

SIOUX EMPIRE UNITED WAY, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated August 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Woltman Group PC

Woltman Group, PC
Sioux Falls, South Dakota
August 23, 2019

SIOUX EMPIRE UNITED WAY, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR 2017

ASSETS				
	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	2018 TOTALS	2017 TOTALS
CURRENT ASSETS				
Cash and cash equivalents	\$ 97,354	\$ 1,788,861	\$ 1,886,215	\$ 2,073,091
Short-term investments	2,415,156	-	2,415,156	1,988,173
Accounts receivable	-	-	-	2,662
Pledges receivable - net of allowance for uncollectible of \$780,885 in 2018 and \$912,827 in 2017	596,075	5,967,388	6,563,463	6,381,007
Total current assets	3,108,585	7,756,249	10,864,834	10,444,933
OTHER ASSETS				
Long-term investments	-	180,539	180,539	193,460
Total other assets	-	180,539	180,539	193,460
PROPERTY AND EQUIPMENT				
Leasehold improvements	36,734	-	36,734	36,734
Furniture and equipment	97,564	-	97,564	96,741
Software	40,492	-	40,492	40,492
Total equipment	174,790	-	174,790	173,967
Accumulated depreciation and amortization	(137,895)	-	(137,895)	(127,559)
Net property and equipment	36,895	-	36,895	46,408
TOTAL ASSETS	\$ 3,145,480	\$ 7,936,788	\$ 11,082,268	\$ 10,684,801
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 1,336	\$ -	\$ 1,336	\$ 17,106
Accrued expenses	24,628	-	24,628	33,483
Grants payable	-	105	105	105
Agency allocations payable	208,179	-	208,179	177,750
Total current liabilities	234,143	105	234,248	228,444
NET ASSETS				
Without donor restrictions				
Unappropriated	612,823	-	612,823	509,524
Appropriated	2,298,514	-	2,298,514	2,338,514
With donor restrictions	-	7,936,683	7,936,683	7,608,319
Total net assets	2,911,337	7,936,683	10,848,020	10,456,357
TOTAL LIABILITIES AND NET ASSETS	\$ 3,145,480	\$ 7,936,788	\$ 11,082,268	\$ 10,684,801

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, 2018
WITH COMPARATIVE TOTALS FOR 2017

	<u>WITHOUT DONOR RESTRICTION</u>	<u>WITH DONOR RESTRICTION</u>	<u>2018 TOTALS</u>	<u>2017 TOTALS</u>
PUBLIC SUPPORT AND REVENUE				
<i>2018 and 2017 Campaign Results</i>				
Gross campaign results	\$ 2,154,000	\$ -	\$ 2,154,000	\$ 1,747,321
Less provision for uncollectible	-	-	-	-
Net 2018 and 2017 campaign revenue	<u>2,154,000</u>	<u>-</u>	<u>2,154,000</u>	<u>1,747,321</u>
<i>2019 and 2018 Campaign Results</i>				
Gross campaign results	-	8,039,259	8,039,259	7,885,904
Board designations	(40,000)	40,000	-	-
Donor designations	-	1,175	1,175	(1,875)
Less provision for uncollectible	-	(342,925)	(342,925)	(469,006)
Net 2019 and 2018 campaign revenue	<u>(40,000)</u>	<u>7,737,509</u>	<u>7,697,509</u>	<u>7,415,023</u>
<i>Investment income and other revenue</i>				
Interest and dividend income	87,179	5,077	92,256	73,540
Unrealized (loss) gain on investments	(97,377)	(18,952)	(116,329)	54,679
Realized (loss) gain on investments	(3,756)	2,340	(1,416)	27,797
Investment expense and fees	(6,602)	(1,386)	(7,988)	-
Other revenue	407	820	1,227	-
Net assets released from restrictions				
Satisfaction of 2018 campaign	7,397,044	(7,397,044)	-	-
Total net assets released from restrictions	<u>7,397,044</u>	<u>(7,397,044)</u>	<u>-</u>	<u>-</u>
NET SUPPORT AND REVENUE	<u>9,490,895</u>	<u>328,364</u>	<u>9,819,259</u>	<u>9,318,360</u>
EXPENSES				
<i>Program services</i>				
Gross funds awarded/distributed	8,229,601	-	8,229,601	8,574,930
Less donor designations	(1,875)	-	(1,875)	(170,469)
Net funds awarded/distributed	<u>8,227,726</u>	<u>-</u>	<u>8,227,726</u>	<u>8,404,461</u>
Program communications	163,336	-	163,336	165,274
Community impact	214,278	-	214,278	210,967
Total program services	<u>8,605,340</u>	<u>-</u>	<u>8,605,340</u>	<u>8,780,702</u>
<i>Support services</i>				
Management and general	350,435	-	350,435	354,904
Appeal for financial support	372,803	-	372,803	396,348
United Way Worldwide dues	99,018	-	99,018	102,802
Total support services	<u>822,256</u>	<u>-</u>	<u>822,256</u>	<u>854,054</u>
TOTAL EXPENSES	<u>9,427,596</u>	<u>-</u>	<u>9,427,596</u>	<u>9,634,756</u>
CHANGE IN NET ASSETS	63,299	328,364	391,663	(316,396)
NET ASSETS, BEGINNING OF YEAR	<u>2,848,038</u>	<u>7,608,319</u>	<u>10,456,357</u>	<u>10,772,753</u>
NET ASSETS, END OF YEAR	<u>\$ 2,911,337</u>	<u>\$ 7,936,683</u>	<u>\$ 10,848,020</u>	<u>\$ 10,456,357</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, 2018
WITH COMPARATIVE TOTALS FOR 2017

