

**JOHN T. VUCUREVICH FOUNDATION**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2023 AND 2022



**JOHN T. VUCUREVICH FOUNDATION**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
John T. Vucurevich Foundation  
Rapid City, South Dakota

### ***Qualified Opinion***

We have audited the accompanying financial statements of John T. Vucurevich Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, and the change 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 Qualified Opinion***

As more fully disclosed in Notes 1 and 3 to the financial statements, the Foundation does not consolidate United Bancorporation, a personal holding company in which the Foundation is a majority stockholder. During the year ended December 31, 2023, United Bancorporation ceased operations, and as of December 31, 2023, has no significant assets or liabilities. United Bancorporation is accounted for by the equity method of accounting. In our opinion, this omission is not in accordance with accounting principles generally accepted in the United States of America. If consolidation were to occur, the investment in unconsolidated subsidiary on the statements of financial position as of December 31, 2022, and the income from equity in earnings on the statements of activities as of December 31, 2023 and 2022 would no longer be reported. In lieu of this, all assets, liabilities, revenues and expenses of United Bancorporation (as shown in Note 3) would be reported individually in the Organization's financial statements. In addition, any intercompany transactions, to include payment of liquidating dividends, would be eliminated in consolidation.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 were 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 there 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 a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform 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 other internal control matters that we identified during the audit.



KETEL THORSTENSON, LLP  
Certified Public Accountants

June 28, 2024

**JOHN T. VUCUREVICH FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022**

	<b>2023</b>	2022
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 8,928,774	\$ 1,275,301
Federal Excise Tax Receivable	-	996
Prepaid Expenses and Other Assets	12,466	27,394
<b>Total Current Assets</b>	<b>8,941,240</b>	1,303,691
<b>Investments</b>		
Marketable Investment Securities	160,627,003	150,468,796
Investment in Unconsolidated Subsidiary	-	2,313,603
	<b>160,627,003</b>	152,782,399
<b>Property and Equipment</b>		
Leasehold Improvements	91,122	91,122
Furniture and Equipment	127,861	127,861
	<b>218,983</b>	218,983
Less Accumulated Depreciation	218,983	217,631
	-	1,352
<b>Other Assets</b>		
Operating Lease Right-of-Use Asset	33,991	62,797
Investments Held in Trust	1,025,917	905,584
	<b>1,059,908</b>	968,381
<b>TOTAL ASSETS</b>	<b>\$ 170,628,151</b>	\$ 155,055,823
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 20,248	\$ 26,424
Operating Lease Liability -- Current Portion	29,833	28,655
Federal Excise Tax Payable	3,448	-
Grants Payable -- Current Portion	250,000	878,257
<b>Total Current Liabilities</b>	<b>303,529</b>	933,336
<b>Other Liabilities</b>		
Operating Lease Liability -- Net of Current Portion	5,027	34,860
Grants Payable -- Net of Current Portion	2,006,250	2,152,023
Amounts Held in Trust for Others	1,025,917	905,584
Deferred Excise Tax Liability	269,352	62,102
	<b>3,306,546</b>	3,154,569
<b>Net Assets</b>		
Board Designated - Inflation Adjusted Corpus	167,208,899	146,203,155
Undesignated (Deficit)	(190,823)	4,764,763
<b>Total Net Assets Without Donor Restrictions</b>	<b>167,018,076</b>	150,967,918
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 170,628,151</b>	\$ 155,055,823

The accompanying notes are an integral part of these statements.

