

SIOUX EMPIRE UNITED WAY, INC.

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018**

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7 - 18



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Sioux Empire United Way, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Sioux Empire United Way Inc.'s 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated August 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Woltman Group, PC
Sioux Falls, South Dakota
June 24, 2020

SIOUX EMPIRE UNITED WAY, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR 2018

ASSETS				
	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	2019 TOTALS	2018 TOTALS
CURRENT ASSETS				
Cash and cash equivalents	\$ 197,412	\$ 1,870,753	\$ 2,068,165	\$ 1,886,215
Short-term investments	2,849,667	-	2,849,667	2,415,156
Pledges receivable - net of allowance for uncollectible of \$671,204 in 2019 and \$780,885 in 2018	712,025	6,221,149	6,933,174	6,563,463
Prepaid expenses	8,500	-	8,500	-
Total current assets	3,767,604	8,091,902	11,859,506	10,864,834
OTHER ASSETS				
Long-term investments	-	1,168,513	1,168,513	180,539
Total other assets	-	1,168,513	1,168,513	180,539
PROPERTY AND EQUIPMENT				
Leasehold improvements	36,734	-	36,734	36,734
Furniture and equipment	106,606	-	106,606	97,564
Software	48,920	-	48,920	40,492
Total equipment	192,260	-	192,260	174,790
Accumulated depreciation and amortization	(150,614)	-	(150,614)	(137,895)
Net property and equipment	41,646	-	41,646	36,895
TOTAL ASSETS	\$ 3,809,250	\$ 9,260,415	\$ 13,069,665	\$ 11,082,268
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Checks written in excess of account balance	\$ 317,979	\$ -	\$ 317,979	\$ -
Accounts payable	2,888	-	2,888	1,336
Accrued expenses	40,316	-	40,316	24,628
Grants payable	-	105	105	105
Agency allocations payable	158,742	-	158,742	208,179
Total current liabilities	519,925	105	520,030	234,248
NET ASSETS				
Without donor restrictions				
Unappropriated	1,048,811	-	1,048,811	612,823
Appropriated	2,240,514	-	2,240,514	2,298,514
With donor restrictions	-	9,260,310	9,260,310	7,936,683
Total net assets	3,289,325	9,260,310	12,549,635	10,848,020
TOTAL LIABILITIES AND NET ASSETS	\$ 3,809,250	\$ 9,260,415	\$ 13,069,665	\$ 11,082,268

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 YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR 2018

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	2019 TOTALS	2018 TOTALS
PUBLIC SUPPORT AND REVENUE				
<i>2019 and 2018 Campaign Results</i>				
Gross campaign results	\$ 1,819,364	\$ -	\$ 1,819,364	\$ 2,154,000
Less provision for uncollectible	-	-	-	-
Net 2019 and 2018 campaign revenue	<u>1,819,364</u>	<u>-</u>	<u>1,819,364</u>	<u>2,154,000</u>
<i>2020 and 2019 Campaign Results</i>				
Gross campaign results	-	8,427,084	8,427,084	8,039,259
Less donor designations	-	(5,060)	(5,060)	1,175
Less provision for uncollectible	-	(337,000)	(337,000)	(342,925)
Net 2020 and 2019 campaign revenue	<u>-</u>	<u>8,085,024</u>	<u>8,085,024</u>	<u>7,697,509</u>
<i>Investment income and other revenue</i>				
Endowment contributions	-	888,887	888,887	-
Interest and dividend income	106,153	29,023	135,176	92,256
Unrealized gain (loss) on investments	172,070	51,880	223,950	(116,329)
Realized gain (loss) on investments	11,965	27,289	39,254	(1,416)
Investment expense and fees	(7,453)	(6,116)	(13,569)	(7,988)
Other revenue	50	1,057	1,107	1,227
Net assets released from restrictions				
Satisfaction of 2019 campaign	7,753,417	(7,753,417)	-	-
Total net assets released from restrictions	<u>7,753,417</u>	<u>(7,753,417)</u>	<u>-</u>	<u>-</u>
NET SUPPORT AND REVENUE	<u>9,855,566</u>	<u>1,323,627</u>	<u>11,179,193</u>	<u>9,819,259</u>
EXPENSES				
<i>Program services</i>				
Gross funds awarded/distributed	8,249,548	-	8,249,548	8,229,601
Donor designations	1,175	-	1,175	(1,875)
Net funds awarded/distributed	<u>8,250,723</u>	<u>-</u>	<u>8,250,723</u>	<u>8,227,726</u>
Program communications	147,661	-	147,661	163,336
Community impact	169,291	-	169,291	214,278
Total program services	<u>8,567,675</u>	<u>-</u>	<u>8,567,675</u>	<u>8,605,340</u>
<i>Support services</i>				
Management and general	375,736	-	375,736	350,435
Appeal for financial support	435,524	-	435,524	372,803
United Way Worldwide dues	98,643	-	98,643	99,018
Total support services	<u>909,903</u>	<u>-</u>	<u>909,903</u>	<u>822,256</u>
TOTAL EXPENSES	<u>9,477,578</u>	<u>-</u>	<u>9,477,578</u>	<u>9,427,596</u>
CHANGE IN NET ASSETS	377,988	1,323,627	1,701,615	391,663
NET ASSETS, BEGINNING OF YEAR	<u>2,911,337</u>	<u>7,936,683</u>	<u>10,848,020</u>	<u>10,456,357</u>
NET ASSETS, END OF YEAR	<u>\$ 3,289,325</u>	<u>\$ 9,260,310</u>	<u>\$ 12,549,635</u>	<u>\$ 10,848,020</u>