	PROGRAM SERVICES			SUPPORT SERVICES				2018 TOTALS	2017 TOTALS
	PROGRAM COMMUN- ICATIONS	COMMUNITY IMPACT	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	APPEAL FOR FINANCIAL SUPPORT-2019 CAMPAIGN	UNITED WAY WORLDWIDE DUES	TOTAL SUPPORT SERVICES		
Salaries	\$ 92,135	\$ 153,810	\$ 245,945	\$ 209,282	\$ 202,961	\$ -	\$ 412,243	\$ 658,188	\$ 687,947
Employee benefits	14,403	24,061	38,464	33,510	32,260	-	65,770	104,234	98,360
Payroll taxes	6,357	10,533	16,890	14,403	13,774	-	28,177	45,067	47,806
Sub-total	<u>112,895</u>	<u>188,404</u>	<u>301,299</u>	<u>257,195</u>	<u>248,995</u>	<u>-</u>	<u>506,190</u>	<u>807,489</u>	<u>834,113</u>
Supplies and printing	611	417	1,028	2,522	33,412	-	35,934	36,962	36,911
Maintenance and equipment leases	1,892	1,088	2,980	8,447	6,182	-	14,629	17,609	20,577
Telephone	726	1,219	1,945	1,644	1,616	-	3,260	5,205	4,418
Postage	-	-	-	10,423	1,334	-	11,757	11,757	9,170
Occupancy	8,100	13,546	21,646	21,408	18,281	-	39,689	61,335	59,989
Marketing materials	35,114	-	35,114	-	48,081	-	48,081	83,195	85,286
Professional fees	-	-	-	16,442	1,293	-	17,735	17,735	18,107
Local transportation and meals	570	2,956	3,526	2,239	5,991	-	8,230	11,756	10,853
Conference and meetings	954	-	954	2,254	415	-	2,669	3,623	2,822
Publications and dues	-	-	-	422	-	99,018	99,440	99,440	103,771
Insurance	373	607	980	845	774	-	1,619	2,599	2,579
Investment and banking fees	-	-	-	10,925	-	-	10,925	10,925	18,481
Miscellaneous	167	2,811	2,978	11,275	2,167	-	13,442	16,420	7,653
Sub-total	<u>48,507</u>	<u>22,644</u>	<u>71,151</u>	<u>88,846</u>	<u>119,546</u>	<u>99,018</u>	<u>307,410</u>	<u>378,561</u>	<u>380,617</u>
Depreciation expense	1,881	3,141	5,022	4,273	4,144	-	8,417	13,439	14,800
Amortization of software costs	53	89	142	121	118	-	239	381	765
Sub-total	<u>1,934</u>	<u>3,230</u>	<u>5,164</u>	<u>4,394</u>	<u>4,262</u>	<u>-</u>	<u>8,656</u>	<u>13,820</u>	<u>15,565</u>
TOTAL OPERATIONS	163,336	214,278	377,614	350,435	372,803	99,018	822,256	1,199,870	1,230,295
Allocations/awards	-	8,229,601	8,229,601	-	-	-	-	8,229,601	8,574,930
Less donor designations	-	(1,875)	(1,875)	-	-	-	-	(1,875)	(170,469)
TOTAL EXPENSE	<u>\$ 163,336</u>	<u>\$ 8,442,004</u>	<u>\$ 8,605,340</u>	<u>\$ 350,435</u>	<u>\$ 372,803</u>	<u>\$ 99,018</u>	<u>\$ 822,256</u>	<u>\$ 9,427,596</u>	<u>\$ 9,634,756</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 391,663	\$ (316,396)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	13,820	15,565
Loss on disposal of property and equipment	-	38
Net realized and unrealized losses (gains) on investments	117,745	(82,476)
(Increase) decrease in assets:		
Accounts receivable	2,662	(2,662)
Pledges receivable	(182,456)	362,300
Prepaid expenses	-	6,025
(Decrease) increase in liabilities:		
Accounts payable	(15,770)	14,870
Accrued expenses	(8,855)	(7,372)
Other liabilities	-	(2,698)
Grants payable	-	(451)
Agency allocations payable	30,429	(106,155)
	<u>349,238</u>	<u>(119,412)</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,047,184)	(582,535)
Proceeds from the sale of investments	515,377	918,623
Purchase of property and equipment	(4,307)	(4,950)
	<u>(536,114)</u>	<u>331,138</u>
Net cash (used in) provided by investing activities		
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(186,876)	211,726
BEGINNING CASH AND CASH EQUIVALENTS	2,073,091	1,861,365
ENDING CASH AND CASH EQUIVALENTS	\$ 1,886,215	\$ 2,073,091

