

SIOUX EMPIRE UNITED WAY, INC.

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

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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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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 15, 2021

SIOUX EMPIRE UNITED WAY, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020
WITH COMPARATIVE TOTALS FOR 2019

	ASSETS			
	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	2020 TOTALS	2019 TOTALS
CURRENT ASSETS				
Cash and cash equivalents	\$ 505,289	\$ 1,062,174	\$ 1,567,463	\$ 1,750,186
Short-term investments	4,217,169	-	4,217,169	2,849,667
Accounts receivable	1,000	-	1,000	-
Promises to give - net of allowance for uncollectible of \$897,650 in 2020 and \$671,204 in 2019	785,727	5,982,501	6,768,228	6,933,174
Due from assets without donor restriction	-	592,787	592,787	317,979
Prepaid expenses	4,000	-	4,000	8,500
Total current assets	5,513,185	7,637,462	13,150,647	11,859,506
OTHER ASSETS				
Beneficial interest in Sioux Falls Area Community Foundation	-	1,285,105	1,285,105	1,168,513
Total other assets	-	1,285,105	1,285,105	1,168,513
PROPERTY AND EQUIPMENT				
Leasehold improvements	36,734	-	36,734	36,734
Furniture and equipment	116,828	-	116,828	106,606
Software	48,920	-	48,920	48,920
Total equipment	202,482	-	202,482	192,260
Accumulated depreciation and amortization	(164,854)	-	(164,854)	(150,614)
Net property and equipment	37,628	-	37,628	41,646
TOTAL ASSETS	\$ 5,550,813	\$ 8,922,567	\$ 14,473,380	\$ 13,069,665
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 568	\$ -	\$ 568	\$ 2,888
Accrued expenses	62,244	-	62,244	40,316
Due to assets with donor restriction	592,787	-	592,787	317,979
Grants payable	-	105	105	105
Agency allocations payable	39,917	-	39,917	158,742
Total current liabilities	695,516	105	695,621	520,030
NET ASSETS				
Without donor restrictions				
Unappropriated	2,126,483	-	2,126,483	1,048,811
Appropriated	2,728,814	-	2,728,814	2,240,514
With donor restrictions	-	8,922,462	8,922,462	9,260,310
Total net assets	4,855,297	8,922,462	13,777,759	12,549,635
TOTAL LIABILITIES AND NET ASSETS	\$ 5,550,813	\$ 8,922,567	\$ 14,473,380	\$ 13,069,665

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, 2020
WITH COMPARATIVE TOTALS FOR 2019

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	2020 TOTALS	2019 TOTALS
PUBLIC SUPPORT AND REVENUE				
<i>2020 and 2019 Campaign Results</i>				
Gross campaign results	\$ 2,539,860	\$ -	\$ 2,539,860	\$ 1,819,364
Less provision for uncollectible	-	-	-	-
Net 2020 and 2019 campaign revenue	<u>2,539,860</u>	<u>-</u>	<u>2,539,860</u>	<u>1,819,364</u>
<i>2021 and 2020 Campaign Results</i>				
Gross campaign results	-	8,133,069	8,133,069	8,427,084
Less donor designations	-	(2,985)	(2,985)	(5,060)
Less provision for uncollectible	-	(541,272)	(541,272)	(337,000)
Net 2021 and 2020 campaign revenue	<u>-</u>	<u>7,588,812</u>	<u>7,588,812</u>	<u>8,085,024</u>
<i>Investment income and other revenue</i>				
Endowment contributions	-	10,000	10,000	888,887
Interest and dividend income	96,417	26,278	122,695	135,176
Unrealized gain on investments	120,193	148,883	269,076	223,950
Realized gain (loss) on investments	4,150	(14,980)	(10,830)	39,254
Investment expense and fees	(7,875)	(9,112)	(16,987)	(13,569)
Other revenue	1,033	283	1,316	1,107
Net assets released from restrictions				
Satisfaction of 2020 campaign	8,088,012	(8,088,012)	-	-
Total net assets released from restrictions	<u>8,088,012</u>	<u>(8,088,012)</u>	<u>-</u>	<u>-</u>
NET SUPPORT AND REVENUE	<u>10,841,790</u>	<u>(337,848)</u>	<u>10,503,942</u>	<u>11,179,193</u>
EXPENSES				
<i>Program services</i>				
Gross funds awarded/distributed	8,013,283	-	8,013,283	8,249,548
Donor designations	(5,060)	-	(5,060)	1,175
Net funds awarded/distributed	<u>8,008,223</u>	<u>-</u>	<u>8,008,223</u>	<u>8,250,723</u>
Program communications	168,470	-	168,470	147,661
Community impact	191,770	-	191,770	169,291
Total program services	<u>8,368,463</u>	<u>-</u>	<u>8,368,463</u>	<u>8,567,675</u>
<i>Support services</i>				
Management and general	450,932	-	450,932	375,736
Appeal for financial support	456,423	-	456,423	435,524
United Way Worldwide dues	-	-	-	98,643
Total support services	<u>907,355</u>	<u>-</u>	<u>907,355</u>	<u>909,903</u>
TOTAL EXPENSES	<u>9,275,818</u>	<u>-</u>	<u>9,275,818</u>	<u>9,477,578</u>
CHANGE IN NET ASSETS	1,565,972	(337,848)	1,228,124	1,701,615
NET ASSETS, BEGINNING OF YEAR	<u>3,289,325</u>	<u>9,260,310</u>	<u>12,549,635</u>	<u>10,848,020</u>
NET ASSETS, END OF YEAR	<u>\$ 4,855,297</u>	<u>\$ 8,922,462</u>	<u>\$ 13,777,759</u>	<u>\$ 12,549,635</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, 2020
WITH COMPARATIVE TOTALS FOR 2019