**JOHN T. VUCUREVICH FOUNDATION**

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>Revenues</b>		
<i>Investment Return (Loss) - Marketable Investment Securities</i>		
Interest and Dividends	\$ 4,822,360	\$ 4,599,042
Net Unrealized Gain (Loss) on Investments	17,223,632	(39,209,752)
Net Realized Gain on Sales of Investments	1,286,194	2,139,935
External and Internal Direct Investment Expenses	(329,817)	(348,010)
	<u>23,002,369</u>	<u>(32,818,785)</u>
<i>Earnings from Unconsolidated Subsidiary</i>		
Decrease from Equity in Earnings	(2,313,603)	(867,075)
Liquidating Dividends	2,386,331	1,094,648
	<u>72,728</u>	<u>227,573</u>
	<u>23,075,097</u>	<u>(32,591,212)</u>
<b>Expenses</b>		
Program	6,387,437	7,334,070
General and Administrative	315,791	287,823
	<u>6,703,228</u>	<u>7,621,893</u>
<b>Increase (Decrease) in Net Assets Without Donor Restrictions Before Federal Excise Tax</b>	<b>16,371,869</b>	<b>(40,213,105)</b>
Federal Excise Tax Expense (Benefit) on Net Investment Income	321,711	(451,715)
<b>Increase (Decrease) in Net Assets Without Donor Restrictions</b>	<b>16,050,158</b>	<b>(39,761,390)</b>
<b>Net Assets Without Donor Restrictions -- Beginning of Year</b>	<b>150,967,918</b>	<b>190,729,308</b>
<b>Net Assets Without Donor Restrictions -- End of Year</b>	<b>\$ 167,018,076</b>	<b>\$ 150,967,918</b>

The accompanying notes are an integral part of these statements.

**JOHN T. VUCUREVICH FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Program	General and Administration	Total
Grants Paid to Other Organizations	\$ 5,288,233	\$ -	\$ 5,288,233
Direct Charitable Activities:			
Professional Fees	204,551	-	204,551
Education and Training	124,783	-	124,783
Travel and Meetings	34,388	-	34,388
Other	32,016	-	32,016
Insurance	693	-	693
	396,431	-	396,431
Salaries	345,795	129,831	475,626
Employee Benefits	134,512	50,302	184,814
Director Fees	87,482	29,161	116,643
Office	37,777	12,593	50,370
Lease	33,765	11,255	45,020
Professional Fees	-	61,501	61,501
Travel and Meetings	22,067	7,356	29,423
Education and Training	20,026	6,675	26,701
Service and Maintenance Contracts	13,133	4,378	17,511
Dues and Subscriptions	3,917	1,306	5,223
Insurance	3,386	1,129	4,515
Depreciation	913	304	1,217
<b>Total Expenses</b>	<b>\$ 6,387,437</b>	<b>\$ 315,791</b>	<b>\$ 6,703,228</b>

The accompanying notes are an integral part of this statement.

**JOHN T. VUCUREVICH FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program	General and Administration	Total
Grants Paid to Other Organizations	\$ 6,351,350	\$ -	\$ 6,351,350
Direct Charitable Activities:			
Professional Fees	207,805	-	207,805
Education and Training	93,359	-	93,359
Travel and Meetings	20,299	-	20,299
Other	45,002	-	45,002
Insurance	693	-	693
	367,158	-	367,158
Salaries	293,562	126,791	420,353
Employee Benefits	120,108	51,226	171,334
Director Fees	94,065	31,355	125,420
Office	48,511	16,170	64,681
Lease	33,352	11,117	44,469
Professional Fees	-	42,509	42,509
Travel and Meetings	9,172	3,057	12,229
Education and Training	9,422	3,141	12,563
Service and Maintenance Contracts	-	-	-
Dues and Subscriptions	-	-	-
Insurance	3,420	1,140	4,560
Depreciation	3,950	1,317	5,267
<b>Total Expenses</b>	<b>\$ 7,334,070</b>	<b>\$ 287,823</b>	<b>\$ 7,621,893</b>

The accompanying notes are an integral part of this statement.



