

**SOURIS VALLEY UNITED WAY
MINOT, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 31, 2016 AND 2015

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Souris Valley United Way
Minot, North Dakota

We have audited the accompanying financial statements of Souris Valley United Way (a nonprofit organization), which comprise the statements of financial position as of January 31, 2016 and 2015, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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 financial position of Souris Valley United Way as of January 31, 2016 and 2015, and the changes in net assets and its cash flows and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 12 to the financial statements, the Organization has recorded a prior period adjustment to the January 31, 2014 financial statements to decrease unrestricted net assets by \$181,357, increase temporarily restricted net assets by \$546,357, and decrease permanently restricted net assets by \$365,000. Our opinion is not modified with respect to this matter.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of cash payments to beneficiaries on page 22 are presented for purposes of additional analysis and are 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



BRADY, MARTZ & ASSOCIATES, P.C.
Minot, North Dakota

May 3, 2016

SOURIS VALLEY UNITED WAY
STATEMENTS OF FINANCIAL POSITION
JANUARY 31, 2016 AND 2015

	2016	2015 (Restated)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 880,793	\$ 641,882
Pledges receivable		
Outstanding pledges	328,174	334,210
Less allowance for uncollectible pledges	(25,000)	(18,000)
Net pledges receivable	303,174	316,210
Other current assets		
Combined Federal Campaign expenses receivable	22,092	12,023
Inventory	8,644	-
Total other current assets	30,736	12,023
Total current assets	1,214,703	970,115
Beneficial interest in assets held by others	454,889	482,904
Property and equipment		
Office equipment	9,901	9,901
Computer equipment	11,369	11,369
	21,270	21,270
Less accumulated depreciation and amortization	(16,400)	(13,097)
Net property and equipment	4,870	8,173
Total assets	\$ 1,674,462	\$ 1,461,192

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS VALLEY UNITED WAY
STATEMENTS OF FINANCIAL POSITION - CONTINUED
JANUARY 31, 2016 AND 2015

	2016	2015 (Restated)
LIABILITIES AND NET ASSETS		
Current liabilities		
General expenses payable	\$ 3,966	\$ 5,008
Accrued payroll liabilities	3,229	3,062
Accrued vacation	8,622	6,809
Current portion of capital lease	1,764	1,764
Deferred revenue	64,942	-
Due to designated beneficiaries	15,898	32,875
Total current liabilities	98,421	49,518
Long-term liabilities		
Capital lease obligations payable (net of current portion)	294	2,058
Total liabilities	98,715	51,576
Net assets		
Unrestricted		
Designated	539,016	464,397
Undesignated	244,215	203,952
Total unrestricted	783,231	668,349
Temporarily restricted	707,250	666,001
Permanently restricted	85,266	75,266
Total net assets	1,575,747	1,409,616
Total liabilities and net assets	\$ 1,674,462	\$ 1,461,192