	PROGRAM SERVICES			SUPPORT SERVICES			2020 TOTALS	2019 TOTALS
	PROGRAM COMMUN- ICATIONS	COMMUNITY IMPACT	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	APPEAL FOR FINANCIAL SUPPORT-2021 CAMPAIGN	TOTAL SUPPORT SERVICES		
Salaries	\$ 103,772	\$ 122,156	\$ 225,928	\$ 241,586	\$ 225,820	\$ 467,406	\$ 693,334	\$ 667,159
Employee benefits	15,998	18,940	34,938	37,527	35,658	73,185	108,123	104,464
Payroll taxes	6,767	7,822	14,589	15,962	14,602	30,564	45,153	43,361
Sub-total	<u>126,537</u>	<u>148,918</u>	<u>275,455</u>	<u>295,075</u>	<u>276,080</u>	<u>571,155</u>	<u>846,610</u>	<u>814,984</u>
Supplies and printing	253	26	279	2,067	24,385	26,452	26,731	35,044
Maintenance and equipment leases	1,704	4,908	6,612	24,612	3,812	28,424	35,036	25,110
Telephone	841	1,022	1,863	1,920	1,954	3,874	5,737	5,403
Postage	11	-	11	7,097	1,360	8,457	8,468	9,083
Occupancy	8,658	10,233	18,891	31,769	19,201	50,970	69,861	72,179
Marketing materials	9,339	-	9,339	-	81,684	81,684	91,023	101,432
Professional fees	-	117	117	16,508	-	16,508	16,625	16,749
Local transportation and meals	366	1,251	1,617	824	1,387	2,211	3,828	11,751
Conference and meetings	-	-	-	1,715	-	1,715	1,715	352
Publications and dues	-	-	-	280	-	280	280	99,287
Insurance	361	394	755	977	842	1,819	2,574	2,984
Investment and banking fees	-	-	-	18,964	-	18,964	18,964	12,116
Miscellaneous	65	880	945	1,415	715	2,130	3,075	7,661
United Way Worldwide dues	18,204	21,512	39,716	42,747	40,365	83,112	122,828	-
Sub-total	<u>39,802</u>	<u>40,343</u>	<u>80,145</u>	<u>150,895</u>	<u>175,705</u>	<u>326,600</u>	<u>406,745</u>	<u>399,151</u>
Depreciation expense	1,711	2,014	3,725	3,983	3,723	7,706	11,431	10,846
Amortization of software costs	420	495	915	979	915	1,894	2,809	1,874
Sub-total	<u>2,131</u>	<u>2,509</u>	<u>4,640</u>	<u>4,962</u>	<u>4,638</u>	<u>9,600</u>	<u>14,240</u>	<u>12,720</u>
TOTAL OPERATIONS	168,470	191,770	360,240	450,932	456,423	907,355	1,267,595	1,226,855
Allocations/awards	-	8,013,283	8,013,283	-	-	-	8,013,283	8,249,548
Donor designations	-	(5,060)	(5,060)	-	-	-	(5,060)	1,175
TOTAL EXPENSE	<u>\$ 168,470</u>	<u>\$ 8,199,993</u>	<u>\$ 8,368,463</u>	<u>\$ 450,932</u>	<u>\$ 456,423</u>	<u>\$ 907,355</u>	<u>\$ 9,275,818</u>	<u>\$ 9,477,578</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,228,124	\$ 1,701,615
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Increase (decrease) in allowance for uncollectible promises to give	226,446	(109,681)
Depreciation and amortization	14,240	12,720
Net realized and unrealized gains on investments	(258,246)	(263,204)
Contributions to endowment	(10,000)	(888,887)
(Increase) decrease in assets:		
Accounts receivable and due from	(275,808)	(317,979)
Pledges receivable	(61,500)	(260,030)
Prepaid expenses	4,500	(8,500)
(Decrease) increase in liabilities:		
Accounts payable and due to	272,488	319,531
Accrued expenses	21,928	15,688
Agency allocations payable	(118,825)	(49,437)
 Net cash provided by operating activities	 <u>1,043,347</u>	 <u>151,836</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,270,325)	(1,162,270)
Proceeds from the sale of investments	44,477	2,989
Purchase of property and equipment	(10,222)	(17,471)
 Net cash used in investing activities	 <u>(1,236,070)</u>	 <u>(1,176,752)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received for endowment	10,000	888,887
 Net cash provided by financing activities	 <u>10,000</u>	 <u>888,887</u>
 DECREASE IN CASH AND CASH EQUIVALENTS	 (182,723)	 (136,029)
 BEGINNING CASH AND CASH EQUIVALENTS	 <u>1,750,186</u>	 <u>1,886,215</u>
 ENDING CASH AND CASH EQUIVALENTS	 <u>\$ 1,567,463</u>	 <u>\$ 1,750,186</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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. The United Way had no cash equivalents as of December 31, 2020 and 2019.

