

# **SIOUX EMPIRE UNITED WAY, INC.**

Financial Statements

For the Years Ended  
December 31, 2022 and 2021



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Sioux Empire United Way, Inc.  
Sioux Falls, South Dakota

### Opinion

We have audited the accompanying financial statements of Sioux Empire United Way, Inc. (a non-profit corporation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sioux Empire United Way, Inc. as of December 31, 2022 and 2021, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sioux Empire United Way, Inc. 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 these 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 Sioux Empire United Way, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Sioux Empire United Way, Inc.'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 Sioux Empire United Way, 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.

*Woltman Group, PLLC*

Woltman Group, PLLC  
Sioux Falls, South Dakota  
September 25, 2023

## SIOUX EMPIRE UNITED WAY, INC.

Statements of Financial Position  
As of December 31, 2022 and 2021

	2022	2021
<b>Assets</b>		
<i>Current assets</i>		
Cash	\$ 693,817	\$ 999,482
Cash - restricted for campaigns	1,068,367	1,197,325
Total cash	1,762,184	2,196,807
Promises to give, net	515,113	614,686
Promises to give, net - restricted for campaigns	4,918,512	5,613,070
Investments	3,574,304	4,144,318
Prepaid expenses	3,000	3,000
<i>Total current assets</i>	10,773,113	12,571,881
Property and equipment, net	19,051	27,479
<i>Other assets</i>		
Beneficial interest in Sioux Falls Area		
Community Foundation	1,212,547	1,447,054
Operating lease asset	59,444	-
<i>Total other assets</i>	1,271,991	1,447,054
<b>Total Assets</b>	\$ 12,064,155	\$ 14,046,414
<b>Liabilities and Net Assets</b>		
<i>Current liabilities</i>		
Accounts payable	\$ 2,939	\$ 8,044
Accrued expenses	61,463	74,403
Grants payable	105	105
Agency allocations payable	354,275	88,802
Current portion of long-term liability	54,871	-
<i>Total current liabilities</i>	473,653	171,354
<i>Long-term liability, net</i>	4,573	-
<i>Total liabilities</i>	478,226	171,354
<i>Net assets</i>		
Without donor restrictions		
Unappropriated	902,325	1,969,579
Appropriated	2,765,491	2,914,919
With donor restrictions	7,918,113	8,990,562
<i>Total net assets</i>	11,585,929	13,875,060
<b>Total Liabilities and Net Assets</b>	\$ 12,064,155	\$ 14,046,414