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS VALLEY UNITED WAY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JANUARY 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support:				
Total amounts raised	\$ -	\$ 645,230	\$ -	\$ 645,230
Less: designations by donors to specific organizations	-	(40,258)	-	(40,258)
Less: provision for uncollectible pledges	-	(19,565)	-	(19,565)
Total public support	<u>-</u>	<u>585,407</u>	<u>-</u>	<u>585,407</u>
Other operating revenue (expense):				
Other collections	1,060	129,828	-	130,888
Combined Federal Campaign	18,729	-	-	18,729
In-kind revenue	105,576	31,452	-	137,028
Grant revenue	1,000	1,095	-	2,095
Restricted contributions	-	-	10,000	10,000
Special events	67,386	-	-	67,386
Net assets released from restriction	689,907	(689,907)	-	-
Total other operating revenue (expense)	<u>883,658</u>	<u>(527,532)</u>	<u>10,000</u>	<u>366,126</u>
Total public support and other revenue (expense)	<u>883,658</u>	<u>57,875</u>	<u>10,000</u>	<u>951,533</u>
Allocations and other functional expenses				
Program services:				
Agency allocations	293,657	-	-	293,657
Community services	139,830	-	-	139,830
Total program services	<u>433,487</u>	<u>-</u>	<u>-</u>	<u>433,487</u>
Supporting services:				
Fundraising	226,574	-	-	226,574
Administration	109,161	-	-	109,161
Total supporting services	<u>335,735</u>	<u>-</u>	<u>-</u>	<u>335,735</u>
Total expenses	<u>769,222</u>	<u>-</u>	<u>-</u>	<u>769,222</u>
Other non-operating revenue (expense):				
Net investment income	446	2,995	-	3,441
Increase (decrease) in beneficial interest in assets held by others	-	(19,621)	-	(19,621)
Total other non-operating revenue (expense)	<u>446</u>	<u>(16,626)</u>	<u>-</u>	<u>(16,180)</u>
Change in net assets	114,882	41,249	10,000	166,131
Net assets, beginning of year	<u>668,349</u>	<u>666,001</u>	<u>75,266</u>	<u>1,409,616</u>
Net assets, end of year	<u>\$ 783,231</u>	<u>\$ 707,250</u>	<u>\$ 85,266</u>	<u>\$ 1,575,747</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS VALLEY UNITED WAY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JANUARY 31, 2015 (RESTATED)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support:				
Total amounts raised	\$ -	\$ 716,295	\$ -	\$ 716,295
Less: designations by donors to specific organizations	-	(61,548)	-	(61,548)
Less: provision for uncollectible pledges	-	(31,384)	-	(31,384)
Total public support	<u>-</u>	<u>623,363</u>	<u>-</u>	<u>623,363</u>
Other operating revenue (expense)				
Other collections	17,021	-	-	17,021
Combined Federal Campaign	10,567	-	-	10,567
In-kind revenue	82,708	-	-	82,708
Restricted contributions	-	-	15,000	15,000
Special events	21,959	-	-	21,959
Net assets released from restriction	563,823	(563,823)	-	-
Total other operating revenue (expense)	<u>696,078</u>	<u>(563,823)</u>	<u>15,000</u>	<u>147,255</u>
Total public support and other operating revenue (expense)	<u>696,078</u>	<u>59,540</u>	<u>15,000</u>	<u>770,618</u>
Allocations and other functional expenses				
Program services:				
Agency allocations	345,211	-	-	345,211
Community services	98,558	-	-	98,558
Total program services	<u>443,769</u>	<u>-</u>	<u>-</u>	<u>443,769</u>
Supporting services:				
Fundraising	156,260	-	-	156,260
Administration	68,915	-	-	68,915
Total supporting services	<u>225,175</u>	<u>-</u>	<u>-</u>	<u>225,175</u>
Total expenses	<u>668,944</u>	<u>-</u>	<u>-</u>	<u>668,944</u>
Other non-operating revenue (expense)				
Net investment income	156	2,532	-	2,688
Increase (decrease) in beneficial interest in assets held by others	-	11,075	-	11,075
Total other non-operating revenue (expense)	<u>156</u>	<u>13,607</u>	<u>-</u>	<u>13,763</u>
Increase (decrease) in net assets	<u>\$ 27,290</u>	<u>\$ 73,147</u>	<u>\$ 15,000</u>	<u>\$ 115,437</u>
Net assets, beginning of year as previously reported	\$ 822,416	\$ 46,497	\$ 425,266	\$ 1,294,179
Prior period adjustment (NOTE 12)	<u>(181,357)</u>	<u>546,357</u>	<u>(365,000)</u>	<u>-</u>
Net assets, beginning of year restated	641,059	592,854	60,266	1,294,179
Change in net assets	<u>27,290</u>	<u>73,147</u>	<u>15,000</u>	<u>115,437</u>
Net assets, end of year	<u>\$ 668,349</u>	<u>\$ 666,001</u>	<u>\$ 75,266</u>	<u>\$ 1,409,616</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS VALLEY UNITED WAY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2016 AND 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 166,131	\$ 115,437
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	3,303	3,162
Loss on sale of property and equipment	-	555
Increase (decrease) in beneficial interest in assets held by others	28,015	(11,141)
Provision for uncollectible pledges	7,000	-
Effects on operating cash flows due to changes in:		
Pledges receivable	6,036	(34,115)
Inventory	(8,644)	-
Combined Federal Campaign receivable	(10,069)	1,032
General expenses payable	(1,042)	3,115
Accrued payroll	167	2,946
Accrued vacation	1,813	1,264
Deferred revenue	64,942	-
Due to designated beneficiary	(16,977)	20,829
Net cash provided (used) by operating activities	240,675	103,084
Cash flows from investing activities		
Purchase of property and equipment	-	(2,000)
Net cash provided (used) by investing activities	-	(2,000)
Cash flows from financing activities		
Payments on capital leases	(1,764)	(1,764)
Net cash provided (used) by financing activities	(1,764)	(1,764)
Change in cash and cash equivalents	238,911	99,320
Cash and cash equivalents, beginning of period	641,882	542,562
Cash and cash equivalents, end of period	\$ 880,793	\$ 641,882
Schedule of non-cash activities		
In-kind revenue	\$ 137,028	\$ 82,708