**JOHN T. VUCUREVICH FOUNDATION**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities</b>		
Increase (Decrease) in Net Assets	\$ 16,050,158	\$ (39,761,390)
<i>Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Flows Used in Operating Activities:</i>		
Depreciation	1,352	5,853
Net Realized Gain on Sales of Investments	(1,286,194)	(2,139,935)
Net Unrealized (Gain) Loss on Investments	(17,223,632)	39,209,752
Deferred Federal Excise Tax	207,250	(557,068)
Decrease in Equity in Earnings of Unconsolidated Subsidiary	2,313,603	867,075
Net Change of Present Value Discount	(100,428)	(14,000)
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>		
Prepaid Expenses and Other Assets	14,928	70,198
Federal Excise Tax Receivable	996	(996)
Accounts Payable and Accrued Expenses	(6,176)	12,333
Federal Excise Tax Payable	3,448	(673)
Grants Payable	(673,602)	(1,007,000)
Operating Lease Asset and Liability	151	718
<b>Net Cash Flows Used in Operating Activities</b>	<b>(698,146)</b>	<b>(3,315,133)</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of Investments	(10,348,408)	(68,254,021)
Proceeds from Sale of Investments	18,700,027	61,272,282
<b>Net Cash Flows Provided By (Used) in Investing Activities</b>	<b>8,351,619</b>	<b>(6,981,739)</b>
<b>Change in Cash and Cash Equivalents</b>	<b>7,653,473</b>	<b>(10,296,872)</b>
<b>Cash and Cash Equivalents -- Beginning of Year</b>	<b>1,275,301</b>	<b>11,572,173</b>
<b>Cash and Cash Equivalents-- End of Year</b>	<b>\$ 8,928,774</b>	<b>\$ 1,275,301</b>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash Paid During the Year for Excise Taxes	\$ 110,018	\$ 107,022
Cash Paid for Amounts Included in Measurement of Lease Liabilities		
Operating Cash Flows from Operating Leases	29,155	28,306
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>		
Right of Use Asset Obtained in Exchange for Lease		
Liability-Operating Lease	\$ -	\$ 86,576

The accompanying notes are an integral part of these statements.

## **JOHN T. VUCUREVICH FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022**

#### **(1) Nature of Business and Summary of Significant Accounting Policies**

##### **Nature of Operations**

John T. Vucurevich Foundation (the Foundation) is a not-for-profit corporation formed under the laws of South Dakota. The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the Code), and is classified as a private foundation under Section 509(a) of the Code. In accordance with Internal Revenue Service regulations, the Foundation is generally required to distribute at least five percent of its investable assets each year. The Foundation awards grants to charitable organizations committed to helping low-income families access quality early learning, affordable housing, pathways to economic mobility, and meet their basic needs within South Dakota with preference given to the West River Area of South Dakota and in particular the Black Hills Region.

Since 1993, the John T. Vucurevich Foundation has sponsored speaking events called "An Evening With...." The Foundation has hosted numerous national and international speakers who have vision for the future; promote understanding and awareness in the world; and who may be an inspiration to the people of Rapid City, South Dakota and the surrounding area. The Foundation seeks speakers of national and international reputation, who have made significant contributions in their respective fields to come to Rapid City to share their ideas.

##### **Basis of Accounting**

The financial statements of the Foundation have been prepared on the accrual basis of accounting, which includes recognition of revenues and expenses as earned or incurred.

##### **Financial Statement Presentation**

The financial position and activities of the Foundation are reported in the following net asset categories:

*Net Assets with Donor Restrictions* – Net assets of the Foundation that are subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Foundation has no Net Assets with Donor Restrictions at either December 31, 2023 or 2022.

*Net Assets without Donor Restrictions* – Net assets of the Foundation that are not subject to donor-imposed restrictions and are available for general operations. In addition, the Board of Directors may designate net assets without donor restrictions for specific purposes.

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements. Actual results could differ from those estimates.

##### **Cash and Cash Equivalents**

Cash and Cash Equivalents include money market funds held in brokerage accounts, as well as cash held in checking accounts.

## **JOHN T. VUCUREVICH FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022**

#### **(1) Nature of Business and Summary of Significant Accounting Policies**

##### **Investments**

Investments consist of marketable investment securities and closely held stock. The Foundation accounts for its marketable investment securities at fair market value with changes in the fair market value accounted for in the Statements of Activities. These investments are presented in the financial statements at the quoted market value of the securities. Realized gains and losses from sales of investments are determined on a specific identity basis. Unrealized gains and losses are recognized in the Statements of Activities to the extent of the change in aggregate market value of investments at the end of each accounting period. Net investment return (loss) is reported in the Statements of Activities and consists of interest and dividend income, realized and unrealized gains and losses, and external and direct internal investment expenses, to include estimated time spent monitoring external investment managers.

Market volatility of equity-based investments may substantially impact the value of such investments at any given time. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. It is possible that the value of the Foundation's investments has changed significantly since December 31, 2023.

The Foundation also owns **89.6** percent of the outstanding Class A and Class B common stock of United Bancorporation, a personal holding company, at December 31, 2023 and 2022. The personal holding company was not conducting operations at December 31, 2023 or 2022, but continuing to manage some trailing assets and liabilities. During the year ended December 31, 2023, United Bancorporation ceased operations, and as of December 31, 2023, has no significant assets or liabilities.