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

## SIOUX EMPIRE UNITED WAY, INC.

### Statements of Activities and Changes in Net Assets

For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>Net Public Support and Revenue</b>						
Contributions	\$ 1,469,355	\$ 7,075,304	\$ 8,544,659	\$ 1,249,846	\$ 7,872,782	\$ 9,122,628
Less donor designations	-	(4,500)	(4,500)	-	(1,900)	(1,900)
Less provision for uncollectibles	-	(371,120)	(371,120)	-	(360,795)	(360,795)
Net campaign revenue	<u>1,469,355</u>	<u>6,699,684</u>	<u>8,169,039</u>	<u>1,249,846</u>	<u>7,510,087</u>	<u>8,759,933</u>
Endowment contributions	-	4,060	4,060	-	19,000	19,000
Net investment (loss) income	(758,323)	-	(758,323)	120,631	-	120,631
Change in beneficial interest in Sioux Falls Area Community Foundation	-	(180,157)	(180,157)	-	172,172	172,172
Other (loss) revenue	(71)	2,883	2,812	12,830	4,195	17,025
<i>Net assets released from restrictions</i>						
Satisfaction of campaign	7,534,313	(7,534,313)	-	7,630,788	(7,630,788)	-
Appropriation of endowment earnings	58,409	(58,409)	-	-	-	-
Satisfaction of program use	6,197	(6,197)	-	6,566	(6,566)	-
Total net assets released from restrictions	<u>7,598,919</u>	<u>(7,598,919)</u>	<u>-</u>	<u>7,637,354</u>	<u>(7,637,354)</u>	<u>-</u>
<b>Total Net Public Support and Revenue</b>	<u>8,309,880</u>	<u>(1,072,449)</u>	<u>7,237,431</u>	<u>9,020,661</u>	<u>68,100</u>	<u>9,088,761</u>
<b>Expenses</b>						
Program services	8,444,406	-	8,444,406	7,894,223	-	7,894,223
Supporting services	1,082,156	-	1,082,156	1,097,237	-	1,097,237
<b>Total Expenses</b>	<u>9,526,562</u>	<u>-</u>	<u>9,526,562</u>	<u>8,991,460</u>	<u>-</u>	<u>8,991,460</u>
<b>Change in Net Assets</b>	<u>(1,216,682)</u>	<u>(1,072,449)</u>	<u>(2,289,131)</u>	<u>29,201</u>	<u>68,100</u>	<u>97,301</u>
<b>Net Assets, Beginning of Year</b>	<u>4,884,498</u>	<u>8,990,562</u>	<u>13,875,060</u>	<u>4,855,297</u>	<u>8,922,462</u>	<u>13,777,759</u>
<b>Net Assets, End of Year</b>	<u>\$ 3,667,816</u>	<u>\$ 7,918,113</u>	<u>\$ 11,585,929</u>	<u>\$ 4,884,498</u>	<u>\$ 8,990,562</u>	<u>\$ 13,875,060</u>

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

## SIOUX EMPIRE UNITED WAY, INC.

Statements of Functional Expenses  
For the Years Ended December 31, 2022 and 2021

	2022						
	Program Services			Supporting Services			Total Expenses
	Program Communications	Community Impact	Total	Management and General	Appeal for Financial Support	Total	
Salaries	\$ 94,513	\$ 115,192	\$ 209,705	\$ 328,746	\$ 228,727	\$ 557,473	\$ 767,178
Employee benefits	12,174	15,802	27,976	47,497	32,893	80,390	108,366
Payroll taxes	6,762	8,222	14,984	24,679	16,951	41,630	56,614
Total salaries and related expenses	<u>113,449</u>	<u>139,216</u>	<u>252,665</u>	<u>400,922</u>	<u>278,571</u>	<u>679,493</u>	<u>932,158</u>
Supplies and printing	286	4	290	1,895	11,152	13,047	13,337
Maintenance and equipment leases	5,264	5,269	10,533	19,999	6,390	26,389	36,922
Telephone	898	1,113	2,011	3,135	2,391	5,526	7,537
Postage	-	58	58	6,274	988	7,262	7,320
Occupancy	7,067	8,847	15,914	41,887	18,511	60,398	76,312
Marketing materials	18,825	-	18,825	-	99,800	99,800	118,625
Professional fees	-	-	-	19,268	-	19,268	19,268
Local transportation and meals	757	2,636	3,393	2,576	3,698	6,274	9,667
Conference and meetings	-	-	-	4,990	1,250	6,240	6,240
Publications and dues	-	-	-	1,153	-	1,153	1,153
Insurance	435	508	943	1,483	1,034	2,517	3,460
Banking fees	-	-	-	14,891	-	14,891	14,891
Miscellaneous	50	59	109	40,708	139	40,847	40,956
United Way Worldwide dues	14,661	19,884	34,545	54,562	36,032	90,594	125,139
Subtotal	<u>48,243</u>	<u>38,378</u>	<u>86,621</u>	<u>212,821</u>	<u>181,385</u>	<u>394,206</u>	<u>480,827</u>
Depreciation	1,109	1,370	2,479	4,032	2,836	6,868	9,347
Amortization of software costs	257	317	574	933	656	1,589	2,163
Subtotal	<u>1,366</u>	<u>1,687</u>	<u>3,053</u>	<u>4,965</u>	<u>3,492</u>	<u>8,457</u>	<u>11,510</u>
Allocations and awards	-	8,106,567	8,106,567	-	-	-	8,106,567
Less donor designations	-	(4,500)	(4,500)	-	-	-	(4,500)
<b>Total Expenses</b>	<u>\$ 163,058</u>	<u>\$ 8,281,348</u>	<u>\$ 8,444,406</u>	<u>\$ 618,708</u>	<u>\$ 463,448</u>	<u>\$ 1,082,156</u>	<u>\$ 9,526,562</u>