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS VALLEY UNITED WAY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JANUARY 31, 2016

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Agency Allocations</u>	<u>Community Services</u>	<u>Fundraising/ Fund Drive</u>	<u>Administration</u>	
Agency allocation payments	\$ 350,892	\$ -	\$ -	\$ -	\$ 350,892
Less: allocations funded through donor designations	(57,235)	-	-	-	(57,235)
Salaries	-	29,260	32,857	66,367	128,484
Payroll taxes	-	2,207	2,478	5,005	9,690
Rent	-	7,454	11,616	6,523	25,593
Professional fees	-	-	-	11,845	11,845
Dues - United Fund National	-	-	-	4,455	4,455
Telephone	-	998	617	1,092	2,707
Travel and meeting	-	452	508	1,190	2,150
Advertising, printing, and postage	-	324	158,394	735	159,453
Office supplies	-	1,257	1,958	1,099	4,314
Office equipment maintenance	-	4,129	6,435	3,613	14,177
Dues and subscriptions	-	266	299	603	1,168
Insurance	-	6,361	9,913	5,567	21,841
Bank service charges	-	-	-	111	111
Miscellaneous	-	-	-	114	114
Depreciation and amortization	-	962	1,499	842	3,303
Dolly Parton Imagination Library	-	39,376	-	-	39,376
Backpack Buddies	-	44,700	-	-	44,700
Women's United	-	2,084	-	-	2,084
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 293,657</u>	<u>\$ 139,830</u>	<u>\$ 226,574</u>	<u>\$ 109,161</u>	<u>\$ 769,222</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS VALLEY UNITED WAY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JANUARY 31, 2015

	Program Services		Supporting Services		Total
	Agency Allocations	Community Services	Fundraising/ Fund Drive	Administration	
Agency allocation payments	\$ 385,930	\$ -	\$ -	\$ -	\$ 385,930
Less: allocations funded through donor designations	(40,719)	-	-	-	(40,719)
Salaries	-	42,091	42,091	36,077	120,259
Payroll taxes	-	3,186	3,186	2,731	9,103
Rent	-	948	1,477	830	3,255
Professional fees	-	-	-	11,675	11,675
Dues - United Fund National	-	-	-	4,717	4,717
Telephone	-	898	555	983	2,436
Travel and meeting	-	160	160	544	864
Advertising, printing, and postage	-	524	90,399	450	91,373
Office supplies	-	518	807	452	1,777
Office equipment maintenance	-	3,593	5,599	3,143	12,335
Dues and subscriptions	-	668	668	573	1,909
Insurance	-	6,181	9,631	5,408	21,220
Bank service charges	-	-	-	385	385
Depreciation and amortization	-	921	1,435	806	3,162
Loss on disposal	-	162	252	141	555
Dolly Parton Imagination Library	-	38,708	-	-	38,708
Total expenses	\$ 345,211	\$ 98,558	\$ 156,260	\$ 68,915	\$ 668,944