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

SIOUX EMPIRE UNITED WAY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR 2018

	PROGRAM SERVICES			SUPPORT SERVICES				2019 TOTALS	2018 TOTALS
	PROGRAM COMMUN- ICATIONS	COMMUNITY IMPACT	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	APPEAL FOR FINANCIAL SUPPORT-2020 CAMPAIGN	UNITED WAY WORLDWIDE DUES	TOTAL SUPPORT SERVICES		
Salaries	\$ 98,274	\$ 118,855	\$ 217,129	\$ 230,663	\$ 219,367	\$ -	\$ 450,030	\$ 667,159	\$ 658,188
Employee benefits	15,159	18,459	33,618	35,660	35,186	-	70,846	104,464	104,234
Payroll taxes	6,323	7,852	14,175	14,879	14,307	-	29,186	43,361	45,067
Sub-total	<u>119,756</u>	<u>145,166</u>	<u>264,922</u>	<u>281,202</u>	<u>268,860</u>	<u>-</u>	<u>550,062</u>	<u>814,984</u>	<u>807,489</u>
Supplies and printing	1,480	1,188	2,668	2,957	29,419	-	32,376	35,044	36,962
Maintenance and equipment leases	3,161	4,119	7,280	11,884	5,946	-	17,830	25,110	17,609
Telephone	783	955	1,738	1,862	1,803	-	3,665	5,403	5,205
Postage	-	19	19	3,900	5,164	-	9,064	9,083	11,757
Occupancy	8,456	10,313	18,769	33,910	19,500	-	53,410	72,179	61,335
Marketing materials	10,228	-	10,228	-	91,204	-	91,204	101,432	83,195
Professional fees	-	-	-	15,760	989	-	16,749	16,749	17,735
Local transportation and meals	604	3,203	3,807	3,044	4,900	-	7,944	11,751	11,756
Conference and meetings	864	660	1,524	(1,873)	701	-	(1,172)	352	3,623
Publications and dues	-	-	-	554	90	98,643	99,287	99,287	99,440
Insurance	431	662	1,093	829	1,062	-	1,891	2,984	2,599
Investment and banking fees	-	-	-	12,116	-	-	12,116	12,116	10,925
Miscellaneous	24	740	764	5,193	1,704	-	6,897	7,661	16,420
Sub-total	<u>26,031</u>	<u>21,859</u>	<u>47,890</u>	<u>90,136</u>	<u>162,482</u>	<u>98,643</u>	<u>351,261</u>	<u>399,151</u>	<u>378,561</u>
Depreciation expense	1,598	1,932	3,530	3,750	3,566	-	7,316	10,846	13,439
Amortization of software costs	276	334	610	648	616	-	1,264	1,874	381
Sub-total	<u>1,874</u>	<u>2,266</u>	<u>4,140</u>	<u>4,398</u>	<u>4,182</u>	<u>-</u>	<u>8,580</u>	<u>12,720</u>	<u>13,820</u>
TOTAL OPERATIONS	147,661	169,291	316,952	375,736	435,524	98,643	909,903	1,226,855	1,199,870
Allocations/awards	-	8,249,548	8,249,548	-	-	-	-	8,249,548	8,229,601
Donor designations	-	1,175	1,175	-	-	-	-	1,175	(1,875)
TOTAL EXPENSE	<u>\$ 147,661</u>	<u>\$ 8,420,014</u>	<u>\$ 8,567,675</u>	<u>\$ 375,736</u>	<u>\$ 435,524</u>	<u>\$ 98,643</u>	<u>\$ 909,903</u>	<u>\$ 9,477,578</u>	<u>\$ 9,427,596</u>

