

SIOUX EMPIRE UNITED WAY, INC.

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

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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 statement of financial position as of December 31, 2021, 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.

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, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. 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 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform 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.

Report on Summarized Comparative Information

We have previously audited Sioux Empire United Way, Inc.'s 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Woltman Group, PLLC

Woltman Group, PLLC
Sioux Falls, South Dakota
September 29, 2022

**SIOUX EMPIRE UNITED WAY, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020**

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 999,482	\$ 505,289
Cash and cash equivalents restricted for 2022 campaign	1,197,325	1,062,174
Investments	4,144,318	4,217,169
Accounts receivable	-	1,000
Promises to give - net of allowance for uncollectibles of \$895,324 in 2021 and \$897,650 in 2020	6,227,756	6,768,228
Due from assets without donor restriction	733,218	592,787
Prepaid expenses	3,000	4,000
Total current assets	13,305,099	13,150,647
OTHER ASSETS		
Beneficial interest in Sioux Falls Area Community Foundation	1,447,054	1,285,105
Total other assets	1,447,054	1,285,105
PROPERTY AND EQUIPMENT		
Leasehold improvements	36,734	36,734
Furniture and equipment	113,085	116,828
Software	50,598	48,920
Total equipment	200,417	202,482
Accumulated depreciation and amortization	(172,938)	(164,854)
Net property and equipment	27,479	37,628
TOTAL ASSETS	\$ 14,779,632	\$ 14,473,380
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES		
Accounts payable	\$ 8,044	\$ 568
Accrued expenses	74,403	62,244
Due to assets with donor restriction	733,218	592,787
Grants payable	105	105
Agency allocations payable	88,802	39,917
Total current liabilities	904,572	695,621
NET ASSETS		
Without donor restrictions		
Unappropriated	1,969,579	2,126,483
Appropriated	2,914,919	2,728,814
With donor restrictions	8,990,562	8,922,462
Total net assets	13,875,060	13,777,759
TOTAL LIABILITIES AND NET ASSETS	\$ 14,779,632	\$ 14,473,380

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, 2021
WITH COMPARATIVE TOTALS FOR 2020

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	2021 TOTALS	2020 TOTALS
PUBLIC SUPPORT AND REVENUE				
<i>2021 and 2020 Campaign Results</i>				
Gross campaign results	\$ 1,139,464	\$ -	\$ 1,139,464	\$ 2,539,860
Less provision for uncollectible	-	-	-	-
Net 2021 and 2020 campaign revenue	<u>1,139,464</u>	<u>-</u>	<u>1,139,464</u>	<u>2,539,860</u>
<i>2022 and 2021 Campaign Results</i>				
Gross campaign results	-	7,872,782	7,872,782	8,133,069
Less donor designations	-	(1,900)	(1,900)	(2,985)
Less provision for uncollectible	-	(360,795)	(360,795)	(541,272)
Net 2022 and 2021 campaign revenue	<u>-</u>	<u>7,510,087</u>	<u>7,510,087</u>	<u>7,588,812</u>
<i>Investment income and other revenue</i>				
Endowment contributions	-	19,000	19,000	10,000
Interest and dividend income	164,275	-	164,275	96,417
Unrealized gain on investments	35,492	-	35,492	120,193
Realized (loss) gain on investments	(68,934)	-	(68,934)	4,150
Investment expense and fees	(10,202)	-	(10,202)	(7,875)
Change in beneficial interest in Sioux Falls Area Community Foundation	-	172,172	172,172	151,069
Other revenue	12,830	4,195	17,025	1,316
Net assets released from restrictions				
Satisfaction of 2021 campaign	7,637,354	(7,637,354)	-	-
Total net assets released from restrictions	<u>7,637,354</u>	<u>(7,637,354)</u>	<u>-</u>	<u>-</u>
NET PUBLIC SUPPORT AND REVENUE	<u>8,910,279</u>	<u>68,100</u>	<u>8,978,379</u>	<u>10,503,942</u>
EXPENSES				
<i>Program services</i>				
Gross funds awarded/distributed	7,521,778	-	7,521,778	8,007,048
Donor designations	(2,985)	-	(2,985)	1,175
Net funds awarded/distributed	<u>7,518,793</u>	<u>-</u>	<u>7,518,793</u>	<u>8,008,223</u>
Program communications	182,803	-	182,803	168,470
Community impact	192,627	-	192,627	191,770
Total program services	<u>7,894,223</u>	<u>-</u>	<u>7,894,223</u>	<u>8,368,463</u>
<i>Support services</i>				
Management and general	494,466	-	494,466	450,932
Appeal for financial support	492,389	-	492,389	456,423
Total support services	<u>986,855</u>	<u>-</u>	<u>986,855</u>	<u>907,355</u>
TOTAL EXPENSES	<u>8,881,078</u>	<u>-</u>	<u>8,881,078</u>	<u>9,275,818</u>
CHANGE IN NET ASSETS	29,201	68,100	97,301	1,228,124
NET ASSETS, BEGINNING OF YEAR	<u>4,855,297</u>	<u>8,922,462</u>	<u>13,777,759</u>	<u>12,549,635</u>
NET ASSETS, END OF YEAR	<u>\$ 4,884,498</u>	<u>\$ 8,990,562</u>	<u>\$ 13,875,060</u>	<u>\$ 13,777,759</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, 2021
WITH COMPARATIVE TOTALS FOR 2020