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

## SIOUX EMPIRE UNITED WAY, INC.

### Statements of Functional Expenses (Continued) For the Years Ended December 31, 2022 and 2021

	2021						
	Program Services			Supporting Services			Total Expenses
	Program Communications	Community Impact	Total	Management and General	Appeal for Financial Support	Total	
Salaries	\$ 110,698	\$ 121,992	\$ 232,690	\$ 259,768	\$ 228,560	\$ 488,328	\$ 721,018
Employee benefits	15,267	16,876	32,143	36,347	32,280	68,627	100,770
Payroll taxes	7,291	7,989	15,280	17,246	15,072	32,318	47,598
<b>Total salaries and related expenses</b>	<b>133,256</b>	<b>146,857</b>	<b>280,113</b>	<b>313,361</b>	<b>275,912</b>	<b>589,273</b>	<b>869,386</b>
Supplies and printing	121	46	167	1,839	15,741	17,580	17,747
Maintenance and equipment leases	1,183	5,214	6,397	13,834	6,637	20,471	26,868
Telephone	1,131	1,264	2,395	2,690	2,574	5,264	7,659
Postage	-	-	-	8,063	1,394	9,457	9,457
Occupancy	8,954	9,929	18,883	36,657	18,993	55,650	74,533
Marketing materials	12,297	-	12,297	-	114,143	114,143	126,440
Professional fees	-	-	-	18,010	-	18,010	18,010
Local transportation and meals	639	308	947	281	3,406	3,687	4,634
Conference and meetings	10	-	10	3,539	-	3,539	3,549
Publications and dues	-	-	-	1,092	-	1,092	1,092
Insurance	440	455	895	955	877	1,832	2,727
Banking fees	-	-	-	15,296	-	15,296	15,296
Miscellaneous	250	1,409	1,659	20,573	880	21,453	23,112
Bad debt	-	-	-	-	110,382	110,382	110,382
United Way Worldwide dues	22,223	24,612	46,835	52,883	47,087	99,970	146,805
<b>Subtotal</b>	<b>47,248</b>	<b>43,237</b>	<b>90,485</b>	<b>175,712</b>	<b>322,114</b>	<b>497,826</b>	<b>588,311</b>
Depreciation	1,679	1,850	3,529	3,939	3,466	7,405	10,934
Amortization of software costs	620	683	1,303	1,454	1,279	2,733	4,036
<b>Subtotal</b>	<b>2,299</b>	<b>2,533</b>	<b>4,832</b>	<b>5,393</b>	<b>4,745</b>	<b>10,138</b>	<b>14,970</b>
Allocations and awards	-	7,520,693	7,520,693	-	-	-	7,520,693
Less donor designations	-	(1,900)	(1,900)	-	-	-	(1,900)
<b>Total Expenses</b>	<b>\$ 182,803</b>	<b>\$ 7,711,420</b>	<b>\$ 7,894,223</b>	<b>\$ 494,466</b>	<b>\$ 602,771</b>	<b>\$ 1,097,237</b>	<b>\$ 8,991,460</b>

