

**SIOUX EMPIRE UNITED WAY, INC.
SIOUX FALLS, SOUTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

DRAFT

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee
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, 2023, 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, 2023, 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.

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 Auditor's 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.

Prior Period Financial Statements

The financial statements of Sioux Empire United Way, Inc. as of December 31, 2022, were audited by other auditors whose report dated September 25, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sioux Empire United Way, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sioux Empire United Way, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

BRADY, MARTZ & ASSOCIATES, P.C.
SIOUX FALLS, SOUTH DAKOTA

October 31, 2024

SIoux EMPIRE UNITED WAY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Current assets		
Cash	\$ 252,634	\$ 693,817
Cash - restricted for campaigns.	1,539,048	1,068,367
Total cash	1,791,682	1,762,184
Promises to give, net	394,549	515,113
Promises to give, net - restricted for campaigns	4,869,133	4,918,512
Investments	3,522,735	3,574,304
Prepaid expenses	2,000	3,000
Total current assets	10,580,099	10,773,113
Property and equipment, net	15,482	19,051
Other assets		
Beneficial interest in Sioux Falls Area Community Foundation	1,337,274	1,212,547
Operating lease asset	281,827	59,444
Total other assets	1,619,101	1,271,991
Total assets	\$ 12,214,682	\$ 12,064,155
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 274	\$ 2,939
Accrued expenses	56,732	61,463
Grants payable	105	105
Agency allocations payable	226,793	354,275
Current portion of operating lease liability	46,709	54,871
Total current liabilities	330,613	473,653
Long-term liabilities		
Operating lease liability	287,041	59,444
Less: current portion of operating lease liability	(46,709)	(54,871)
Net long-term liabilities	240,332	4,573
Total liabilities	570,945	478,226
Net assets		
Without donor restrictions		
Unappropriated	1,112,647	902,325
Appropriated	2,422,801	2,765,491
With donor restrictions	8,108,289	7,918,113
Total net assets	11,643,737	11,585,929
Total liabilities and net assets	\$ 12,214,682	\$ 12,064,155

SEE NOTES TO THE FINANCIAL STATEMENTS

SIoux EMPIRE UNITED WAY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Net public support and revenue						
Contributions	\$ 1,921,205	\$ 7,123,178	\$ 9,044,383	\$ 1,469,355	\$ 7,075,304	\$ 8,544,659
Less donor designations	-	(1,650)	(1,650)	-	(4,500)	(4,500)
Less provision for uncollectibles	-	(355,674)	(355,674)	-	(371,120)	(371,120)
Net campaign revenue	<u>1,921,205</u>	<u>6,765,854</u>	<u>8,687,059</u>	<u>1,469,355</u>	<u>6,699,684</u>	<u>8,169,039</u>
Endowment contributions	-	2,720	2,720	-	4,060	4,060
Net investment income (loss)	244,265	-	244,265	(758,323)	-	(758,323)
Change in beneficial interest in Sioux Falls Area						
Community Foundation	-	173,954	173,954	-	(180,157)	(180,157)
Other revenue (loss)	1,605	1,161	2,766	(71)	2,883	2,812
Net assets released from restrictions						
Satisfaction of campaign	6,698,683	(6,698,683)	-	7,534,313	(7,534,313)	-
Appropriation of endowment earnings	51,947	(51,947)	-	58,409	(58,409)	-
Satisfaction of program use	2,883	(2,883)	-	6,197	(6,197)	-
Total net assets released from restrictions	<u>6,753,513</u>	<u>(6,753,513)</u>	<u>-</u>	<u>7,598,919</u>	<u>(7,598,919)</u>	<u>-</u>
Total net public support and revenue	<u>8,920,588</u>	<u>190,176</u>	<u>9,110,764</u>	<u>8,309,880</u>	<u>(1,072,449)</u>	<u>7,237,431</u>
Expenses						
Program services	7,971,091	-	7,971,091	8,398,056	-	8,398,056
Supporting services	1,081,865	-	1,081,865	1,128,506	-	1,128,506
Total expenses	<u>9,052,956</u>	<u>-</u>	<u>9,052,956</u>	<u>9,526,562</u>	<u>-</u>	<u>9,526,562</u>
Change in net assets	(132,368)	190,176	57,808	(1,216,682)	(1,072,449)	(2,289,131)
Net assets, beginning of year	<u>3,667,816</u>	<u>7,918,113</u>	<u>11,585,929</u>	<u>4,884,498</u>	<u>8,990,562</u>	<u>13,875,060</u>
Net assets, end of year	<u>\$ 3,535,448</u>	<u>\$ 8,108,289</u>	<u>\$ 11,643,737</u>	<u>\$ 3,667,816</u>	<u>\$ 7,918,113</u>	<u>\$ 11,585,929</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