The common stock is valued using the equity method of accounting under which the Foundation's share of the net income of United Bancorporation is recognized as income in the Foundation's Statements of Activities and added to the investment account, which is not in accordance with generally accepted accounting principles. As this investment is not an actively traded public security, the current fair market value is not readily determinable.

The Foundation's dividends received from United Bancorporation follows the nature of distribution approach for the classification of distributions received from equity method investees in the Statements of Cash Flows. In accordance with this approach, distributions received are classified based on the nature of the investee's activity that resulted in the distribution. As such, returns on investments are classified as operating activities in the Statements of Cash Flows, while returns of investment are classified as investing activities.

##### **Concentration of Credit Risk**

The Foundation's cash, cash equivalents and investments are potentially exposed to concentrations of credit risk. The Foundation invests in financial instruments issued by domestic and foreign corporations, as well as the United States and foreign governments. The Foundation routinely assesses the diversification and financial strength of its investment portfolio.

##### **Property and Equipment**

Property and equipment purchases in excess of \$5,000 are capitalized at cost and are being depreciated over their estimated useful lives ranging from 3 to 10 years. Leasehold improvements have been capitalized at cost and are being amortized over the term of the lease.

## **JOHN T. VUCUREVICH FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022**

#### **(1) Nature of Business and Summary of Significant Accounting Policies**

##### **Amounts Held in Trust for Others**

The Foundation holds and administers a permanent trust fund for the benefit of another non-profit organization in accordance with a donor agreement. Accordingly, the Foundation's accompanying Statements of Activities includes no investment income or expenses related to this trust. The asset and related liability account are reflected separately in the accompanying Statements of Financial Position.

##### **Grants Paid**

Grants are recorded as an expense when approved by the board of directors, unless conditions for grant payment have not been fulfilled. Grant intentions are recorded as an expense when approved by the board of directors and payment is issued. Such conditional grants are recorded when the conditions have been substantially satisfied. Actual grant payments may be made more than one year after the initial grant approval has been made by the Board of Directors. Long-term grants payable are discounted to present value.

##### **Functional Allocation of Expenses**

The costs of providing various programs and supporting activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Grants paid and direct charitable activities are directly allocated to program functions. Insurance, rent, office, and depreciation expenses are allocated to functions on a square footage basis. All other expenses are allocated based on estimated time and effort. A portion of depreciation expense is allocated to direct investment expense.

##### **Leases**

The Foundation determines if an arrangement is or contains a lease at inception or modification of the agreement. An election has been made for all asset classes to treat any non-lease components such as maintenance, utilities, insurance and property taxes as part of the lease contract. The right-of-use asset and lease liability relates to office facilities. The Foundation's lease agreement does not contain renewal or termination clauses, material residual value guarantees, restrictions, or covenants.

For leases with terms greater than 12 months or that contain a purchase option that is reasonably certain to be exercised, a right-of-use (ROU) asset and lease liability is recognized based on the present value of the future minimum lease payments over the lease term. Leases with ROU assets below \$5,000 or lease liabilities below \$5,000 are not deemed material and are recognized as short-term leases. The Company has elected to use the risk-free interest rate for all asset classes to determine the lease present value when the implicit rate is not readily determinable. The initial measurement of the ROU asset also includes any initial direct costs and lease prepayments, net of lease incentives received. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively.

##### **Subsequent Events**

The Foundation has evaluated events through June 28, 2024, the date which the financial statements were available to be issued.

**JOHN T. VUCUREVICH FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**(2) Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Fair value measurements are framed in a three-level hierarchy as follows:

- Level One: Observable inputs such as quoted market prices for identical assets or liabilities in active markets
- Level Two: Inputs include quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability
- Level Three: Inputs are based on prices or valuation techniques that are unobservable

The following table presents the assets carried at fair value as of December 31, 2023 and 2022, on the accompanying Statements of Financial Position by fair value hierarchy, as described above. All are measured on a recurring basis. The Foundation carried no other assets or liabilities measured at fair value on a recurring or non-recurring basis.

