

**Capital Area  
United Way, Inc.**

Financial Report  
December 31, 2019

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# Clausen & Rice, Inc

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## Independent Auditor's Report

To the Board of Directors  
Capital Area United Way, Inc.  
Pierre, South Dakota

We have audited the accompanying financial statements of Capital Area United Way, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2019 and 2018, and the related statements of revenues and expenses and changes in net assets - modified cash basis for the years 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

## Auditor's 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 from 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 auditor's 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 assets, liabilities, and net assets of Capital Area United Way, Inc. as of December 31, 2019 and 2018, and its revenues and expenses and changes in net assets for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 9 and 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the modified cash basis of accounting. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Clausen & Rice*

Pierre, South Dakota  
February 4, 2021

CAPITAL AREA UNITED WAY, INC.

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS  
December 31, 2019 and 2018

<b>Assets</b>	<b>2019</b>	<b>2018</b>
Cash	\$ 115,353	\$ 143,091
Property & equipment, net of accumulated depreciation	2,163	3,253
Endowment Fund	23,717	19,550
<b>Total assets</b>	<b>\$ 141,233</b>	<b>\$ 165,894</b>
<b>Liabilities and Net Assets</b>		
Liabilities	\$ -	\$ 4,580
Net Assets		
Without donor restrictions	117,516	141,764
With donor restrictions	23,717	19,550
<b>Total net assets</b>	<b>141,233</b>	<b>161,314</b>
<b>Total liabilities and net assets</b>	<b>\$ 141,233</b>	<b>\$ 165,894</b>

See Notes to Financial Statements.

**CAPITAL AREA UNITED WAY, INC.**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS**  
**Years Ended December 31, 2019 and 2018**

	2019	2018
Changes in net assets without donor restrictions::		
Support from campaign contributions	\$ 532,729	\$ 534,150
Community Impact grants	11,730	2,500
Interest income	1,999	569
Other income	679	-
<b>Total revenues</b>	<b>547,137</b>	<b>537,219</b>
Expenses		
Program services	482,121	475,474
Supporting services		
Management and general	52,424	54,652
Fund-raising	36,840	40,813
<b>Total expenses</b>	<b>571,385</b>	<b>570,939</b>
<b>(Decrease) in net assets without donor restrictions</b>	<b>(24,248)</b>	<b>(33,720)</b>
Changes in net assets with donor restrictions:		
Net assets released from restrictions	-	-
Net appreciation and dividends on endowment funds	4,167	(746)
<b>Increase (decrease) in net assets with donor restrictions</b>	<b>4,167</b>	<b>(746)</b>
<b>(Decrease) in net assets</b>	<b>(20,081)</b>	<b>(34,466)</b>
Net assets at beginning of year	161,314	195,780
Net assets at end of year	<b>\$ 141,233</b>	<b>\$ 161,314</b>

See Notes to Financial Statements.

# CAPITAL AREA UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Capital Area United Way, Inc. is a nonprofit corporation organized under the laws of the State of South Dakota for the purpose of receiving and distributing charitable donations to local agencies.

A summary of the organization's significant accounting policies is as follows:

Implementation of new accounting standard: As of January 1, 2018, the Organization adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions). The ASU introduces new disclosure requirements to improve a financial statement user's ability to assess the Organization's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location. The Organization has adopted this standard as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Basis of presentation: The organization's policy is to prepare its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis, revenues are recognized when collected rather than when earned and expenditures are generally recognized when paid rather than when incurred. Consequently, accounts receivable, accounts payable and accrued expenses are not included in the financial statements with the exception of payroll liabilities. At December 31, 2018 the Organization owed payroll taxes of \$4,580. Under this modified cash basis of accounting, if an expenditure results in the acquisition of an asset having an estimated useful life which extends substantially beyond one year of acquisition, the expenditure is capitalized and depreciated over the estimated useful life of the asset. The accompanying financial statements are not intended to present financial position, results of operations or cash flows in conformity with accounting principles generally accepted in the United States of America.