SIoux EMPIRE UNITED WAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services			Supporting Services			Total Expenses
	Program Communications	Community Impact	Total	Management and General	Appeal for Financial Support	Total	
Salaries	\$ 88,845	\$ 130,275	\$ 219,120	\$ 294,573	\$ 262,632	\$ 557,205	\$ 776,325
Employee benefits	13,071	19,159	32,230	43,624	38,849	82,473	114,703
Payroll taxes	6,181	9,114	15,295	20,798	18,684	39,482	54,777
Total salaries and related expenses	<u>108,097</u>	<u>158,548</u>	<u>266,645</u>	<u>358,995</u>	<u>320,165</u>	<u>679,160</u>	<u>945,805</u>
Supplies and printing	374	353	727	2,918	13,101	16,019	16,746
Maintenance	768	7,931	8,699	18,211	10,485	28,696	37,395
Telephone	826	1,215	2,041	2,772	2,488	5,260	7,301
Postage	-	68	68	3,973	2,089	6,062	6,130
Occupancy	6,978	10,302	17,280	40,134	20,944	61,078	78,358
Marketing materials	4,516	-	4,516	-	122,382	122,382	126,898
Professional fees	-	8,094	8,094	18,295	15,975	34,270	42,364
Local transportation and meals	271	1,186	1,457	4,464	4,453	8,917	10,374
Conference and meetings	148	-	148	1,564	-	1,564	1,712
Publications and dues	43	-	43	1,096	6,000	7,096	7,139
Insurance	297	414	711	928	687	1,615	2,326
Banking fees	-	-	-	16,974	-	16,974	16,974
Miscellaneous	457	250	707	11,195	4,537	15,732	16,439
United Way Worldwide dues	10,694	15,793	26,487	36,980	34,002	70,982	97,469
Subtotal	<u>25,372</u>	<u>45,606</u>	<u>70,978</u>	<u>159,504</u>	<u>237,143</u>	<u>396,647</u>	<u>467,625</u>
Depreciation	825	1,210	2,035	2,737	2,440	5,177	7,212
Amortization of software costs	140	206	346	466	415	881	1,227
Subtotal	<u>965</u>	<u>1,416</u>	<u>2,381</u>	<u>3,203</u>	<u>2,855</u>	<u>6,058</u>	<u>8,439</u>
Allocations and awards	-	7,632,737	7,632,737	-	-	-	7,632,737
Less donor designations	-	(1,650)	(1,650)	-	-	-	(1,650)
Total expenses	<u>\$ 134,434</u>	<u>\$ 7,836,657</u>	<u>\$ 7,971,091</u>	<u>\$ 521,702</u>	<u>\$ 560,163</u>	<u>\$ 1,081,865</u>	<u>\$ 9,052,956</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