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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,701,615	\$ 391,663
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation and amortization	12,720	13,820
Net realized and unrealized (gains) losses on investments	(263,204)	117,745
(Increase) decrease in assets:		
Accounts receivable	-	2,662
Pledges receivable	(369,711)	(182,456)
Prepaid expenses	(8,500)	-
(Decrease) increase in liabilities:		
Accounts payable	319,531	(15,770)
Accrued expenses	15,688	(8,855)
Agency allocations payable	(49,437)	30,429
Net cash provided by operating activities	<u>1,358,702</u>	<u>349,238</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,162,270)	(1,047,184)
Proceeds from the sale of investments	2,989	515,377
Purchase of property and equipment	(17,471)	(4,307)
Net cash used in investing activities	<u>(1,176,752)</u>	<u>(536,114)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	181,950	(186,876)
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,886,215</u>	<u>2,073,091</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 2,068,165</u>	<u>\$ 1,886,215</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ORGANIZATION

Sioux Empire United Way, Inc. (the United Way) is a non-profit corporation operated by a volunteer Board of Directors elected by its members. The stated purpose of the United Way is “to lead, sustain, and nurture a unified, effective response to community needs”. The main course of achieving this goal has been directing annual campaigns in the Sioux Empire area to raise support for community programs.

BASIS OF ACCOUNTING

The financial statements of the United Way have been prepared on the accrual basis of accounting.

BASIS OF PRESENTATION

The United Way reports information regarding its financial position and activities according to the two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. 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. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

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 that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the United Way considers all cash and other highly liquid investments with an initial maturity of three months or less to be cash equivalents.

CONCENTRATIONS OF CREDIT RISK

The United Way’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and investments. The United Way believes it places its cash and temporary cash investments with high-quality financial institutions. At times, such investments may be in excess of the applicable FDIC insurance limits.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 are recognized when the conditions on which they depend are substantially met. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Provision for uncollectibles is computed on a three-year historical average adjusted by management estimates of current economic factors applied to gross campaign, including donor designations.

INVESTMENTS

Investments are carried at fair value. Fair values are generally based upon 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.

PROPERTY AND EQUIPMENT

Property 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 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. It is the United Way's policy to expense property and equipment with an initial cost less than \$1,000.

Depreciation and amortization are computed using the straight-line method based on useful lives of assets as follows:

	<u>Estimated Useful Life</u>
Leasehold improvements	7 – 15 years
Furniture and equipment	5 – 10 years
Software	3 years

Depreciation and amortization expense totaled \$12,720 and \$13,820 for the years ended December 31, 2019 and 2018, respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

1. NATURE OF BUSINESS 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 – Board Designated

Net assets that are not subject to donor-imposed restrictions or law. The governing board has designated, from net assets without donor restrictions, net assets for the operating reserve.

With Donor Restrictions

Net assets 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 other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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 in the United Way's fund raising campaign and community impact program.

REVENUE RECOGNITION

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises are recorded as revenue when the conditions are substantially met.

Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. 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.

FUNCTIONAL EXPENSES

The costs of providing various programs and other activities has 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, professional fees, local transportation and meals, conference and meetings, publications and dues, insurance, investment and banking fees, miscellaneous, depreciation expense, amortization of software costs

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 change could materially affect the net assets of the United Way.

SUBSEQUENT EVENTS

Subsequent events were evaluated through June 24, 2020, the date the financial statements were available to be issued.