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



# SIOUX EMPIRE UNITED WAY, INC.

## Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	2022	2021
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (2,289,131)	\$ 97,301
<i>Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:</i>		
Increase (decrease) in allowance for uncollectibles	131,481	(2,326)
Depreciation and amortization	11,510	14,970
Loss on disposal of property and equipment	71	-
Net changes in operating lease asset	54,781	-
Net realized and unrealized loss on investments	872,966	33,442
Change in beneficial interest in Sioux Falls Area Community Foundation	180,157	(172,172)
Contributions to endowment	(4,060)	(19,000)
<i>(Increase) decrease in assets:</i>		
Receivables	-	1,000
Promises to give	662,650	542,798
Prepaid expenses	-	1,000
<i>Increase (decrease) in liabilities:</i>		
Payables	260,368	56,361
Accrued expenses	(12,940)	12,159
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(132,147)</b>	<b>565,533</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(302,952)	(163,910)
Contributions to beneficial interest in Sioux Falls Area Community Foundation	(4,060)	(19,000)
Proceeds from investments	-	203,319
Proceeds from beneficial interest in Sioux Falls Area Community Foundation	58,410	29,223
Purchase of property and equipment	(3,153)	(4,821)
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(251,755)</b>	<b>44,811</b>
<b>Cash Flows from Financing Activities</b>		
Cash received for endowment	4,060	19,000
Repayment of lease liability	(54,781)	-
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>(50,721)</b>	<b>19,000</b>
<b>Net (Decrease) Increase in Cash</b>	<b>(434,623)</b>	<b>629,344</b>
<b>Cash at Beginning of Period</b>	<b>2,196,807</b>	<b>1,567,463</b>
<b>Cash at End of Period</b>	<b>\$ 1,762,184</b>	<b>\$ 2,196,807</b>

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

# SIoux EMPIRE UNITED WAY, INC.

Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

## 1. Nature of Organization and Summary of Significant Accounting Policies

### *Nature of Organization*

Sioux Empire United Way, Inc. (United Way) is a non-profit corporation located in Sioux Falls, South Dakota and operated by a volunteer board of directors elected by its members. The mission of the United Way is “to lead, sustain, and nurture a unified, effective response to community needs.” The United Way generates its revenue through annual campaigns in the Sioux Empire area to raise public support for community programs.

### *Basis of Accounting*

Financial statement preparation follows the Financial Accounting Standards Board’s (FASB) Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the United Way is required to report 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.

The United Way has adopted the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America in which revenues are recorded when earned and expenses when incurred.

### *Cash and Cash Equivalents*

For purposes of the statements of cash flows, the United Way considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The United Way had no cash equivalents as of December 31, 2022 and 2021.

### *Concentrations*

#### Cash

Cash is exposed to concentrations of credit risk. The United Way maintains cash in bank deposit accounts which, at times, may be in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. The United Way has not experienced any losses in these accounts, and management believes it is not exposed to any significant credit risk related to cash as the deposits are in high-quality financial institutions. The United Way’s cash balance in excess of the FDIC limit totaled \$950,609 and \$1,082,921 of December 31, 2022 and 2021, respectively.

#### Promises to Give

The United Way’s promises to give are concentrated in southeastern South Dakota.

# SIoux EMPIRE UNITED WAY, INC.

Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

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

### *Concentrations (Continued)*

#### Investments

Investments are exposed to concentrations of credit risk. The United Way maintains investments in accounts which, at times, may be in excess of the Securities Investor Protection Corporation (SIPC) limit of \$500,000 (including a \$250,000 limit for cash). SIPC protects investment accounts in the event of broker-dealer failure. The insurance does not protect against market losses on investments. The United Way's investment balance in excess of the SIPC limit totaled \$3,174,855 and \$3,983,550 as of December 31, 2022 and 2021, respectively.

### *Promises to Give*

Unconditional promises to give are recognized as revenue in the period received and as assets or decreases in liabilities or expenses, depending on the form of the benefits received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend are substantially met. Promises to give expected to be collected within one year are recorded at net realizable value. Promises to give expected to be collected in future years are recorded at the present value of expected future cash flows. All donor-restricted contributions are reported as increases in net assets with donor restrictions unless the restriction expires in the reporting period in which the contribution is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Allowance for uncollectibles is based on a three-year historical average adjusted by management estimates of current economic factors applied to the gross campaign, including donor designations.

### *Investments*

Investments are carried at fair value. Fair values are generally based on quoted market prices or appraised value. Realized and unrealized gains and losses are reflected in the accompanying statements of activities and changes in net assets.