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Souris Valley United Way, a non-profit organization, is governed and monitored by local citizens. The net funds collected are used in the Minot, North Dakota area. The Souris Valley United Way solicits pledges, collects pledges, and makes payments to selected qualifying beneficiaries. The vision of Souris Valley United Way is to fulfill basic human needs by bringing the community together for the purpose of assisting those in need with food, shelter, wellness, dignity, self-worth, and to encourage their development on the road to being self-sufficient.

The Organization's most significant programs are the Dolly Parton Imagination Library, which provides books to children in the surrounding communities and Backpack Buddies, which provides food for children who might not otherwise have food over the weekend.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all certificates of deposits with a maturity of one year or less to be cash equivalents.

Pledges Receivable

Pledges receivable includes outstanding pledges from current and prior fund drives. Pledges from prior fund drives determined to be uncollectible have been charged off as a direct expense. Management determines the allowance for uncollectible pledges by identifying troubled accounts and by using historical experience applied to the accounts. Allowances for uncollectible pledges of \$25,000 and \$18,000 have been established as of January 31, 2016 and 2015, respectively. All contributions are considered available for unrestricted use, except specifically restricted pledges.

Inventories

Inventories are valued at the lower of cost or market. Cost is determined using principally the first-in, first-out method. Donated items are valued at fair market value at the date of donation.

Investment Securities

Investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Beneficial Interest in Assets Held by Others

Beneficial interest in assets held by others is stated at the fair value of the underlying marketable securities in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2016 AND 2015

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation or amortization computed on the straight-line method. Contributed property and equipment is recorded at fair value. The estimated useful lives used to compute depreciation are as follows:

Office equipment	5-7 years
Computer equipment	3-7 years

Accrued Vacation

Vacation is earned based on length of eligible service worked by employees, with a maximum carryover of 160 hours per year. Payment in lieu of vacation shall not be granted except in the case of termination. Employees are paid for all accrued hours upon termination.

Deferred Revenue

Deferred revenue represents a grant that was received to assist the Organization in completing its mission to mobilize people, organizations and resources in an impactful effort to advance education, financial stability, and health while addressing basic human needs.

Due to Designated Beneficiaries

Due to designated beneficiaries represent amounts which have been contributed to the Organization through the annual fund drive that have been designated to pass through to a specific entity. These amounts have been recorded in accordance with professional standards and recognized as a liability to the designated beneficiary concurrent with its recognition of cash or pledges receivable from the donor.

Fund Accounting

To ensure observance of limitations and restrictions placed on use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for reporting purposes into funds established according to their nature and purposes. Accordingly, the net assets reflect the results of transactions by fund type.

The assets, liabilities, and net assets of the Organization are reported in three self-balancing fund types as follows:

Unrestricted Funds

Unrestricted funds represent the portion of expendable funds that are available for support of the Organization's beneficiaries as well as general operations.

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2016 AND 2015

Temporarily Restricted Funds

Temporarily restricted funds are funds restricted in their use by outside donors.

Permanently Restricted Funds

Permanently restricted funds represent funds permanently held by others with the Organization as beneficiary of the funds.

Restricted and Unrestricted Revenue and Support

According to professional standards the Organization establishes standards for transactions in which a donor transfers assets to a recipient organization that (a) uses the asset on behalf of or (b) transfers the assets to a beneficiary named by the donor. Under professional standards the Organization discusses when transfers of assets to a nonprofit organization that are directed to be distributed to another organization may be accounted for as contributions.

Income Taxes

Under professional standards, the Organization's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence. The Souris Valley United Way is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Souris Valley United Way has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code.