2. PLEDGES RECEIVABLE

Pledges receivable are as follows:

	<u>2019</u>			2018
	<u>Receivable</u>	<u>Uncollectible</u>	<u>Net</u>	<u>Net</u>
<u>Without Donor Restriction</u>				
United Way	\$ 1,046,229	\$ 334,204	\$ 712,025	\$ 596,075
 <u>With Donor Restriction</u>				
United Way	<u>6,558,149</u>	<u>337,000</u>	<u>6,221,149</u>	<u>5,967,388</u>
Combined Totals	<u>\$ 7,604,378</u>	<u>\$ 671,204</u>	<u>\$ 6,933,174</u>	<u>\$ 6,563,463</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

3. INVESTMENTS

Investments, stated at market value, consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Mutual Funds – Equity	\$ 502,685	\$ 351,322
Corporate Bonds	51,128	109,812
Mutual Funds – Fixed	<u>2,295,854</u>	<u>1,954,022</u>
Short-term investments	<u>2,849,667</u>	2,415,156
Sioux Falls Area Community Foundation:		
Endowment Fund	195,025	165,614
Children and Youth Endowment Fund	17,571	14,925
Charlie Smith Endowment Fund	<u>955,917</u>	-
Long-term investments	<u>1,168,513</u>	<u>180,539</u>
	<u>\$ 4,018,180</u>	<u>\$ 2,595,695</u>

4. FAIR VALUE OF ASSETS

Generally accepted accounting principles in the United States of America define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the United Way has the ability to access. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

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

	<u>2019</u>	<u>2018</u>
Mutual Funds – Equity	\$ 502,685	\$ 351,322
Corporate Bonds	51,128	109,812
Mutual Funds – Fixed	2,295,854	1,954,022
Investments with Sioux Falls Area Community Foundation	<u>1,168,513</u>	<u>180,539</u>
	<u>\$ 4,018,180</u>	<u>\$ 2,595,695</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

4. FAIR VALUE OF ASSETS (CONTINUED)

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

	2019		
	Quoted Prices	Other	
	In Active	Observable	Unobservable
	Markets	Inputs	Inputs
	(Level 1)	(Level 2)	(Level 3)
Mutual Funds – Equity	\$ 502,685	\$ -	\$ -
Corporate Bonds	51,128	-	-
Mutual Funds – Fixed	2,295,854	-	-
Investments with Sioux Falls Area Community Foundation	<u>1,168,513</u>	-	-
	<u>\$ 4,018,180</u>	<u>\$ -</u>	<u>\$ -</u>
	2018		
	Quoted Prices	Other	
	In Active	Observable	Unobservable
	Markets	Inputs	Inputs
	(Level 1)	(Level 2)	(Level 3)
Mutual Funds – Equity	\$ 351,322	\$ -	\$ -
Corporate Bonds	109,812	-	-
Mutual Funds – Fixed	1,954,022	-	-
Investments with Sioux Falls Area Community Foundation	<u>180,539</u>	-	-
	<u>\$ 2,595,695</u>	<u>\$ -</u>	<u>\$ -</u>

The fair values of mutual funds, bonds, US treasury notes, and the investment with the Sioux Falls Area Community Foundation are determined by reference to quoted market prices.

5. 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 endowment. The Foundation distributes 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 current market value of the contributions, plus income and less distributions and fees, was \$1,168,513 and \$180,539 as of December 31, 2019 and 2018, respectively, and is reflected in the United Way’s assets as an interest in the net assets of the Foundation. \$7,449 and \$7,145 became available for use in 2019 and 2018, respectively, and the net accumulated amounts as of December 31, 2019 and 2018, were \$21,775 and \$14,326, respectively, in the fund and are included in investments on the statements of financial position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

5. SIOUX FALLS AREA COMMUNITY FOUNDATION (CONTINUED)

The Foundation also holds endowment funds that designate the United Way as a beneficiary of distributions from these endowments. The Foundation distributes 4% of the 12-quarter trailing average balance on the endowments 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 in the past. The total fair market value of these endowments was \$138,504 and \$8,632 at December 31, 2019 and 2018, respectively. The United Way received distributions from these endowments in the amount of \$0 in 2019 and 2018.

6. 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:

	2019	2018
Cash	\$ 2,068,165	\$ 1,886,215
Short-term investments	2,849,667	2,415,156
Pledges receivable	6,933,174	6,563,463
	11,851,006	10,864,834
Less: assets unavailable for general expenditures within one year due to donor restrictions	(13,821)	(2,725)
Financial assets available to meet cash needs for general expenditures within one year of December 31, 2019	<u>\$ 11,837,185</u>	<u>\$ 10,862,109</u>

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.