SIoux EMPIRE UNITED WAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services			Supporting Services			Total Expenses
	Program Communications	Community Impact	Total	Management and General	Appeal for Financial Support	Total	
Salaries	\$ 94,513	\$ 115,192	\$ 209,705	\$ 328,746	\$ 228,727	\$ 557,473	\$ 767,178
Employee benefits	12,174	15,802	27,976	47,497	32,893	80,390	108,366
Payroll taxes	6,762	8,222	14,984	24,679	16,951	41,630	56,614
Total salaries and related expenses	113,449	139,216	252,665	400,922	278,571	679,493	932,158
Supplies and printing	286	4	290	1,895	11,152	13,047	13,337
Maintenance	5,264	5,269	10,533	19,999	6,390	26,389	36,922
Telephone	898	1,113	2,011	3,135	2,391	5,526	7,537
Postage	-	58	58	6,274	988	7,262	7,320
Occupancy	7,067	8,847	15,914	41,887	18,511	60,398	76,312
Marketing materials	18,825	-	18,825	-	99,800	99,800	118,625
Professional fees	-	-	-	19,268	-	19,268	19,268
Organizational and staff development	-	-	-	46,350	-	46,350	46,350
Local transportation and meals	757	2,636	3,393	2,576	3,698	6,274	9,667
Conference and meetings	-	-	-	4,990	1,250	6,240	6,240
Publications and dues	-	-	-	1,153	-	1,153	1,153
Insurance	435	508	943	1,483	1,034	2,517	3,460
Banking fees	-	-	-	14,891	-	14,891	14,891
Miscellaneous	50	59	109	40,708	139	40,847	40,956
United Way Worldwide dues	14,661	19,884	34,545	54,562	36,032	90,594	125,139
Subtotal	48,243	38,378	86,621	259,171	181,385	440,556	527,177
Depreciation	1,109	1,370	2,479	4,032	2,836	6,868	9,347
Amortization of software costs	257	317	574	933	656	1,589	2,163
Subtotal	1,366	1,687	3,053	4,965	3,492	8,457	11,510
Allocations and awards	-	8,060,217	8,060,217	-	-	-	8,060,217
Less donor designations	-	(4,500)	(4,500)	-	-	-	(4,500)
Total expenses	\$ 163,058	\$ 8,234,998	\$ 8,398,056	\$ 665,058	\$ 463,448	\$ 1,128,506	\$ 9,526,562

SEE NOTES TO THE FINANCIAL STATEMENTS

SIoux EMPIRE UNITED WAY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 57,808	\$ (2,289,131)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Increase (decrease) in allowance for uncollectibles	25,125	131,481
Depreciation and amortization	8,439	11,510
(Gain) loss on disposal of property and equipment	-	71
Change in operating lease asset and liability	5,214	-
Net realized and unrealized (gain) loss on investments	(99,824)	872,966
Change in beneficial interest in Sioux Falls Area Community Foundation	(173,954)	180,157
Contributions to endowment	(2,720)	(4,060)
(Increase) decrease in assets:		
Promises to give	144,818	662,650
Prepaid expenses	1,000	-
Increase (decrease) in liabilities:		
Payables	(130,147)	260,368
Accrued expenses	(4,731)	(12,940)
Net cash provided (used) by operating activities	(168,972)	(186,928)
Cash flows from investing activities		
Purchase of investments	(1,775,465)	(302,952)
Contributions to beneficial interest in Sioux Falls Area Community Foundation	(2,720)	(4,060)
Proceeds from investments	1,926,858	-
Proceeds from beneficial interest in Sioux Falls Area Community Foundation	51,947	58,410
Purchase of property and equipment	(4,870)	(3,153)
Net cash provided (used) by investing activities	195,750	(251,755)
Cash flows from financing activities		
Cash received for endowment	2,720	4,060
Net cash provided (used) by financing activities	2,720	4,060
Net (decrease) increase in cash	29,498	(434,623)
Cash at beginning of period	1,762,184	2,196,807
Cash at end of period	\$ 1,791,682	\$ 1,762,184

SEE NOTES TO THE FINANCIAL STATEMENTS

SIOUX EMPIRE UNITED WAY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Supplemental disclosure of noncash investing and financing activities:		
Right-of-use asset acquired with operating lease liability	326,195	59,444

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SEE NOTES TO THE FINANCIAL STATEMENTS

SIoux EMPIRE UNITED WAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

Basis of Accounting

Financial statement preparation follows the Financial Accounting Standards Board’s (FASB) Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the United Way is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the United Way considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The United Way had no cash equivalents as of December 31, 2023 and 2022.

Promises to Give

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

Investments

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

SIOUX EMPIRE UNITED WAY, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

Fair Value Measurements

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

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

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

Property and Equipment

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

The estimated useful lives of the depreciable assets are as follows:

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

SIOUX EMPIRE UNITED WAY, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

Net Assets

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

Without Donor Restrictions - Unappropriated

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

Without Donor Restrictions - Appropriated

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.