	PROGRAM SERVICES			SUPPORT SERVICES			2021 TOTALS	2020 TOTALS
	PROGRAM COMMUN- ICATIONS	COMMUNITY IMPACT	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	APPEAL FOR FINANCIAL SUPPORT-2022 CAMPAIGN	TOTAL SUPPORT SERVICES		
Salaries	\$ 110,698	\$ 121,992	\$ 232,690	\$ 259,768	\$ 228,560	\$ 488,328	\$ 721,018	\$ 693,334
Employee benefits	15,267	16,876	32,143	36,347	32,280	68,627	100,770	108,123
Payroll taxes	7,291	7,989	15,280	17,246	15,072	32,318	47,598	45,153
Sub-total	133,256	146,857	280,113	313,361	275,912	589,273	869,386	846,610
Supplies and printing	121	46	167	1,839	15,741	17,580	17,747	26,731
Maintenance and equipment leases	1,183	5,214	6,397	13,834	6,637	20,471	26,868	35,036
Telephone	1,131	1,264	2,395	2,690	2,574	5,264	7,659	5,737
Postage	-	-	-	8,063	1,394	9,457	9,457	8,468
Occupancy	8,954	9,929	18,883	36,657	18,993	55,650	74,533	69,861
Marketing materials	12,297	-	12,297	-	114,143	114,143	126,440	91,023
Professional fees	-	-	-	18,010	-	18,010	18,010	16,625
Local transportation and meals	639	308	947	281	3,406	3,687	4,634	3,828
Conference and meetings	10	-	10	3,539	-	3,539	3,549	1,715
Publications and dues	-	-	-	1,092	-	1,092	1,092	280
Insurance	440	455	895	955	877	1,832	2,727	2,574
Investment and banking fees	-	-	-	15,296	-	15,296	15,296	18,964
Miscellaneous	250	1,409	1,659	20,573	880	21,453	23,112	3,075
United Way Worldwide dues	22,223	24,612	46,835	52,883	47,087	99,970	146,805	122,828
Sub-total	47,248	43,237	90,485	175,712	211,732	387,444	477,929	406,745
Depreciation expense	1,679	1,850	3,529	3,939	3,466	7,405	10,934	11,431
Amortization of software costs	620	683	1,303	1,454	1,279	2,733	4,036	2,809
Sub-total	2,299	2,533	4,832	5,393	4,745	10,138	14,970	14,240
TOTAL OPERATIONS	182,803	192,627	375,430	494,466	492,389	986,855	1,362,285	1,267,595
Allocations/awards	-	7,521,778	7,521,778	-	-	-	7,521,778	8,007,048
Donor designations	-	(2,985)	(2,985)	-	-	-	(2,985)	1,175
TOTAL EXPENSE	<u>\$ 182,803</u>	<u>\$ 7,711,420</u>	<u>\$ 7,894,223</u>	<u>\$ 494,466</u>	<u>\$ 492,389</u>	<u>\$ 986,855</u>	<u>\$ 8,881,078</u>	<u>\$ 9,275,818</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, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 97,301	\$ 1,228,124
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
(Decrease) increase in allowance for uncollectibleS	(2,326)	226,446
Depreciation and amortization	14,970	14,240
Net realized and unrealized losses (gains) on investments	33,442	(124,343)
Change in beneficial interest in Sioux Falls Area Community Foundation	(143,561)	(133,903)
Contributions to endowment	(19,000)	(10,000)
(Increase) decrease in assets:		
Accounts receivable and due from assets without donor restriction	(139,431)	(275,808)
Promises to give	542,798	(61,500)
Prepaid expenses	1,000	4,500
(Decrease) increase in liabilities:		
Accounts payable and due to assets with donor restriction	147,907	272,488
Accrued expenses	12,159	21,928
Agency allocations payable	48,885	(118,825)
 Net cash provided by operating activities	594,144	1,043,347
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(211,521)	(1,270,325)
Proceeds from the sale of investments	232,542	44,477
Purchase of property and equipment	(4,821)	(10,222)
 Net cash provided by (used in) investing activities	16,200	(1,236,070)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received for endowment	19,000	10,000
 Net cash provided by financing activities	19,000	10,000
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	629,344	(182,723)
 BEGINNING CASH AND CASH EQUIVALENTS	1,567,463	1,750,186
 ENDING CASH AND CASH EQUIVALENTS	\$ 2,196,807	\$ 1,567,463