7. RESTRICTIONS ON 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 director’s has designated a 90-day reserve in the amount of \$2,240,514 and \$2,298,514 at December 31, 2019 and 2018, respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

7. RESTRICTIONS ON NET ASSETS (CONTINUED)

NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Time/purpose restricted contributions		
Campaign pledges 2020 and 2019, respectively	\$ 8,077,976	\$ 7,753,419
Sioux Falls Area Community Foundation	21,775	14,326
Program restricted contributions		
Emerging Leaders	13,821	2,725
Perpetual in nature		
Sioux Falls Area Community Foundation	<u>1,146,738</u>	<u>166,213</u>
	<u>\$ 9,260,310</u>	<u>\$ 7,936,683</u>

8. ENDOWMENT NET ASSETS COMPOSITION BY TYPE OF FUND

The United Way's endowments consist of the Sioux Falls Area Community Foundation endowments at December 31, 2019 and 2018. The funds, as described in Note 5, are established by donors to hold investments in a pooled investment fund to yield more favorable investment returns. All of the endowments in the Agency Fund are donor-restricted endowment funds. The investment and spending policies, as well as the rate of return strategies, of these endowments are determined by the Sioux Falls Area Community Foundation. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW

The board of directors of the United Way has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the United Way classifies as net assets with donor restrictions perpetual in nature (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions perpetual in nature is classified as net assets with time/purpose donor restrictions until those amounts are appropriated for expenditure by the United Way in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the United Way considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

8. ENDOWMENT NET ASSETS COMPOSITION BY TYPE OF FUND (CONTINUED)

UNDERWATER ENDOWMENT FUNDS

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the United Way to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets without donor restrictions. These deficiencies can result from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the board of directors. There were no such deficiencies as of December 31, 2019 and 2018.

RETURN OBJECTIVES AND RISK PARAMETERS

The United Way has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the United Way must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that achieve a reasonable total investment return within quality guidelines. The United Way expects its endowment funds, over time, to provide an average rate of return of approximately 3 percent over the rate of inflation as measured by the Consumer Price Index. Actual returns in any given year may vary from this amount.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the United Way 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 United Way targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The United Way has a policy of appropriating for distribution each year an amount that is determined on an as-needed basis subject to the approval of the board of directors.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

9. RENT

The United Way is currently renting its office space pursuant to a five-year lease. The initial term expired on January 31, 2017. The original lease required monthly rental payments of \$4,350 with an annual increase by the percentage increase in the Consumer Price Index. A new lease was entered into in February 2017 and expires on January 31, 2022, with an option to extend for an additional one-year period. This lease requires monthly rental payments of \$4,373 with an annual increase by the percentage increase in the Consumer Price Index. Rent expense for the years ended December 31, 2019 and 2018, was \$53,240 and \$53,164, respectively. Rent expense is included in occupancy in the statements of functional expenses. Future minimum rental payments on the lease are as follows:

<u>Year ended December 31</u>	<u>Amount</u>
2020	\$ 52,476
2021	52,476
2022	<u>4,373</u>
	<u>\$ 109,325</u>

10. THRIFT PLAN

The United Way provides a defined contribution, salary reduction thrift plan, which covers employees after one year of service. Employees may contribute a portion of their compensation to this plan, and the employer matches those contributions up to 5% of compensation. The plan also provides for a base contribution to be made by the United Way in the amount of 5% of compensation. This base contribution is made whether or not the employee contributes. Contribution expense for the years ended December 31, 2019 and 2018, was \$64,531 and \$66,969, respectively. Contribution expense is included with employee benefits expense in the statements of functional expenses.

11. 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.

12. PROGRAM SERVICES

PROGRAM COMMUNICATIONS

Program communications expenses are incurred to inform potential donors of the agencies supported by the United Way campaign.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

12. PROGRAM SERVICES

COMMUNITY IMPACT

Community impact expenses are used to plan, select, coordinate, and distribute funds to member agencies within the community.

13. 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 \$126,063 and \$145,692 for 2019 and 2018, respectively.

14. SUBSEQUENT EVENTS

The United Way has not had a significant impact on operations relating to COVID-19 and expects any future disruptive impacts to be temporary; however, the situation continues to evolve rapidly, and management is unable to predict the extent of which COVID-19 will impact operations. The negative global financial consequences and heightened uncertainty caused by COVID-19 may directly or indirectly impact the operations of the United Way in terms of donor pool, liquidity, and workforce availability, any of which could have a material adverse effect on the United Way's financial condition, results of operations, or cash flows.