Restricted and Unrestricted Revenue and Support

Contributions are recorded as support without donor restrictions or support with donor restrictions, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Donated Services

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

Use of Estimates

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

SIOUX EMPIRE UNITED WAY, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

Functional Expenses

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

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

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

Leases

Effective January 1, 2022, the United Way adopted FASB ASC 842, *Leases*. The United Way determines if an arrangement contains a lease at the inception based on whether the United Way has the right to control the asset during the contract period and other facts and circumstances. The United Way elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The adoption of FASB ASC 842 resulted in the recognition of right-of-use-assets, net of prepaid lease payments and lease incentives, of \$114,225 and operating lease liabilities of \$114,225 as of January 1, 2022. The adoption of FASB ASC 842 did not have a material impact on the United Way's results of operations or cash flows.

The United Way is a lessee in one noncancelable operating lease. The United Way leases its office space under an operating lease with a one-year initial term. The lease includes unlimited options to renew for an additional one-year period with payments adjusted for inflation with each renewal.

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the United Way obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. Operating and finance lease right-of-use ("ROU") assets and liabilities for leases with an initial lease term of more than 12 months, or that contain an option to purchase that the United Way is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the United Way uses its incremental borrowing rate based on the information available at the lease commencement date. The incremental borrowing rate reflects the interest rate the United Way would have to pay to borrow funds on a collateralized basis over a similar term.

The United Way has elected the practical expedient to account for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

SIoux EMPIRE UNITED WAY, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

The United Way has elected to not recognize ROU assets and lease liabilities for short-term leases. Short-term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the United Way is reasonably certain to exercise. The United Way continues to record rent expense for short-term leases on a straight-line basis over the lease term. The United Way has elected the practical expedient for common control leases which allows it to use the written terms of the agreement to determine whether a lease exists, and how to classify and account for the lease.

The depreciable life of assets and leasehold improvements for leases among unrelated parties are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The United Way's lease agreements do not include any material residual value guarantees or restrictive covenants.

Operating Leases

The operating lease asset represents the United Way's right to use an underlying asset for the lease term, and the ROU lease liability represents the United Way's obligation to make lease payments arising from the lease. Operating lease agreements may contain tenant improvement allowances, rent holidays, rent escalation clauses and/or contingent rent provisions. The ROU lease asset includes any required base rent payments and excludes lease incentives and variable operating expenses. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Change in Accounting Estimate

During the year ended December 31, 2023, the United Way determined to extend the operating lease past what was originally estimated. The effect of this change was to increase the operating lease asset and liability by \$326,195 in 2023.

Employee Benefits

The United Way allows certain employees paid time off in proportion to years of service and hours worked each period up to a maximum of 160 hours per year. Paid time off is compensated for upon termination of employment.

Income Tax Status

The United Way is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The United Way's policy is to evaluate the likelihood that uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support with the Internal Revenue Code and Regulations, Revenue Rulings, court decisions, and other evidence.

Risks and Uncertainties

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

SIoux EMPIRE UNITED WAY, INC.
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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.

NOTE 2 CONCENTRATIONS

Cash and Cash Equivalents

Cash and cash equivalents are exposed to concentrations of credit risk. The United Way maintains cash and cash equivalents 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.

Promises to Give

The United Way's promises to give are concentrated in the region of southeastern South Dakota.

Investments

Investments are exposed to concentrations of credit risk. The United Way maintains investments in accounts which, at times, may be in excess of the Securities Investor Protection Corporation (SIPC) limit of \$500,000 (including a \$250,000 limit for cash). SIPC protects investment accounts in the event of broker-dealer failure. The insurance does not protect against market losses on investments.

NOTE 3 PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows as of December 31:

	2023	2022
Due within one year	\$ 6,002,400	\$ 6,197,468
Less: allowance for uncollectibles	(738,718)	(763,843)
Net promises to give	\$ 5,263,682	\$ 5,433,625

Promises to give are broken out on the statement of financial position as follows as of December 31:

	2023	2022
Promises to give, net	\$ 394,549	\$ 515,113
Promises to give, net – restricted for campaigns	4,869,133	4,918,512
Net promises to give	\$ 5,263,682	\$ 5,433,625

SIoux EMPIRE UNITED WAY, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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NOTE 4 INVESTMENT INCOME