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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 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, 2021 and 2020.

CONCENTRATIONS

Cash and cash equivalents

Cash and cash equivalents are 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 and cash equivalents as the deposits are in high-quality financial institutions. The United Way’s cash and cash equivalents balance in excess of the FDIC limit totaled \$1,082,921 and \$1,088,691 as of December 31, 2021 and 2020, respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

1. NATURE OF ORGANIZATION AND 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 SIPC limit of \$500,000 (including a \$250,000 limit for cash). 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 investments as they are invested in high-quality financial institutions. The United Way's investment balance in excess of the SIPC limit totaled \$3,983,550 and \$3,773,284 as of December 31, 2021 and 2020, 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. 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.

Allowance for uncollectibles is computed 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 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

PROPERTY AND EQUIPMENT (CONTINUED)

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 \$14,970 and \$14,240 for the years ended December 31, 2021 and 2020, respectively.

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 appropriated, 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 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 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

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, local transportation and meals, conference and meetings, insurance, miscellaneous, United Way Worldwide dues, depreciation expense, amortization of software costs

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 September 29, 2022, the date the financial statements were available to be issued.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

2. PROMISES TO GIVE

Promises to give are as follows as of December 31:

	2021			2020
	Receivable	Uncollectible	Net	Net
Without Donor Restriction				
United Way	\$ 1,149,215	\$ 534,529	\$ 614,686	\$ 785,727
With Donor Restriction				
United Way	<u>5,973,865</u>	<u>360,795</u>	<u>5,613,070</u>	<u>5,982,501</u>
Combined Totals	<u>\$ 7,123,080</u>	<u>\$ 895,324</u>	<u>\$ 6,227,756</u>	<u>\$ 6,768,228</u>

3. INVESTMENTS

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

	2021	2020
Mutual Funds – Equity	\$ 890,380	\$ 923,039
Mutual Funds – Liquid Alternatives	655,574	884,536
Mutual Funds – Fixed	<u>2,598,364</u>	<u>2,409,594</u>
Short-term investments	<u>4,144,318</u>	4,217,169
Sioux Falls Area Community Foundation:		
Endowment Fund	241,583	203,818
Children and Youth Endowment Fund	18,955	17,387
Charlie Smith Endowment Fund	<u>1,186,516</u>	<u>1,063,900</u>
Beneficial interest in Sioux Falls Area Community Foundation	<u>1,447,054</u>	<u>1,285,105</u>
	<u>\$ 5,591,372</u>	<u>\$ 5,502,274</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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