In-Kind Contributions

Contributed facilities are recorded at their estimated fair value at the date of donation. The Organization reports gifts of advertising, professional services and other nonmonetary contributions as unrestricted revenue in the accompanying Statements of Activities and Changes in Net Assets.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled \$106,074 and \$75,956 for the years ended January 31, 2016 and 2015, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2016 AND 2015

Fair Value

The Organization has adopted generally accepted accounting principles regarding fair value measurements, which apply to all assets and liabilities that are being measured and reported on a fair value basis. These principles define fair value, establish a framework for measuring fair value in accordance with generally accepted accounting principles and expand disclosures about fair value measurements. The implementation of these principles does not change amounts reported in the financial statements, however, additional disclosures are required. When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The application of valuation techniques applied to similar assets and liabilities has been consistently applied. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments: The fair values of investments are based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 financial presentation. Such changes had no effect on net assets as previously reported.

NOTE 2 PLEDGES RECEIVABLE

Outstanding pledges as of January 31, 2016 include the following:

	Prior Year	2016 Fund Drive
Firms	\$ 5,427	\$ 90,630
Residential	150	4,274
Employees	28,040	199,653
	<u>33,617</u>	<u>294,557</u>
Total unpaid pledges - all funds		<u><u>\$ 328,174</u></u>

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2016 AND 2015

Outstanding pledges as of January 31, 2015 include the following:

	Prior Year	2015 Fund Drive
Firms	\$ 2,187	\$ 106,969
Residential	365	3,095
Employees	4,234	217,360
	<u>6,786</u>	<u>327,424</u>
Total unpaid pledges - all funds		<u>\$ 334,210</u>

All pledges are scheduled for receipt in less than one year.

NOTE 3 CONCENTRATION OF CREDIT RISK

Pledges receivable consist primarily of pledges made in and around Minot, North Dakota.

The Organization maintains cash on deposit at various financial institutions. The amounts on deposit were insured by the FDIC up to \$250,000 per financial institution. At January 31, 2016, the Organization had approximately \$578,000 on deposit in excess of FDIC limits.

NOTE 4 DESIGNATED AND TEMPORARILY RESTRICTED NET ASSETS

The designated net assets at January 31, 2016 and 2015 consist of the following funds designated by the board of directors:

	2016	2015
Designated for specific programs	\$ 90,000	\$ 25,000
Designated as a reserve for emergencies	86,439	74,397
Designated for North Dakota Community Foundation investments	362,577	365,000
	<u>\$ 539,016</u>	<u>\$ 464,397</u>

Temporarily restricted net assets include monies received, which have not been expended for their specific purposes. Temporarily restricted net assets as of January 31, 2016 and 2015 are as follows:

	2016	2015
Time restricted campaign pledges	\$ 585,407	\$ 623,363
Other contributions restricted for program services	114,797	-
North Dakota Community Foundation investments	7,046	42,638
	<u>\$ 707,250</u>	<u>\$ 666,001</u>

NOTE 5 UNCERTAIN TAX POSITIONS

It is the opinion of management that the Organization has no significant uncertain tax positions that would be subject to change upon examination. The federal income tax returns of the Organization are subject to examination by the IRS, generally for three years after they were filed. All tax filings are up-to-date.

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2016 AND 2015

NOTE 6 LEASES

The Organization leases its business premises under an operating lease. Effective May 31, 2015, the Organization's business premise lease expired. The lease called for monthly rental payments of \$271 through May 31, 2015. The Organization entered into a new lease effective June 1, 2015 for business premises at a new location. The lease expires May 30, 2020 and calls for monthly payments of \$2,500. A summary of future minimum lease payments is as follows:

Year ending January 31:		
	2017	\$ 30,000
	2018	30,000
	2019	30,000
	2020	10,000
		<u>\$ 100,000</u>

Rent expense on the business premise leases totaled \$22,874 and \$3,255 for the years ended January 31, 2016 and 2015, respectively.