<b>2023</b>	<b><u>Level One</u></b>	<b><u>Level Two</u></b>	<b><u>Level Three</u></b>	<b><u>Total</u></b>
<b>Marketable Investment Securities:</b>				
US Equities	\$ 54,394,073	\$ -	\$ -	\$ 54,394,073
Mixed Assets	36,143,685	-	-	36,143,685
Fixed Income	16,096,399	-	-	16,096,399
International Equities	17,454,952	-	-	17,454,952
Other Assets	14,778,644	-	-	14,778,644
Structured Notes	-	16,821,660	-	16,821,660
Emerging Markets	4,937,590	-	-	4,937,590
	<b>143,805,343</b>	<b>16,821,660</b>	<b>-</b>	<b>160,627,003</b>
<b>Money Market Funds Included in</b>				
Cash and Cash Equivalents	8,876,364	-	-	8,876,364
Investments Held in Trust	-	1,025,917	-	1,025,917
	<b>\$ 152,681,707</b>	<b>\$ 17,847,577</b>	<b>\$ -</b>	<b>\$ 170,529,284</b>
<b>2022</b>				
<b>Marketable Investment Securities:</b>				
US Equities	\$ 47,830,425	\$ -	\$ -	\$ 47,830,425
Mixed Assets	34,549,192	-	-	34,549,192
Fixed Income	20,170,305	-	-	20,170,305
International Equities	16,722,485	-	-	16,722,485
Other Assets	13,629,718	-	-	13,629,718
Structured Notes	-	12,883,770	-	12,883,770
Emerging Markets	4,682,901	-	-	4,682,901
	<b>137,585,026</b>	<b>12,883,770</b>	<b>-</b>	<b>150,468,796</b>
<b>Money Market Funds Included in</b>				
Cash and Cash Equivalents	1,226,548	-	-	1,226,548
Investments Held in Trust	-	905,584	-	905,584
	<b>\$ 138,811,574</b>	<b>\$ 13,789,354</b>	<b>\$ -</b>	<b>\$ 152,600,928</b>

**JOHN T. VUCUREVICH FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**(2) Fair Value Measurements**

The Investments Held in Trust represent an annuity investment. The underlying assets of the annuity are equities valued using an actively traded market.

The fair value for structured notes is equal to the sum of the values of the following hypothetical components: (1) a fixed-income debt component with the same maturity as the notes and (2) the derivative or derivatives underlying the economic terms of the notes. The estimated value of the notes does not represent a minimum price at which maker would be willing to buy the notes in any secondary market (if any exists) at any time. The internal funding rate used in the determination of the estimated value of the notes may differ from the market-implied funding rate for vanilla fixed income instruments of a similar maturity issued by the maker.

**(3) Investment in Unconsolidated Subsidiary**

The Foundation has elected not to consolidate the financial statements of United Bancorporation (Note 1) as required by non-profit consolidation guidelines. The following is a summary of financial information for United Bancorporation:

*Condensed Balance Sheets:*  
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
Cash and Cash Equivalents	\$ 640	\$ 252,600
Loans, Net	-	2,150,132
Investments	-	70,000
Other Assets	810	109,472
<b>TOTAL ASSETS</b>	<b>\$ 1,450</b>	<b>\$ 2,582,204</b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>United Bancorporation's Stockholders' Equity</b>	<b>\$ 1,450</b>	<b>\$ 2,582,204</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,450</b>	<b>\$ 2,582,204</b>

*Condensed Statements of Income: (Unaudited)*  
For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Interest and Dividend Income	\$ 108,000	\$ 139,000
Recovery of Loan and Lease Losses	129,000	144,000
Noninterest Income	-	23,000
Noninterest Expense	(129,000)	(19,000)
	-	148,000
<b>Provision for Income Taxes</b>	<b>(25,000)</b>	<b>(33,000)</b>
<b>Net Income Attributable to United Bancorporation</b>	<b>\$ 83,000</b>	<b>\$ 254,000</b>

The Foundation received \$2,386,331 and \$1,094,648 of liquidating dividends from United Bancorporation during the years ended December 31, 2023 and 2022, respectively.

Had United Bancorporation been consolidated as required by non-profit consolidation guidelines, the investment and related interest and earnings would have been eliminated in consolidation.

**JOHN T. VUCUREVICH FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**(4) Federal Excise Taxes**

The Foundation is exempt from federal income taxes and classified as a private foundation under Section 501 of the Internal Revenue Code. The Foundation is subject to a 1.39 percent federal excise tax on net investment income, including realized gains, as defined by the Internal Revenue Code.