4. FAIR VALUE OF ASSETS (CONTINUED)

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 are as follows as of December 31:

	<u>2021</u>	<u>2020</u>
Mutual Funds – Equity	\$ 890,380	\$ 923,039
Mutual Funds – Liquid Alternatives	655,574	884,536
Mutual Funds – Fixed	2,598,364	2,409,594
Beneficial interest in Sioux Falls Area Community Foundation	<u>1,447,054</u>	<u>1,285,105</u>
	<u>\$ 5,591,372</u>	<u>\$ 5,502,274</u>

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

	<u>2021</u>		
	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual Funds – Equity	\$ 890,380	\$ -	\$ -
Mutual Funds – Liquid Alternatives	655,574	-	-
Mutual Funds – Fixed	2,598,364	-	-
Beneficial interest in Sioux Falls Area Community Foundation	-	-	<u>1,447,054</u>
	<u>\$ 4,144,318</u>	<u>\$ -</u>	<u>\$ 1,447,054</u>
	<u>2020</u>		
	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (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	-	-	<u>1,285,105</u>
	<u>\$ 4,217,169</u>	<u>\$ -</u>	<u>\$ 1,285,105</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

4. FAIR VALUE OF ASSETS (CONTINUED)

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.

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 \$1,447,054 and \$1,285,105 as of December 31, 2021 and 2020, respectively, and is reflected in the United Way’s assets as a beneficial interest in the Foundation. \$37,539 and \$22,702 became available for use in 2021 and 2020, respectively, and the net accumulated amounts available for spending as of December 31, 2021 and 2020, were \$8,315 and \$0, 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 \$174,024 and \$154,895 at December 31, 2021 and 2020, respectively. The United Way received distributions from these endowments in the amount of \$0 and \$3,241 in 2021 and 2020, 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,196,807	\$ 1,567,463
Short-term investments	1,837,856	1,488,355
Accounts receivable	-	1,000
Promises to give	6,227,756	6,768,228
Due from assets without donor restriction	<u>733,218</u>	<u>592,787</u>
	10,995,637	10,417,833

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

6. LIQUIDITY (CONTINUED)

	2021	2020
Less: assets unavailable for general expenditures within one year due to donor restrictions	\$ (9,195)	\$ (6,565)
Financial assets available to meet cash needs for general expenditures within a year of December 31	<u>\$ 10,986,442</u>	<u>\$ 10,411,268</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. 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 \$2,306,462 and \$2,302,664 as of December 31, 2021 and 2020, respectively. The board of directors has also designated additional support for agencies in the amount of \$608,457 and \$426,150 as of December 31, 2021 and 2020, respectively.

NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Time/purpose restricted contributions		
Campaign results 2022 and 2021, respectively	\$ 7,534,312	\$ 7,630,792
Receipts for future campaigns	5,000	2,500
Program restricted contributions		
Emerging Leaders	4,195	4,065
Perpetual in nature		
Sioux Falls Area Community Foundation	<u>1,447,054</u>	<u>1,285,105</u>
	<u>\$ 8,990,562</u>	<u>\$ 8,922,462</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

8. 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, 2021 and 2020, was \$53,795 and \$53,751, respectively. Rent expense is included in occupancy in the statements of functional expenses. Future minimum rental payments on the lease are \$4,373 for the year ended December 31, 2022.

9. 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, 2021 and 2020, was \$65,793 and \$62,412, respectively. Contribution expense is included with employee benefits expense in the statements of functional expenses.

10. 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.

11. 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 \$52,850 and \$84,751 for 2021 and 2020, respectively.

12. RELATED-PARTY TRANSACTIONS

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

13. 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.