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

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 153,954	\$ 125,118
Realized gain (loss) on investments	(104,115)	(318,568)
Unrealized gain (loss) on investments	203,940	(554,398)
Less: fees associated with investments	<u>(9,514)</u>	<u>(10,475)</u>
Net investment income (loss)	<u>\$ 244,265</u>	<u>\$ (758,323)</u>

NOTE 5 PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 36,734	\$ 36,734
Office furniture and equipment	88,112	86,076
Software	<u>57,663</u>	<u>50,598</u>
	182,509	173,408
Less: accumulated depreciation and amortization	<u>(167,027)</u>	<u>(154,357)</u>
Net property and equipment	<u>\$ 15,482</u>	<u>\$ 19,051</u>

Depreciation and amortization expense totaled \$8,439 and \$11,510 for the years ended December 31, 2023 and 2022, respectively.

NOTE 6 BENEFICIAL INTEREST IN SIOUX FALLS AREA COMMUNITY FOUNDATION

The United Way receives funds through the Sioux Falls Area Community Foundation (Foundation) from endowments owned and administered by them for the United Way as the designated beneficiary of distributions from the endowments. The Foundation makes available for distribution 4% of the 12-quarter trailing average balance of the endowments to the United Way each year. These distributions are subject to the Foundation's power to modify or remove any restriction or condition on the distributions of funds if, in its discretion, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the communities served. The Foundation has not exercised such power since its establishment. The aggregate market value of the contributions, plus income and less distributions and fees, was \$1,337,274 and \$1,212,547 as of December 31, 2023 and 2022, respectively, and is reflected in the United Way's assets as a beneficial interest in the Foundation. \$51,947 and \$50,095 became available for distribution during the years ended December 31, 2023 and 2022, respectively, and the full amount was distributed during the respective year.

SIoux EMPIRE UNITED WAY, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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The Foundation also holds endowment funds that designate the United Way as a beneficiary of distributions from the funds. The Foundation distributes 4% of the 12-quarter trailing average balance of the funds to the United Way each year. These distributions are subject to the Foundation's power to modify or remove any restrictions or condition on the distribution of funds if, in its discretion, such restriction or condition becomes necessary, incapable of fulfillment, or inconsistent with the charitable needs of the communities served. The Foundation has not exercised such power since its establishment. The total fair market value of the funds was \$151,776 and \$138,865 as of December 31, 2023 and 2022, respectively. The United Way received distributions from the funds in the amount of \$6,164 and \$9,981 during the years ended December 31, 2023 and 2022, respectively.

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	2023	2022
Mutual Funds		
Equity	\$ 330,485	\$ 396,233
Liquid alternatives	112,657	391,228
Fixed	3,079,593	2,786,843
Total short-term investments	3,522,735	3,574,304
Beneficial interest in Sioux Falls Area Community Foundation	1,337,274	1,212,547
	\$ 4,860,009	\$ 4,786,851

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

	2023		
	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual Funds			
Equity	\$ 330,485	\$ -	\$ -
Liquid alternatives	112,657	-	-
Fixed	3,079,593	-	-
Beneficial interest in Sioux Falls Area Community Foundation	-	-	1,337,274
	\$ 3,522,735	\$ -	\$ 1,337,274
	2022		
	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual Funds			
Equity	\$ 396,233	\$ -	\$ -
Liquid alternatives	391,228	-	-
Fixed	2,786,843	-	-
Beneficial interest in Sioux Falls Area Community Foundation	-	-	1,212,547
	\$ 3,574,304	\$ -	\$ 1,212,547

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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The fair values of mutual funds are determined by reference to quoted market prices. The beneficial interest in Sioux Falls Area Community Foundation is measured at fair value using significant non-market information (unobservable inputs). Unobservable inputs are those that reflect the United Way's own assumptions about the assumptions that market participants would use in pricing the asset or liability based on the best information available. The majority of the pooled investments at Sioux Falls Area Community Foundation are level 1 investments.

