. Certain contributions are received subject to other trust instruments or are subject to specific agreements with the Foundation. Until the gift matures, insurance and charitable gift annuities are classified as nonendowment funds.

Under the terms of its governing instruments, the Board of Directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest or fund as the board in its sole discretion will determine. As a result of the ability to distribute corpus, all contributions designated for an endowment fund, not specifically restricted by the gift instrument, are classified as quasi-endowments. Quasi-endowments are classified as net assets without donor restrictions but managed as endowment funds.

Contributions that are subject to other gift instruments and perpetual in nature are recorded as endowment funds subject to UPMIFA and classified as net assets with donor restrictions.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to beneficiaries while seeking to mitigate the loss of purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The Foundation's investment objective is to achieve a real rate of return net of fees equal to or greater than the spending rate over the long-term. Actual returns may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The Foundation's spending policy affects the amount of money annually distributed from various endowed funds for grant-making. The current spending policy includes a maximum annual distribution of up to 5% per year of a fund's asset value over a three-year moving average. This is consistent with the Foundation's objective to mitigate the loss of purchasing power due to inflation, fees and investment risk, as well as to provide additional real growth through new gifts and investment return.

Sioux Falls Area Community Foundation, Inc.**Notes to Consolidated Financial Statements**

Note 10. Endowment Funds (Continued)

The following tables summarize endowment funds by net asset composition and type of fund as of June 30:

	2024		
	Without Restrictions	With Restrictions	Total
Endowment funds:			
Designated endowment funds	\$ 43,548,722	\$ 260,470	\$ 43,809,192
Field of interest	9,538,151	9,734,194	19,272,345
Donor-advised	81,779,054	-	81,779,054
Scholarships	13,807,758	-	13,807,758
Undesignated	15,839,335	-	15,839,335
Total endowment funds	<u>\$164,513,020</u>	<u>\$ 9,994,664</u>	<u>\$174,507,684</u>
	2023		
	Without Restrictions	With Restrictions	Total
Endowment funds:			
Designated endowment funds	\$ 39,881,086	\$ 240,273	\$ 40,121,359
Field of interest	8,890,587	8,822,158	17,712,745
Donor-advised	75,756,401	-	75,756,401
Scholarships	12,324,304	-	12,324,304
Undesignated	13,200,859	-	13,200,859
Total endowment funds	<u>\$150,053,237</u>	<u>\$ 9,062,431</u>	<u>\$159,115,668</u>

Sioux Falls Area Community Foundation, Inc.

Notes to Consolidated Financial Statements

Note 10. Endowment Funds (Continued)

The following tables summarize the changes in endowment net assets for the years ended June 30:

	2024		
	Without Restrictions	With Restrictions	Total
Endowment net assets, beginning of year	\$ 150,053,237	\$ 9,062,431	\$ 159,115,668
Investment return	16,874,776	1,061,006	17,935,782
Contributions	3,456,785	-	3,456,785
Net assets released from restrictions	128,773	(128,773)	-
Grants	(2,751,236)	-	(2,751,236)
Transfers to nonendowment funds	(2,121,478)	-	(2,121,478)
Fees and other expenses	(1,127,837)	-	(1,127,837)
Change in endowed net assets	14,459,783	932,233	15,392,016
Endowment net assets, end of year	\$ 164,513,020	\$ 9,994,664	\$ 174,507,684

	2023		
	Without Restrictions	With Restrictions	Total
Endowment net assets, beginning of year	\$ 139,618,029	\$ 8,845,874	\$ 148,463,903
Investment return	13,404,335	438,727	13,843,062
Contributions	2,975,090	-	2,975,090
Net assets released from restrictions	222,170	(222,170)	-
Grants	(2,488,039)	-	(2,488,039)
Transfers to nonendowment funds	(2,608,124)	-	(2,608,124)
Fees and other expenses	(1,070,224)	-	(1,070,224)
Change in endowed net assets	10,435,208	216,557	10,651,765
Endowment net assets, end of year	\$ 150,053,237	\$ 9,062,431	\$ 159,115,668

From time to time, the fair value of endowment funds associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration, (i.e., underwater endowments). Losses on endowed net assets with donor restrictions are first used to reduce previous investment income and gains that have not been expended. Any additional losses are shown as a reduction in net assets with donor restrictions. As of June 30, 2024 and 2023, no such reduction in net assets was necessary.

Sioux Falls Area Community Foundation, Inc.

Notes to Consolidated Financial Statements

Note 11. Cash Surrender Value of Life Insurance

The Foundation is the owner and beneficiary of life insurance policies that insure the lives of various donors. The total face value of the policies was approximately \$37,250,000 and \$30,364,000 as of June 30, 2024 and 2023, respectively. The total cash surrender value of the policies was \$4,040,384 and \$3,908,563 as of June 30, 2024 and 2023, respectively. Premiums of \$375,495 and \$177,198 during the years ended June 30, 2024 and 2023, respectively, were paid solely from contributions received from the insured donors.