### *Fair Value Measurements*

The United Way has determined the fair value of certain assets and liabilities in accordance with the provisions of FASB ASC 820, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles in the United States of America.

FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. FASB ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

# SIoux EMPIRE UNITED WAY, INC.

Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

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

### *Fair Value Measurements (Continued)*

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

### *Property and Equipment*

Property and equipment is recorded at cost or, if donated, at its estimated fair market value at the time of the gift. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Unless the donor has stipulated how long donated assets must be maintained, the United Way reports expirations of donor restrictions when the donated or acquired assets are placed in service; at that time, the assets are reclassified from net assets with donor restrictions to net assets without donor restrictions. Additions, renewals, and betterments greater than or equal to \$1,000 with a useful life greater than one year are capitalized. Purchases under this threshold or that do not extend the useful life are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the related assets for book purposes. The estimated useful lives of the depreciable assets are as follows:

	<u>Years</u>
Leasehold improvements	7 - 15
Furniture and equipment	5 - 30
Software	3 - 5

Depreciation and amortization expense totaled \$11,510 and \$14,970 for the years ended December 31, 2022 and 2021, respectively.

### *Operating Lease Asset and Liability*

Operating lease asset represents the right to use an underlying asset for the lease term, and operating lease liability represents the obligation to make lease payments arising from the lease. The United Way generally leases real and personal property on an as-needed basis. Fixed payment leases may contain predetermined fixed rent escalators. The United Way recognizes the related rent expense on a straight-line basis from the commencement date to the end of the lease term.

# SIOUX EMPIRE UNITED WAY, INC.

Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

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

### *Net Assets*

The United Way's net assets and changes therein are classified and reported as follows:

#### *Without Donor Restrictions - Unappropriated*

Net assets that are not subject to donor-imposed restrictions or law over which the United Way's board of directors has discretionary control.

#### *Without Donor Restrictions - Appropriated*

Net assets that are not subject to donor-imposed restrictions or law over which the United Way's board of directors has discretionary control. The governing board has designated from net assets without restrictions net assets for the operating reserve and for specified agency funding outside of the campaign.

#### *With Donor Restrictions*

Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or the occurrence of an event specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

### *Restricted and Unrestricted Revenue and Support*

Contributions are recorded as support without donor restrictions or support with donor restrictions, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. 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 statements of activities and changes in net assets as net assets released from restrictions.

### *Donated Services*

No amounts have been reflected in the financial statements for donated services. No objective basis is available to measure the value of such services, and these services do not meet the criteria for recognition; however, a substantial number of volunteers have donated significant amounts of time to the United Way for the fundraising campaign and community impact programs.

# SIoux EMPIRE UNITED WAY, INC.

Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

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

### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### *Functional Expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited. Expenses are allocated as follows:

Allocated on time and effort — salaries, employee benefits, payroll taxes

Allocated on usage — supplies and printing, maintenance and equipment leases, telephone, postage, occupancy, marketing materials, local transportation and meals, conference and meetings, insurance, miscellaneous, United Way Worldwide dues, depreciation, amortization of software costs

### *Leases*

Effective January 1, 2022, the United Way adopted Financial Accounting Standards Board (FASB) ASC 842, Leases. This new standard establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and lease liability for all leases with terms longer than 12 months. Leases with a term of less than 12 months will not reported on the statements of financial position; lease expense for these leases is recognized on a straight-line basis over the lease term. In addition, the United Way has applied the practical expedients in the package of three:

- Carry over of historical lease determination and lease classification conclusions.
- Carry over historical initial direct cost balances for existing leases.
- Accounting for lease and non-lease components in contracts in which the United Way is a lessee as a single lease component.

In establishing the ROU asset, the United Way calculates its lease payment obligation at the lease commencement date based on the present value of lease payments over the lease term. Unless the discount rate is stated in the lease, the United Way utilizes its incremental borrowing rate, or the risk-free rate, to determine the present value of the asset. The ROU asset for finance leases is reported in property and equipment and the ROU asset for operating leases is included in other assets.