The Organization classifies its net assets, its revenues and expenses and gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets 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. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statement of activities as net assets released from restrictions. There were net assets with donor restrictions of \$23,717 and \$19,550 for the years ended December 31, 2019 and 2018.

Endowments: The Organization has a permanent endowment fund that was created in 1998. This endowment is held and administered by the Oahe Foundation. The principal of this endowment is subject to restrictions and is therefore classified as net assets with donor restrictions. For the years ended December 31, 2019 and December 31, 2018, respectfully, the fund generated dividends and unrealized gains (losses) of \$4,167 and (\$746). The total net assets of the endowment are \$23,717 as of December 31, 2019.

**CAPITAL AREA UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Nature of Activities and Significant Accounting Policies (continued)**

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status: The organization is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Accounting standards prescribe a recognition threshold of more likely than not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. At December 31, 2019, the organization believes that there are no uncertain tax positions or liabilities, or interest and penalties associated with uncertain tax positions. If the organization had interest and penalties related to uncertain tax positions, it would be accounted for as a component of income tax expense.

As of December 31, 2019, the organization is no longer subject to examinations for returns filed with the Internal Revenue Service for the years ended prior to December 31, 2016.

Property and Equipment: Property and Equipment is stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets.

Functional Expenses: Expenses are charged directly to program, management & general, or fundraising categories based on specific identification.

Subsequent events: The organization has evaluated subsequent events through February 4, 2021, which is

**Note 2. Liquidity and Availability**

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31, 2019:

Cash	<u>\$ 115,353</u>
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**Note 3. Donated services and materials**

The organization receives donated services from volunteers. These donated services constitute a significant factor in the operation of the organization. However, due to their nature and lack of objective means of evaluation, are not recorded as contributions.

The organization may receive donated materials from donors. Materials donated for the organization to use in its program are recorded as contributions and as inventory in the year received at fair market value. A cost of material used is recorded when sold or used.



**CAPITAL AREA UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 4. Fair Value Measurements**

Fair value measurements are classified in a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

The following investment assets are measured on a recurring basis and are included in the fair value hierarchy at December 31, 2019 and 2018:

	2019			
	Level One	Level Two	Level Three	Total
Cash	\$ 115,353	\$ -	\$ -	\$ 115,353
<i>Investments in Endowment Fund:</i>				
Money Market Accounts	1,296	-	-	1,296
Mutual Funds	22,421	-	-	22,421
	<u>\$ 139,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,070</u>

	2018			
	Level One	Level Two	Level Three	Total
Cash	\$ 143,091	\$ -	\$ -	\$ 143,091
<i>Investments in Endowment Fund:</i>				
Money Market Accounts	1,888	-	-	1,888
Mutual Funds	17,662	-	-	17,662
	<u>\$ 162,641</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,641</u>

At each measurement date, the Organization estimate the fair value of the financial instruments using various valuation techniques. The Organization utilizes, to the extent available, quoted market prices in active markets or observable market inputs in estimating the fair value of investments. When quoted market prices or observable market inputs are not available, the Organization utilizes valuation techniques that rely on unobservable inputs to estimate the fair value of investments. The following describes the valuation techniques used to determine the fair value of investments held as of December 31, 2019 and 2018.

**CAPITAL AREA UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 4. Fair Value Measurements (continued)**

The money market fund is valued at the net asset value of \$1 per share, as determined by the investment broker. Since these do have observable inputs in an active market, they are included in level one of the fair value hierarchy.

Mutual funds are valued at the net asset value per share as determined by the investment broker. Since these do have observable inputs in active market, they are included in level one of the fair value hierarchy.

**Note 5. Property and equipment**

Property and equipment is stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. A summary of the property and equipment account is as follows:

	2019	2018
Property and equipment	\$ 29,037	\$ 29,037
Less: Accumulated depreciation	(26,874)	(25,784)
Property and equipment, net	<u>\$ 2,163</u>	<u>\$ 3,253</u>

Expenditures for maintenance and repairs are charged against operations when incurred. Depreciation expense related to property and equipment amounted to \$1,090 and \$1,453 for the years ended December 31, 2019 and December 31, 2018 respectively.