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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.

CHANGE IN ACCOUNTING PRINCIPLE

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The United Way has applied the changes retrospectively to all periods presented. The new standard changes the following aspects of the financial statements:

- Unrestricted net asset class has been renamed net assets without donor restrictions
- Temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions
- The financial statements include a disclosure about liquidity and availability of resources (see Note 6)
- Investment expenses are included in net investment income

This change in accounting principle had no impact on previously reported net assets.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

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

CONCENTRATIONS OF CREDIT RISK

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

PROMISES TO GIVE

Unconditional promises to give are recognized as revenue in the period received and as assets or decreases in liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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

INVESTMENTS

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

PROPERTY AND EQUIPMENT

Property is recorded at cost, or if donated, at its estimated fair market value at the time of the gift. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire equipment are reported as support with donor restrictions. Unless the donor has stipulated how long donated assets must be maintained, the United Way reports expirations of donor restrictions when the donated or acquired assets are placed in service; at that time, the assets are reclassified from net assets with donor restrictions to net assets without donor restrictions. It is the United Way's policy to expense 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:

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

Depreciation and amortization expense totaled \$13,820 and \$15,565 for the years ended December 31, 2018 and 2017, respectively.

NET ASSETS

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

Without Donor Restrictions – Board Designated

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

With Donor Restrictions

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

DONATED SERVICES

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

REVENUE RECOGNITION

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

Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

FUNCTIONAL EXPENSES

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

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

Allocated on usage — supplies and printing, maintenance and equipment leases, telephone, postage, occupancy, marketing materials, professional fees, local transportation and meals, conference and meetings, insurance, miscellaneous, depreciation, 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

2. PLEDGES RECEIVABLE

Pledges receivable are as follows:

	2018			2017 Net
	Receivable	Uncollectible	Net	
Without Donor Restriction				
United Way	<u>\$ 1,014,023</u>	<u>\$ 417,948</u>	<u>\$ 596,075</u>	<u>\$ 642,096</u>
With Donor Restriction				
United Way	6,310,388	343,000	5,967,388	5,736,441
Combined Federal Campaign	<u>19,937</u>	<u>19,937</u>	<u>-</u>	<u>2,470</u>
Total	<u>6,330,325</u>	<u>362,937</u>	<u>5,967,388</u>	<u>5,738,911</u>
Combined Totals	<u>\$ 7,344,348</u>	<u>\$ 780,885</u>	<u>\$ 6,563,463</u>	<u>\$ 6,381,007</u>

3. INVESTMENTS

Investments, stated at market value, consist of the following at December 31, 2018 and 2017:

	2018	2017
Mutual Funds – Equity	\$ 351,322	\$ 314,404
Corporate Bonds	109,812	204,301
US Treasury Notes	-	124,766
Municipal Bonds	-	65,083