# SIoux EMPIRE UNITED WAY, INC.

Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

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

### *Leases (Continued)*

The standard materially impacted the United Way's financial statements as of January 1, 2022, by adding a ROU asset and corresponding liability for an operating lease in the accompanying statements of financial position as follows:

Operating lease asset	<u>\$ 114,225</u>
Current portion of lease liability	\$ 54,781
Long-term lease liability	<u>59,444</u>
	<u>\$ 114,225</u>

There was no material impact to the timing of expense recognition in the accompanying statements of activities and changes in net assets. The standard was adopted using the modified retrospective approach; in accordance with this approach, prior periods were not restated and continue to be presented under FASB ASC 840, *Leases*. See Notes 9 and 10.

### *Income Tax Status*

The United Way is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

### *Risks and Uncertainties*

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

### *Reclassifications*

Some reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

### *Subsequent Events*

Subsequent events were evaluated through September 25, 2023, the date the financial statements were available to be issued.

## 2. Supplementary Cash Flow Information

	<u>2022</u>	<u>2021</u>
Noncash investing and financing activity:		
Operating lease asset acquired with long-term lease liability	\$ 114,225	\$ -

## SIOUX EMPIRE UNITED WAY, INC.

Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

### 3. Promises to Give

Donors to the United Way have made unconditional promises to give that are measured at fair value. Promises to give are as follows as of December 31:

	<u>2022</u>	<u>2021</u>
Without donor restriction		
Due within one year	\$ 907,836	\$ 1,149,215
With donor restriction		
Due within one year	<u>5,289,632</u>	<u>5,973,865</u>
Total promises to give	6,197,468	7,123,080
Less: allowance for uncollectibles	<u>(763,843)</u>	<u>(895,324)</u>
Net promises to give	<u>\$ 5,433,625</u>	<u>\$ 6,227,756</u>

The United Way had bad debts of \$0 and \$110,382 for the years ended December 31, 2022 and 2021, respectively.

### 4. Investment Income

Investment income from the United Way's short-term investments is composed of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 125,118	\$ 164,275
Realized loss on investments	(318,568)	(68,934)
Unrealized (loss) gain on investments	(554,398)	35,492
Less fees associated with investments	<u>(10,475)</u>	<u>(10,202)</u>
Net investment (loss) income	<u>\$ (758,323)</u>	<u>\$ 120,631</u>



## SIOUX EMPIRE UNITED WAY, INC.

Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

### 5. Property and Equipment

Cost and accumulated depreciation for property and equipment are summarized as follows as of December 31:

	2022		2021	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Leasehold improvements	\$ 36,734	\$ 34,117	\$ 36,734	\$ 30,075
Furniture and equipment	86,076	70,869	113,085	95,655
Software	50,598	49,371	50,598	47,208
	<b>\$ 173,408</b>	<b>\$ 154,357</b>	<b>\$ 200,417</b>	<b>\$ 172,938</b>

### 6. Beneficial Interest in Sioux Falls Area Community Foundation

The United Way receives funds through the Sioux Falls Area Community Foundation (Foundation) from endowments owned and administered by them for the United Way as the designated beneficiary of distributions from the endowments. The Foundation makes available for distribution 4% of the 12-quarter trailing average balance of the endowment to the United Way each year. These distributions are subject to the Foundation's power to modify or remove any restriction or condition on the distributions of funds if, in its discretion, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the communities served. The Foundation has not exercised such power since its establishment. The aggregate market value of the contributions, plus income and less distributions and fees, was \$1,212,547 and \$1,447,054 as of December 31, 2022 and 2021, respectively, and is reflected in the United Way's assets as a beneficial interest in the Foundation. \$50,095 and \$37,539 became available for distribution during the years ended December 31, 2022 and 2021, respectively, and the net accumulated amounts available for spending as of December 31, 2022 and 2021, were \$0 and \$8,315, respectively, in the fund and are included in beneficial interest in the Foundation on the statements of financial position.