Deferred tax liabilities arise because the accrual basis is used for book purposes in the recognition of investment income, gains, and losses, but cash basis is used for tax purposes. Taxes are payable when dividends, interest, and other investment income are received in cash and when gains are realized by selling the investments. Pursuant to the plan of liquidation of United Bancorporation (Note 1), liquidating dividends are considered capital gains and can be offset by the remaining tax basis of the stock at December 31, 2018. Realized losses can be used to offset any gains realized in the same year; the excess of realized losses over realized gains cannot be carried back or carried forward to offset gains in prior or future tax years. Thus, because there are net unrealized gains on the investments held by the Foundation, the tax expense (benefit) exceeds the taxes payable (receivable) and results in a deferred federal excise tax liability of **\$269,352** and \$62,102 at December 31, 2023 and 2022, respectively.

The provision for federal excise taxes consists of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Current Tax Expense	\$ <b>114,461</b>	\$ 105,353
Deferred Tax Expense (Benefit)	<b>207,250</b>	(557,068)
	<u>\$ <b>321,711</b></u>	<u>\$ (451,715)</u>

The deferred tax liability reported in the financial statements represents the net appreciation in investments above cost. The deferred tax liability has been recorded at a rate of 1.39 percent of the unrealized holding gains at December 31, 2023 and 2022. The Foundation believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. For the years ended December 31, 2023 and 2022, no significant tax interest or penalties were recorded in the Statements of Activities.

**(5) Grants Payable**

Grants payable at December 31, 2023, are payable in the following periods:

2024	\$ 250,000
2025	250,000
2026	250,000
2027	250,000
2028	250,000
Thereafter	1,300,000
Gross Grants Payable	2,550,000
Less: Discount on Grants Payable - 2.50%	293,750
	<u>\$ <b>2,256,250</b></u>

Grants payable has discounts of **\$293,750** and \$394,178 at December 31, 2023 and 2022, respectively.

**JOHN T. VUCUREVICH FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**(6) Liquidity and Availability**

The Foundation's working capital and cash flows have variations during the year attributable to volatility of the investment market. To manage liquidity, the Foundation maintains its investment portfolio at a level that will provide adequate dividend returns. The Foundation also performs quarterly cash flow projections to determine the need for investment sales to fund grant-making activities. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at December 31:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ <b>8,928,774</b>	\$ 1,275,301
Operating Investments	<b>160,627,003</b>	150,468,796
<b>Total Financial Assets</b>	<b>169,555,777</b>	151,744,097
Less Board Designated Funds	<b>(167,208,899)</b>	(146,203,155)
<b>Financial Assets Available for General Use Within One Year</b>	<b>\$ 2,346,878</b>	\$ 5,540,942

Board designated funds were set aside in 2022 to protect the purchasing power of the original contribution to the Foundation. In the event of operational needs, funds can be undesignated, grant making can be reduced, or operations scaled back. At December 31, 2023 and 2022, the board designation of funds totals **\$167,208,899** and \$146,203,155, respectively.

**(7) Leases**

The Foundation's lease of office facilities expires February 2025 with no renewal option. The lease provides for increases in future minimum base rent of three percent on an annual basis. Additionally, the agreement requires the Foundation to pay a proportionate share of real estate taxes and insurance. These amounts are variable and, therefore, are not included in the calculation of the right of use asset and lease liability.

Total lease costs for the year ended December 31, 2023 were as follows:

	<u>2023</u>	<u>2022</u>
Operating Lease Cost	\$ <b>29,305</b>	\$ 29,024
Variable Lease Cost	<b>16,548</b>	16,174
Less: Investment Expense	<b>833</b>	729
	<b>\$ 45,020</b>	\$ 44,469

The weighted average remaining lease terms for this lease are **1.17** years and 2.17 years for the years ended December 31, 2023 and 2022, respectively.

The weighted average discount rate for this lease is **1.04** percent for the years ended December 31, 2023 and 2022.

The future minimum lease payments under this noncancelable operating lease are as follows as of December 31, 2023:

2024	\$ 30,029
2025	5,030
<b>Total Lease Payments</b>	<b>35,059</b>
Less Interest	199
<b>Present Value of Lease Liabilities</b>	<b>\$ 34,860</b>