Financial Statements
December 31, 2020

Capital Area United Way, Inc.

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Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of Capital Area United Way, Inc. (a nonprofit corporation), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2020, and the related statements of support, revenue and expenses – modified cash basis and functional expenses – modified cash basis 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 the modified cash basis of accounting described in Note 1 to the financial statements; 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, 2020, and the support, revenue and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1 to the financial statements.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting used in the preparation of the financial statements. 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 this matter.

Correction of Error

As discussed in Note 9 to the financial statements, certains errors resulting in an overstatement of net assets without donor restrictions and understatement of net assets with donor restrictions were discovered by management of the Organization during the current year. Accordingly, amounts reported for without donor restrictions and with donor restrictions have been restated in the 2020 financial statements now presented, and an adjustment has been made to net assets as of January 1, 2020, to correct the error. Our opinion is not modified with respect to that matter.

Eide Bailly LLP

Aberdeen, South Dakota
August 3, 2021

	2020
Assets	
Cash and Cash Equivalents	$ 174,001
Property and Equipment	
Furniture and equipment	29,037
Less accumulated depreciation	(27,870)
Total property and equipment	1,167
Investments Held by Others - Endowment Fund	25,945
	$ 201,113
Liabilities and Net Assets	
Net Assets	
Without donor restrictions	$ 140,082
With donor restrictions	61,031
Total net assets	201,113
	$ 201,113

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Public support			
Campaign revenue	$ 513,465	$ 13,000	$ 526,465
COVID-19 relief fund contributions	-	92,660	92,660
Total public support	513,465	105,660	619,125
Net assets released from restrictions	81,574	(81,574)	-
Other revenue			
Net investment return	-	2,228	2,228
Interest Income	605	-	605
Total other revenue	605	2,228	2,833
Total public support and revenue	595,644	26,314	621,958
Expenses			
Program services expense	476,235	-	476,235
Total program services expenses	476,235	-	476,235
Supporting services expense			
Management and general	43,621	-	43,621
Fundraising	42,222	-	42,222
Total supporting services expenses	85,843	-	85,843
Total expenses	562,078	-	562,078
Change in Net Assets	33,566	26,314	59,880
Net Assets, Beginning of Year	117,516	23,717	141,233
Restatement, See Note 9	(11,000)	11,000	-
Net Assets, Beginning of Year, As Restated	106,516	34,717	141,233
Net Assets, End of Year	$ 140,082	$ 61,031	$ 201,113

	2020			
	Program Services	Management and General	Fundraising	Total Functional Expenses
Expenses by Function				
Local agency distributions	$ 367,000	$ -	$ -	$ 367,000
COVID-19 relief fund distributions	69,797	-	-	69,797
Community impact distributions	20,541	-	-	20,541
Salaries	1,799	2,158	3,237	7,194
Payroll taxes	137	165	247	549
Management fee	10,224	20,448	20,448	51,120
Advertising	415	156	467	1,038
National dues	-	5,876	-	5,876
Campaign expense	-	-	12,264	12,264
Meetings and travel	-	130	-	130
Office supplies	97	162	389	648
Postage	97	162	388	647
Telephone	614	614	1,228	2,456
Office rent	875	875	1,750	3,500
Insurance and bonds	-	1,867	-	1,867
Professional fees	-	5,780	-	5,780
Dues and subscriptions	383	383	766	1,532
Software expense	4,057	370	739	5,166
Bank fees	-	1,337	-	1,337
Depreciation expense	199	498	299	996
Miscellaneous expense	-	2,640	-	2,640
Total expenses by function	$ 476,235	$ 43,621	$ 42,222	$ 562,078

Note 1 - Principal Activity and Significant Accounting Policies

Principal Business Activity

Capital Area United Way, Inc., (the Organization) is a nonprofit corporation organized under the laws of the state of South Dakota. The primary purpose of the Organization is to conduct annual campaigns for the raising of funds to meet the financial needs of various charitable organizations.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis, revenues are recognized when received rather than when earned and expenditures are recognized when paid rather than when the obligation is incurred. The Organization has elected to modify the cash basis of accounting to include the assets and depreciation for those assets in which the estimated useful life extends substantially beyond one year of acquisition.

Financial Statement Presentation

The Organization reports information regarding net assets and activities according to the following two classes of net assets:

1. Net Assets Without Donor Restrictions — Net assets that are not subject to grantor- or donor-imposed stipulations.
2. 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.

Contributions are reported as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the contribution. 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 the in statement of support, revenue and expenses – modified cash basis as net assets released from restrictions.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less are considered to be cash and cash equivalents.