**Note 6. Retirement Plan**

The organization has a qualified SIMPLE IRA plan for the benefit of its full time employees. The plan allows employees to make elective contributions with required matching contributions by the Organization of dollar for dollar up to 3% of the employee's salary. There were no employer or employee contributions made for 2019 and 2018.

**Note 7. Risks and contingencies**

Cash is comprised of cash on deposit and money market accounts, all held at one financial institution. As of December 31, 2019 and 2018, the amount in excess of the FDIC limit was \$0 for both years.

**Note 8. Lease**

The organization leases its office space under an agreement in the amount of \$500 per month. Rent expense paid for the years ended December 31, 2019 and 2018 was \$6,500 and \$5,500, respectively.

**CAPITAL AREA UNITED WAY, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
For the Year Ended December 31, 2019**

	Total Program Services	Mgmt and General	Fund Raising	Total
Salaries	\$ 23,101	\$ 20,213	\$ 14,438	\$ 57,752
Payroll taxes	1,771	1,550	1,107	4,428
<b>Total salaries and related expense</b>	<b>24,872</b>	<b>21,763</b>	<b>15,545</b>	<b>62,180</b>
Campaign allocations	410,545	-	-	410,545
Youth Booster fund	4,600	-	-	4,600
Imagination library	11,316	-	-	11,316
School Mini-Grants	2,500	-	-	2,500
Campaign materials	-	-	12,568	12,568
Girls on the Run	3,989	-	-	3,989
United Way national dues	-	-	6,064	6,064
Rent	1,625	4,875	-	6,500
Professional fees	-	4,713	-	4,713
Battle of the Bands	471	-	-	471
Meetings & travel	-	6,297	-	6,297
Depreciation	-	1,090	-	1,090
Telephone	147	588	734	1,469
Insurance	-	1,672	-	1,672
e-CImpact	-	4,481	-	4,481
Supplies	553	737	553	1,843
Postage	275	1,101	1,376	2,752
Other	-	267	-	267
Say Yes to the Dance	359	-	-	359
211 Helpline Center	18,369	-	-	18,369
Equipment maintenance	-	1,497	-	1,497
Delta Dental Bus Sponsorship	2,500	-	-	2,500
Dues & subscriptions	-	2,918	-	2,918
Bank fees	-	425	-	425
<b>Total expenses</b>	<b>\$ 482,121</b>	<b>\$ 52,424</b>	<b>\$ 36,840</b>	<b>\$ 571,385</b>

See Notes to Financial Statements:

**CAPITAL AREA UNITED WAY, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
For the Year Ended December 31, 2018**

	Total Program Services	Mgmt and General	Fund Raising	Total
Salaries	\$ 25,426	\$ 22,248	\$ 15,892	\$ 63,566
Payroll taxes	1,654	1,447	1,034	4,135
Total salaries and related expense	27,080	23,695	16,926	67,701
Campaign allocations	419,750	-	-	419,750
Youth Booster fund	7,000	-	-	7,000
Imagination library	9,650	-	-	9,650
School Mini-Grants	2,500	-	-	2,500
Campaign materials	-	-	13,762	13,762
Girls on the Run	4,499	-	-	4,499
United Way national dues	-	-	6,592	6,592
Rent	1,375	4,125	-	5,500
Professional fees	-	-	-	-
Meetings & travel	-	6,808	-	6,808
Depreciation	-	1,453	-	1,453
Telephone	131	524	654	1,309
Insurance	-	1,520	-	1,520
e-Clmpact	-	9,494	-	9,494
Supplies	516	689	516	1,721
Postage	473	1,890	2,363	4,726
Other	-	1,055	-	1,055
Equipment maintenance	-	1,924	-	1,924
Delta Dental Bus Sponsorship	2,500	-	-	2,500
Dues & subscriptions	-	1,115	-	1,115
Bank fees	-	360	-	360
Total expenses	\$ 475,474	\$ 54,652	\$ 40,813	\$ 570,939

See Notes to Financial Statements.