Note 12. Charitable Gift Annuities Payable

Donors have established charitable gift annuities with the Foundation. At the time of each gift, assets are recorded at fair value, and a liability is recorded for the present value of future payments to be made to the designated beneficiaries. Charitable gift annuities provide for the payment of a fixed amount for a specified time to individuals designated by the donor in exchange for assets contributed to the Foundation. On an annual basis on June 30, the Foundation revalues the charitable gift annuities payable liabilities, using the discount rate determined at the time of the gift and new life expectancies of the donor beneficiaries, and records a change in the value of the charitable gift annuities payable in the consolidated statements of activities. The charitable gift annuities payment rate ranges from 5.50% to 8.40% of the assets recorded. At the end of the agreement, the remaining assets, if any, are to be available for the Foundation's use, subject to donor intentions. The present value of future payments estimated to be made under these agreements was \$150,493 and \$154,024 as of June 30, 2024 and 2023, respectively. The gift annuity funds consist of cash and securities totaling \$215,224 and \$206,325 as of June 30, 2024 and 2023, respectively.

Note 13. Retirement Plan

The Foundation has a defined contribution retirement plan for those employees who meet the eligibility requirements set forth in the plan. The Foundation contributed 10.0% of eligible compensation for each participant for the years ended June 30, 2024 and 2023. Retirement plan expense was \$85,228 and \$87,132 for the years ended June 30, 2024 and 2023, respectively.

Sioux Falls Area Community Foundation, Inc.

Notes to Consolidated Financial Statements

Note 14. Activity for Amounts Held for Others

The gross activity for contributions received, investment return and grants remitted on behalf of specific organizations is as follows for the years ended June 30:

2024			2023		
Total Contributions	Contributions Designated for Specific Organizations	Net Contributions	Total Contributions	Contributions Designated for Specific Organizations	Net Contributions
\$ 92,009,189	\$ (1,755,542)	\$ 90,253,647	\$ 27,376,231	\$ (2,079,168)	\$ 25,297,063

2024			2023		
Total Investment Return	Investment Return Designated for Specific Organizations	Net Investment Return	Total Investment Return	Investment Return Designated for Specific Organizations	Net Investment Return
\$ 29,522,759	\$ (4,510,701)	\$ 25,012,058	\$ 20,367,992	\$ (3,462,646)	\$ 16,905,346

2024			2023		
Total Grants	Grants Remitted on Behalf of Specific Organizations	Net Grants	Total Grants	Grants Remitted on Behalf of Specific Organizations	Net Grants
\$ 38,394,837	\$ (2,132,852)	\$ 36,261,985	\$ 29,356,324	\$ (2,799,750)	\$ 26,556,574

Independent Auditor's Report on the Supplementary Information

Board of Directors
Sioux Fall Area Community Foundation, Inc.

We have audited the consolidated financial statements of the Sioux Falls Area Community Foundation, Inc. and its subsidiaries (the Foundation) as of and for the years ended June 30, 2024 and 2023, and have issued our report thereon dated September 30, 2024, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements, or to the consolidated 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 consolidated financial statements as a whole.

RSM US LLP

Sioux Falls, South Dakota
September 30, 2024

Sioux Falls Area Community Foundation, Inc.

**Schedules of Activities—Operating Fund
Years Ended June 30, 2024 and 2023**

	2024	2023
Revenue, gains and support:		
Contributions	\$ 244,080	\$ 76,970
Investment return	1,353,491	1,033,168
Management fees	1,674,399	1,447,876
Kresge endowment	44,449	44,354
Administrative endowments	24,889	24,724
Total revenue, gains and support	3,341,308	2,627,092
Distributions and expenses:		
Fund services	536,713	535,774
Management and general	369,057	323,235
Asset development and fundraising	728,974	786,527
Total distributions and expenses	1,634,744	1,645,536
Transfer to nonoperating fund	-	120,000
Transfer to gift annuity fund from reserve	-	20,430
Change in net assets	1,706,564	841,126
Net assets, beginning of year	4,230,219	3,389,093
Net assets, end of year	\$ 5,936,783	\$ 4,230,219
Net assets consist of:		
Without donor restrictions and undesignated	\$ 3,848,230	\$ 3,804,073
Without donor restrictions and board-designated for capital expenditures	159,234	387,849
Without donor restrictions and board-designated for capital project	1,885,407	-
Without donor restrictions and board-designated for charitable gift annuities payable reserve	43,912	38,297
Total net assets	\$ 5,936,783	\$ 4,230,219