CONCENTRATIONS

Cash and cash equivalents

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

Investments

Investments are exposed to concentrations of credit risk. The United Way believes it places its temporary cash investments with high-quality financial institutions. At times, such balances may be in excess of the applicable FDIC insurance limit.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

Depreciation and amortization expense totaled \$14,240 and \$12,720 for the years ended December 31, 2020 and 2019, respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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 and for specified agency funding outside of the campaign.

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, publications and dues, insurance, miscellaneous, depreciation expense, amortization of software costs

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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.

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 June 15, 2021, the date the financial statements were available to be issued.

2. PROMISES TO GIVE

Promises to give are as follows:

	<u>2020</u>			<u>2019</u>
	<u>Receivable</u>	<u>Uncollectible</u>	<u>Net</u>	<u>Net</u>
Without Donor Restriction				
United Way	\$ 1,142,105	\$ 356,378	\$ 785,727	\$ 712,025
With Donor Restriction				
United Way	<u>6,523,773</u>	<u>541,272</u>	<u>5,982,501</u>	<u>6,221,149</u>
Combined Totals	<u>\$ 7,665,878</u>	<u>\$ 897,650</u>	<u>\$ 6,768,228</u>	<u>\$ 6,933,174</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

3. INVESTMENTS

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

	<u>2020</u>	<u>2019</u>
Mutual Funds – Equity	\$ 923,039	\$ 502,685
Corporate Bonds	-	51,128
Mutual Funds – Liquid Alternatives	884,536	-
Mutual Funds – Fixed	<u>2,409,594</u>	<u>2,295,854</u>
Short-term investments	4,217,169	2,849,667
Sioux Falls Area Community Foundation:		
Endowment Fund	203,818	195,025
Children and Youth Endowment Fund	17,387	17,571
Charlie Smith Endowment Fund	<u>1,063,900</u>	<u>955,917</u>
Beneficial interest in Sioux Falls Area Community Foundation	<u>1,285,105</u>	<u>1,168,513</u>
	<u>\$ 5,502,274</u>	<u>\$ 4,018,180</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 as of December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Mutual Funds – Equity	\$ 923,039	\$ 502,685
Corporate Bonds	-	51,128
Mutual Funds – Liquid Alternatives	884,536	-
Mutual Funds – Fixed	2,409,594	2,295,854
Beneficial interest in Sioux Falls Area Community Foundation	<u>1,285,105</u>	<u>1,168,513</u>
	<u>\$ 5,502,274</u>	<u>\$ 4,018,180</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

4. FAIR VALUE OF ASSETS (CONTINUED)

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

	2020		
	Quoted Prices	Other	
	In Active	Observable	Unobservable
	Markets	Inputs	Inputs
	(Level 1)	(Level 2)	(Level 3)
Mutual Funds – Equity	\$ 923,039	\$ -	\$ -
Mutual Funds – Liquid Alternatives	884,536		
Mutual Funds – Fixed	2,409,594	-	-
Beneficial interest in Sioux Falls Area Community Foundation	-	-	1,285,105
	<u>\$ 4,217,169</u>	<u>\$ -</u>	<u>\$ 1,285,105</u>
	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	-	-
Beneficial interest in Sioux Falls Area Community Foundation	-	-	1,168,513
	<u>\$ 2,849,667</u>	<u>\$ -</u>	<u>\$ 1,168,513</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

5. 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 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 \$1,285,105 and \$1,168,513 as of December 31, 2020 and 2019, respectively, and is reflected in the United Way’s assets as a beneficial interest in the Foundation. \$22,702 and \$7,449 became available for use in 2020 and 2019, respectively, and the net accumulated amounts available for spending as of December 31, 2020 and 2019, were \$0 and \$21,775, respectively, in the fund and are included in beneficial interest in Sioux Falls Area Community Foundation on the statements of financial position.