Mutual Funds – Fixed	<u>1,954,022</u>	<u>1,279,619</u>
Short-term investments	<u>2,415,156</u>	<u>1,988,173</u>
Sioux Falls Area Community Foundation:		
Endowment Fund	165,614	177,455
Children and Youth Endowment Fund	<u>14,925</u>	<u>16,005</u>
Long-term investments	<u>180,539</u>	<u>193,460</u>
	<u>\$ 2,595,695</u>	<u>\$ 2,181,633</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

4. FAIR VALUE OF ASSETS

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

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

Assets measured at fair value on a recurring basis at December 31, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Mutual Funds – Equity	\$ 351,322	\$ 314,404
Corporate Bonds	109,812	204,301
US Treasury Notes	-	124,766
Municipal Bonds	-	65,083
Mutual Funds – Fixed	1,954,022	1,279,619
Investments with Sioux Falls Area Community Foundation	<u>180,539</u>	<u>193,460</u>
	<u>\$ 2,595,695</u>	<u>\$ 2,181,633</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

4. FAIR VALUE OF ASSETS (CONTINUED)

	2017		
	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual Funds – Equity	\$ 314,404	\$ -	\$ -
Corporate Bonds	204,301	-	-
US Treasury Notes	124,766	-	-
Municipal Bonds	65,083	-	-
Mutual Funds – Fixed	1,279,619	-	-
Investments with Sioux Falls Area Community Foundation	193,460	-	-
	<u>\$ 2,181,633</u>	<u>\$ -</u>	<u>\$ -</u>

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

5. SIOUX FALLS AREA COMMUNITY FOUNDATION

The United Way receives funds through the Sioux Falls Area Community Foundation (Foundation) from endowments owned and administered by them for the United Way as the designated beneficiary of distributions from the endowment. The Foundation distributes 4% of the 12-quarter trailing average balance of the endowment to the United Way each year. These distributions are subject to the Foundation’s power to “modify or remove any restriction or condition on the distributions of funds if, in its discretion, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the communities served.” The Foundation has not exercised such power since its establishment. The aggregate current market value of the contributions, plus income and less distributions and fees was \$180,539 and \$193,460 as of December 31, 2018 and 2017, respectively, and is reflected in the United Way’s assets as an interest in the net assets of the Foundation. \$7,145 and \$7,181 became available for use in 2018 and 2017, respectively, and the net accumulated amounts as of December 31, 2018 and 2017 were \$14,326 and \$7,181, respectively, in the fund and are included in investments on the Statements of Financial Position.

The Foundation also holds an endowment fund that designates the United Way as a beneficiary of distributions from this endowment. The Foundation distributes 4% of the 12-quarter trailing average balance on the endowment 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 this endowment was \$8,632 and \$9,257 at December 31, 2018 and 2017, respectively. The United Way received distributions from this endowment in the amount of \$0 and \$0 in 2018 and 2017, respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

6. LIQUIDITY

Financial assets available to meet cash needs for general expenditures within one year of December 31, 2018, for the United Way are calculated as follows:

Cash	\$ 1,886,215
Short-term investments	2,415,156
Pledges receivable	<u>6,563,463</u>
	10,864,834
Less: assets unavailable for general expenditures within one year due to donor restrictions	<u>(2,725)</u>
Financial assets available to meet cash needs for general expenditures within one year of December 31, 2018	<u>\$ 10,862,109</u>

As part of the United Way's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis, and financial assets on hand are adjusted as necessary.