The Foundation also holds endowment funds that designate the United Way as a beneficiary of distributions from the funds. The Foundation distributes 4% of the 12-quarter trailing average balance of the fund to the beneficiaries each year. These distributions are subject to the Foundation's power to modify or remove any restrictions or condition on the distribution of funds if, in its discretion, such restriction or condition becomes necessary, incapable of fulfillment, or inconsistent with the charitable needs of the communities served. The Foundation has not exercised such power since its establishment. The total fair market value of the funds was \$138,865 and \$174,024 as of December 31, 2022 and 2021, respectively. The United Way received distributions from the funds in the amount of \$9,981 and \$0 during the years ended December 31, 2022 and 2021, respectively.

## SIOUX EMPIRE UNITED WAY, INC.

Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

### 7. Fair Value of Financial Instruments

Assets measured at fair value on a recurring basis are as follows as of December 31:

	2022	2021
Mutual Funds		
Equity	\$ 396,233	\$ 890,380
Liquid alternatives	391,228	655,574
Fixed	2,786,843	2,598,364
Total short-term investments	3,574,304	4,144,318
Beneficial interest in Sioux Falls Area Community Foundation	1,212,547	1,447,054
	\$ 4,786,851	\$ 5,591,372

The related fair values of these assets are determined as follows:

	2022		
	Quoted Prices	Other	Unobservable
	In Active	Observable	Inputs
	Markets	Inputs	Inputs
	(Level 1)	(Level 2)	(Level 3)
Mutual Funds			
Equity	\$ 396,233	\$ -	\$ -
Liquid alternatives	391,228	-	-
Fixed	2,786,843	-	-
Beneficial interest in Sioux Falls Area Community Foundation	-	-	1,212,547
	\$ 3,574,304	\$ -	\$ 1,212,547
	2021		
	Quoted Prices	Other	Unobservable
	In Active	Observable	Inputs
	Markets	Inputs	Inputs
	(Level 1)	(Level 2)	(Level 3)
Mutual Funds			
Equity	\$ 890,380	\$ -	\$ -
Liquid alternatives	655,574	-	-
Fixed	2,598,364	-	-
Beneficial interest in Sioux Falls Area Community Foundation	-	-	1,447,054
	\$ 4,144,318	\$ -	\$ 1,447,054

The fair values of mutual funds are determined by reference to quoted market prices. The majority of the pooled investments at Sioux Falls Area Community Foundation are level 1 investments.

## SIoux EMPIRE UNITED WAY, INC.

Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

### 7. Fair Value of Financial Instruments (Continued)

Changes in Level 3 assets are as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Beneficial interest in Sioux Falls Area Community Foundation, beginning of year	\$ 1,447,054	\$ 1,285,105
Contributions	4,060	19,000
Distributions	(58,410)	(29,223)
Change in fair value	<u>(180,157)</u>	<u>172,172</u>
Beneficial interest in Sioux Falls Area Community Foundation, end of year	<u>\$ 1,212,547</u>	<u>\$ 1,447,054</u>

### 8. Liquidity

Financial assets available to meet cash needs for general expenditures within one year of December 31 for the United Way are calculated as follows:

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,762,184	\$ 2,196,807
Investments	3,574,304	4,144,318
Promises to give	<u>5,433,625</u>	<u>6,227,756</u>
	<b>10,770,113</b>	12,568,881
Less assets unavailable for general expenditure within one year:		
Board designations	(2,765,491)	(2,914,919)
Donor restrictions	<u>(6,883)</u>	<u>(9,195)</u>
Financial assets available to meet cash needs for general expenditures within a year of December 31	<u>\$ 7,997,739</u>	<u>\$ 9,644,767</u>

Restricted promises to give are considered to be available to meet cash needs because the restrictions will be satisfied within the next twelve months.

As part of the United Way's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis, and financial assets on hand are adjusted as necessary. Assets designated by the board are not considered financial assets available to meet cash needs for general expenditures, but, through board action, these assets can be released for general expenditures.