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 \$154,895 and \$138,504 at December 31, 2020 and 2019, respectively. The United Way received distributions from these endowments in the amount of \$3,241 and \$0 in 2020 and 2019, respectively.

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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,567,463	\$ 1,750,186
Short-term investments	1,488,355	609,153
Accounts receivable	1,000	-
Promises to give	6,768,228	6,933,174
Due from assets without donor restriction	<u>592,787</u>	<u>317,979</u>
	10,417,833	9,610,492
Less: assets unavailable for general expenditures within one year due to donor restrictions	<u>(6,565)</u>	<u>(13,821)</u>
Financial assets available to meet cash needs for general expenditures within a year of December 31	<u>\$ 10,411,268</u>	<u>\$ 9,596,671</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

6. LIQUIDITY (CONTINUED)

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 appropriated 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.

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 directors has designated a 90-day reserve in the amount of \$2,302,664 and \$2,240,514 as of December 31, 2020 and 2019, respectively. The board of directors has also designated additional support for agencies in the amount of \$426,150 and \$0 as of December 31, 2020 and 2019, respectively.

NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Time/purpose restricted contributions		
Campaign pledges 2021 and 2020, respectively	\$ 7,630,792	\$ 8,077,976
Sioux Falls Area Community Foundation	-	21,775
Program restricted contributions		
Emerging Leaders	6,565	13,821
Perpetual in nature		
Sioux Falls Area Community Foundation	1,285,105	1,146,738
	\$ 8,922,462	\$ 9,260,310

8. ENDOWMENT NET ASSETS COMPOSITION BY TYPE OF FUND

The United Way’s endowments consist of the Sioux Falls Area Community Foundation endowments as of December 31, 2020 and 2019. 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

INTERPRETATION OF RELEVANT LAW

The board of directors of the United Way has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 UPMIFA. In accordance with UPMIFA, the United Way considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the United Way and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

The change in endowment net assets as of and for the years ended December 31, 2020 and 2019, are as follows:

	2020			Total
	Without Donor Restriction	With Donor Restriction		
		Time/Purpose Restriction	Restricted in Perpetuity	
Endowment net assets				
Beginning of year				
January 1, 2020	\$ -	\$ 21,775	\$ 1,146,738	\$ 1,168,513
Contributions	-	-	10,000	10,000
Investment return, net	-	22,702	128,367	151,069
Other changes:				
Distribution from endowment pursuant to distribution policy	-	(44,477)	-	(44,477)
Endowment net assets end of year, December 31, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,285,105</u>	<u>\$ 1,285,105</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

	2019			Total
	Without Donor Restriction	With Donor Restriction		
		Time/Purpose Restriction	Restricted in Perpetuity	
Endowment net assets				
Beginning of year				
January 1, 2019	\$ -	\$ 14,326	\$ 166,213	\$ 180,539
Contributions	-	-	888,887	888,887
Investment return, net	-	10,438	91,638	102,076
Other changes:				
Distribution from endowment pursuant to distribution policy	-	(2,989)	-	(2,989)
Endowment net assets end of year,				
December 31, 2019	<u>\$ -</u>	<u>\$ 21,775</u>	<u>\$ 1,146,738</u>	<u>\$ 1,168,513</u>

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 UPMIFA 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, 2020 and 2019.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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.

9. RENT

The United Way is currently renting its office space pursuant to a five-year lease. The 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, 2020 and 2019, was \$53,751 and \$53,240, respectively. Rent expense is included in occupancy in the statements of functional expenses. Future minimum rental payments on the lease are as follows:

Year ended December 31	Amount
2021	\$ 52,476
2022	4,373
	\$ 56,849

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, 2020 and 2019, was \$62,412 and \$64,531, respectively. Contribution expense is included with employee benefits expense in the statements of functional expenses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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. 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 \$171,294 and \$126,063 for 2020 and 2019, respectively.

13. RELATED-PARTY TRANSACTIONS

During a given year, the United Way will receive promises to give and contributions from members of the board and employees.

14. COVID-19

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.