Investments Held by Others - Endowment Fund

The Organization has a permanent endowment fund that was created in 1998. This endowment is held and administered by the Oahe Foundation. The principal and earnings of this endowment are required to be used to fund the needs of the United Way’s member agencies only.

Investment purchases are recorded at cost. Thereafter, investments are reported at their fair values in the statement of assets, liabilities and net assets – modified cash basis. Net investment return/(loss) is reported in the statement of support, revenue and expenses – modified cash basis and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Property and Equipment

Property and equipment additions over $500 are capitalized at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 7 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of support, revenue and expenses – modified cash basis. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. Based on this assessment, there were no indicators of asset impairment during the year ended December 31, 2020.

Functional Allocation of Expenses

The statement of functional expenses – modified cash basis presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to program or supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, management fee, office rent, office supplies, postage, telephone, dues and subscriptions, and software expense which are allocated on the basis of estimates of time and effort, as well as depreciation which is directly attributable to program or support services.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and the Organization is not a private foundation under the Internal Revenue Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes it has appropriate support for any tax positions taken affecting its annual filing requirements and, as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Subsequent Events

The Organization has evaluated subsequent events through August 3, 2021, the date which the financial statements were available to be issued.

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 assets, liabilities, and net assets – modified cash basis date, includes cash in the amount of $138,915 at December 31, 2020.

The Organization meets periodically with its governing board to monitor and review the availability of resources required to meet its operating needs in future months. In addition, the Organization operates with a balanced budget and anticipates collecting sufficient revenues to cover general expenditures for the next 12 months.

Note 3 - Fair Value Measurements and Disclosures

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer, broadly, to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed 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.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset or liability.

All of the investment asset is classified within Level 1 because it is comprised of money market accounts and open-end mutual funds and equities with readily-determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis at December 31, 2020:

	Fair Value Measurements at Report Date Using			
Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments				
Money market	$ 2,435	$ -	$ -	$ 2,435
Mutual funds	23,510	-	-	23,510
	$ 25,945	$ -	$ -	$ 25,945

Note 4 - Net Investment Return

Net investment return consists of the following for the year ended December 31, 2020:

	2020
Investments	
Interest, dividends and capital gain distributions	$ 1,849
Net realized and unrealized gain (loss)	379
	$ 2,228

Note 5 - Net Assets With Donor Restrictions

Net assets with donor restrictions are as follows:

		2020
Subject to Expenditure for Specified Purpose		
COVID 19	$	22,863
Imagination Library		12,223
Endowments		
Subject to appropriation and expenditure when a specified event occurs		18,365
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		7,580
	$	61,031

Net assets were released from restrictions as follows during the years ended December 31, 2020:

		2020
Satisfaction of purpose restrictions		
COVID-19 relief fund distributions	$	69,797
Community impact distributions		11,777
	$	81,574

Note 6 - Operating Lease

The Organization has entered into a lease agreement for office space at $300 per month which expires February 2023. Rent paid for the year ended December 31, 2020, was $3,500.

Future required minimum lease payments are as follows:

Year Ending December 31,		Amount
2021	$	3,600
2022		3,600
2023		300
	$	7,500

Note 7 - Related Party Transactions

The Organization received campaign contributions from Board members totaling $23,366 for the year ended December 31, 2020. The Organization also had $3,214 of expense to a related party for campaign materials, design, and marketing during 2020.

Note 8 - Endowment

The Organization's endowment (the Endowment) consists of one individual fund established by donors to provide annual funding for the needs of United Way's agencies.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2020, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment, and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

As of December 31, 2020, the endowment net asset composition is made up of original donor-restricted gift amounts required to be maintained in perpetuity by donor of $7,580, and accumulated investment gains of $18,365. The changes in the endowment net assets were an increase to the accumulated investment gains of $2,228. No amounts were approved to be spent from the endowment for 2020.

Note 9 - Restatement

During 2020, the Organization identified misstatements within the 2019 financial statements related to net assets without donor restrictions and net assets with donor restrictions. Revenue received by a donor that had a purpose restriction was not properly reflected within net assets with donor restrictions and instead was included as part of net assets without donor restrictions.

The Organization restated its net asset balances on the statement of assets, liabilities and net assets – modified cash basis and statement of support, revenue and expenses – modified cash basis indicated below to appropriately reflect the January 1, 2020, balances as follows:

	As Previously Reported	Adjustment	As Restated
As of January 1, 2020			
Net assets without donor restrictions	$ 117,516	$ (11,000)	$ 106,516
Net assets with donor restrictions	23,717	11,000	34,717

The restatement had no impact on the overall changes in net assets for 2019.