## SIOUX EMPIRE UNITED WAY, INC.

Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

### 9. Long-term Liability

Long-term liability consists of the following as of December 31, 2022:

Operating lease agreement with an unrelated third party; payable in monthly installments of \$4,573; terminates January 2023. Subsequent to year end, a one-year lease was entered into for the same property. This lease is payable in monthly installments of \$4,573 and terminates January 2024. \$ 59,444

The future minimum lease payments are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2023	\$ 54,871
2024	<u>4,573</u>
	<u>\$ 59,444</u>

### 10. Leases

Following are additional lease disclosures as of and for the year ended December 31, 2022:

Operating lease expense	\$ 54,781
Weighted average lease term of operating lease	1.08 years
Weighted average discount rate of operating lease	3.59%

The lease does not provide an implicit rate; as such, the United Way uses the risk-free rate in effect at the commencement date in determining the present value of lease payments.

### 11. Net Assets

#### *Net Assets Without Donor Restrictions*

Net assets without donor restrictions represent resources over which the United Way's board of directors has discretionary control. The board of directors has appropriated amounts as follows as of December 31:

	<u>2022</u>	<u>2021</u>
Reserve fund	\$ 2,326,509	\$ 2,306,462
Pre-campaign funds	<u>438,982</u>	<u>608,457</u>
	<u>\$ 2,765,491</u>	<u>\$ 2,914,919</u>

## SIoux EMPIRE UNITED WAY, INC.

Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

### 11. Net Assets (Continued)

#### *Net Assets With Donor Restrictions*

Net assets with donor restrictions are for the following purposes and periods as of December 31:

	<u>2022</u>	<u>2021</u>
Time/purpose restricted contributions		
Campaign results 2023 and 2022, respectively	\$ 6,698,683	\$ 7,534,313
Receipts for future campaigns	5,000	5,000
Program restricted contributions		
Emerging Leaders	1,883	4,195
Perpetual in nature		
Sioux Falls Area Community Foundation	<u>1,212,547</u>	<u>1,447,054</u>
	<u>\$ 7,918,113</u>	<u>\$ 8,990,562</u>

### 12. Retirement Plan

The United Way has a contributory salary reduction thrift plan covering all eligible employees. The plan includes salary deferral provisions, and the United Way will contribute 5% of employee compensation for each employee participating in the plan. Retirement expense for the years ended December 31, 2022 and 2021, was \$64,887 and \$65,793, respectively, and is included with employee benefits expense in the statements of functional expenses.

### 13. United Way of America Cost Deduction Standards

The United Way pledges to comply with the United Way of America Cost Deduction Standard "M". The overall purpose of this standard is to assure the public that donors are charged no more than actual costs incurred to process designated gifts, that there are no duplicative charges, and that the methodology for calculating the fees is consistent, fair, and understandable.

### 14. Donated Services

The United Way Worldwide (UWW) has maintained a mutually beneficial relationship with the National Football League (NFL), where UWW underwrites the cost to produce a Public Service Announcement (PSA) and halftime show for broadcast in NFL designated media. The PSA promotes education and features NFL players involved in various local United Way community volunteer activities. The halftime show provides brand awareness and positions United Way as a key NFL partner. The NFL furnishes the airtime throughout the year at no cost to the United Way. Airtime was also donated by various contributors to promote United Way initiatives and support United Way's mission to improve lives by mobilizing the caring power of communities. The combined value of the donated airtime allocated to this local United Way was estimated to be \$40,044 and \$52,850 for the years ended December 31, 2022 and 2021, respectively.

## **SIOUX EMPIRE UNITED WAY, INC.**

Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

### **15. Related-Party Transactions**

During a given year, the United Way will receive promises to give and contributions from members of the board of directors and employees. Promises to give and contributions from these related parties of \$140,717 and \$152,707 for the years ended December 31, 2022 and 2021, respectively. Additionally, the United Way pays dues to United Way Worldwide. \$125,139 and \$146,805 was paid in dues to United Way Worldwide during the years ended December 31, 2022 and 2021, respectively.