7. AGENCY ALLOCATIONS PAYABLE

Agency allocations payable consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Sioux Empire United Way Agencies	\$ 208,179	\$ 174,076
Non-Sioux Empire United Way Agencies	<u>-</u>	<u>3,674</u>
Total	<u>\$ 208,179</u>	<u>\$ 177,750</u>

8. RESTRICTIONS ON NET ASSETS

NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions represent resources over which the United Way's board of directors has discretionary control. The board of director's has designated a 90-day reserve in the amount of \$2,298,514 and \$2,338,514 at December 31, 2018 and 2017, respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

8. RESTRICTIONS ON NET ASSETS (CONTINUED)

NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2018</u>	<u>2017</u>
Time/purpose restricted contributions		
Campaign pledges 2019 and 2018, respectively	\$ 7,753,419	\$ 7,412,954
Sioux Falls Area Community Foundation	14,326	7,181
Program restricted contributions		
Emerging Leaders	2,725	1,905
Perpetual in nature		
Sioux Falls Area Community Foundation	<u>166,213</u>	<u>186,279</u>
	<u>\$ 7,936,683</u>	<u>\$ 7,608,319</u>

9. RENT

The United Way is currently renting its office space pursuant to a five-year lease. The initial term expired on January 31, 2017. The original lease required monthly rental payments of \$4,350 with an annual increase by the percentage increase in the Consumer Price Index. A new lease was entered into in February 2017 and expires on January 31, 2022, with an option to extend for an additional one-year period. This lease requires monthly rental payments of \$4,373 with an annual increase by the percentage increase in the Consumer Price Index. Rent expense for the years ended December 31, 2018 and 2017, was \$53,164 and \$52,010, respectively. Rent expense is included in occupancy in the statements of functional expenses. Future minimum rental payments on the lease are as follows:

<u>Year ended December 31</u>	<u>Amount</u>
2019	\$ 52,476
2020	52,476
2021	52,476
2022	<u>4,373</u>
	<u>\$ 161,801</u>

10. COMBINED FEDERAL CAMPAIGN

The United Way administers the Combined Federal Campaign (CFC) serving the Principal Combined Fund Organization (PCFO). The United Way honors all designations made to each member organization. The Combined Federal Campaign ending March 31, 2018, was the final campaign the United Way administered. In 2017, the CFC changed from a local campaign to a regional campaign and the United Way is no longer the designated PCFO. Therefore, the United Way no longer administers any of the CFC operations.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

11. 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, 2018 and 2017, was \$66,969 and \$63,784, respectively. Contribution expense is included with employee benefits expense in the statements of functional expenses.

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.

13. PROGRAM SERVICES

PROGRAM COMMUNICATIONS

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

COMMUNITY IMPACT

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

14. DONATED SERVICES

The United Way Worldwide (UWW) has maintained a mutually beneficial relationship with the National Football League (NFL), where UWW underwrites the cost to produce a Public Service Announcement (PSA) and halftime show for broadcast in NFL designated media. The PSA promotes education and features NFL players involved in various local United Way community volunteer activities. The halftime show provides brand awareness and positions United Way as a key NFL partner. The NFL furnishes the airtime throughout the year at no cost to the United Way. Airtime was also donated by various contributors to promote United Way initiatives and support United Way's mission to improve lives by mobilizing the caring power of communities. The combined value of the donated airtime allocated to this local United Way was estimated to be \$145,692 and \$169,416 for 2018 and 2017, respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

15. SUBSEQUENT EVENTS

Subsequent events were evaluated through August 23, 2019, the date the financial statements were available to be issued.