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

	<u>2023</u>	<u>2022</u>
Beneficial interest in Sioux Falls Area Community Foundation, beginning of year	\$ 1,212,547	\$ 1,447,054
Contributions	2,720	4,060
Distributions	(51,947)	(58,410)
Change in fair value	<u>173,954</u>	<u>(180,157)</u>
Beneficial interest in Sioux Falls Area Community Foundation, end of year	<u>\$ 1,337,274</u>	<u>\$ 1,212,547</u>

NOTE 8 LIQUIDITY

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,791,682	\$ 1,762,184
Investments	3,522,735	3,574,304
Promises to give	<u>5,263,682</u>	<u>5,433,625</u>
	<u>10,578,099</u>	<u>10,770,113</u>
Less: assets unavailable for general expenditures within one year:		
Board appropriations	(2,422,801)	(2,765,491)
Donor restrictions	<u>(3,161)</u>	<u>(6,883)</u>
	<u>(2,425,962)</u>	<u>(2,772,374)</u>
Financial assets available to meet cash needs for general expenditures within a year of December 31	<u>\$ 8,152,137</u>	<u>\$ 7,997,739</u>

Restricted promises to give are considered to be available to meet cash needs because the restrictions will be satisfied within the next twelve months. As part of the United Way's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis, and financial assets on hand are adjusted as necessary. Assets 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.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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NOTE 9 OPERATING LEASE

A summary of the classification of lease assets and liabilities as of December 31:

	2023	2022
Operating lease expense	\$ 60,086	\$ 54,781

Other lease information as of December 31:

	2023	2022
Operating cash flows from operating leases	\$ 54,871	\$ 54,871
ROU assets obtained in exchange for new operating lease liabilities	321,623	54,871
Weighted-average remaining lease term in years for operating leases	5.17	1.08
Weighted-average discount rate	4.00%	3.59%

Future minimum payments on operating lease liability is as follows:

Year Ending December 31,	Amount
2024	\$ 57,158
2025	59,296
2026	61,371
2027	63,519
2028	65,743
Thereafter	11,019
Total undiscounted cash flows	318,106
Less: present value discount	(31,065)
Total lease liabilities	\$ 287,041

NOTE 10 NET ASSETS

Net Assets Without Donor Restrictions

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

	2023	2022
Reserve fund	\$ 2,326,509	\$ 2,326,509
Pre-campaign funds	96,292	438,982
	\$ 2,422,801	\$ 2,765,491

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Net Assets With Donor Restrictions

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

	2023	2022
Time/purpose restricted contributions		
Campaign results 2024 and 2023, respectively	\$ 6,767,854	\$ 6,698,683
Receipts for future campaigns	2,000	5,000
Program restricted contributions		
VolunteerUnited	1,161	1,883
Perpetual in nature		
Beneficial interest in Sioux Falls Area Community Foundation	1,337,274	1,212,547
	\$ 8,108,289	\$ 7,918,113

NOTE 11 RETIREMENT PLAN

The United Way has a contributory salary reduction thrift plan covering all eligible employees. The plan includes salary deferral provisions, and the United Way will contribute 5% of employee compensation for each employee participating in the plan. Retirement expense for the years ended December 31, 2023 and 2022, was \$58,771 and \$64,887, respectively, and is included with employee benefits expense in the statements of functional expenses.

NOTE 12 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.

NOTE 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 the 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 the United Way's mission to improve lives by mobilizing the caring power of communities. The donated services are measured at fair value by United Way Worldwide and allocated to each individual United Way based on dues paid. The combined value of the donated airtime allocated to this local United Way was estimated to be \$10,722 and \$40,044 for the years ended December 31, 2023 and 2022, respectively.

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NOTE 14 RELATED-PARTY TRANSACTIONS

During a given year, the United Way will receive promises to give and contributions from members of the board of directors and employees. Promises to give and contributions from these related parties totaled \$126,817 and \$140,717 for the years ended December 31, 2023 and 2022, respectively. Additionally, the United Way pays dues to United Way Worldwide. \$97,469 and \$125,139 was paid in dues to United Way Worldwide during the years ended December 31, 2023 and 2022, respectively.

NOTE 15 ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

It is the opinion of management that the United Way has no significant uncertain tax positions that would be subject to change upon examination. The federal income tax return of the Organization is subject to examination by the IRS, generally for three years after it was filed. All filings are current.

NOTE 16 SUBSEQUENT EVENTS

No significant events occurred subsequent to the United Way's year end. Subsequent events were evaluated through October 31, 2024, the date the financial statements were available to be issued.