The Organization leases a digital copier under a capital lease which expires March 30, 2017. The asset and liability under the capital lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over the lower of its related lease terms or its estimated productive life. Amortization of the asset under the capital lease is included in depreciation expense for 2016 and 2015.

Following is a summary of equipment held under capital lease at December 31:

	<u>2015</u>
Copier	\$ 8,820
Less: accumulated amortization	<u>(6,174)</u>
	<u>\$ 2,646</u>

The lease calls for monthly payments of \$147. A summary of future minimum lease payments is as follows:

	<u>Gross</u>	<u>Interest/Tax</u>	<u>Net</u>
	<u>Payments</u>		<u>Payments</u>
Year ending January 31:			
	2017	\$ 1,392	\$ 1,764
	2018	232	294
	Total	<u>\$ 1,624</u>	<u>\$ 2,058</u>

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2016 AND 2015

NOTE 7 BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

North Dakota Community Foundation

On May 25, 1992, Souris Valley United Way became the beneficiary of the residual of an estate. Subsequent to receipt of the funds, the board of directors voted to contribute the funds to the North Dakota Community Foundation under an agreement whereby the principal on these funds be permanently held by the North Dakota Community Foundation with the Souris Valley United Way receiving income generated on the principal. Variance power was not granted to the North Dakota Community Foundation. If all the income is not disbursed each year, it is added to the principal or is held over for disbursement in the following year. The principal balance of \$372,046 and \$402,152 as of January 31, 2016 and 2015, respectively, is reflected in Beneficial Interest in Assets Held by Others.

Minot Area Community Foundation

On July 15th, 2004, Souris Valley United Way contributed funds to the Minot Area Community Foundation under an agreement whereby the principal on these funds be permanently held by the Minot Area Community Foundation with the Souris Valley United Way receiving income generated on the principal. Variance power was not granted to the Minot Area Community Foundation. If all the income is not disbursed each year, it is added to the principal or is held over for disbursement in the following year. The principal balance of \$82,843 and \$80,752 as of January 31, 2016 and 2015, respectively, is reflected in Beneficial Interest in Assets Held by Others.

NOTE 8 FAIR VALUE MEASUREMENTS

Assets measured at fair value on a recurring basis as of January 31, 2016 are summarized as follows:

<u>Description</u>	Total Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ND Community Foundation Endowment	\$ 372,046	\$ -	\$ 372,046	\$ -
Minot Area Community Foundation Endowment	82,843	-	82,843	-
Totals	<u>\$ 454,889</u>	<u>\$ -</u>	<u>\$ 454,889</u>	<u>\$ -</u>

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2016 AND 2015

Assets measured at fair value on a recurring basis as of January 31, 2015 are summarized as follows:

<u>Description</u>	<u>Total Carrying Amount</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
ND Community Foundation Endowment	\$ 402,152	\$ -	\$ 402,152	\$ -
Minot Area Community Foundation Endowment	80,752	-	80,752	-
Totals	<u>\$ 482,904</u>	<u>\$ -</u>	<u>\$ 482,904</u>	<u>\$ -</u>

NOTE 9 ENDOWMENT FUNDS

The Organization follows Accounting Standard Codification Topic 958, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds." Topic 958 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).

The State of North Dakota enacted UPMIFA effective April 22, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Organization adopted Topic 958 during the year ending July 22, 1993. The Organization had determined that the majority of the Organization's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

Donor-designated and Board-designated Endowments

The Organization's endowment consists of two funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2016 AND 2015

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor restrictions to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Permanently restricted net assets are the portion of perpetual endowment funds that are required to be retained permanently either by explicit donor stipulations or by SPMIFA. The Board of Directors has designated \$365,000 of unrestricted net assets as a general endowment as of January 31, 2016 and 2015. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

Investment Return Objectives

The Organization has deposited their endowment funds with the North Dakota Community Foundation and the Minot Area Community Foundation, whom are responsible for investing these funds in a prudent manner.

Spending Policy

The Organization has no formal spending policy for endowment funds. It is the Board of Director's intention to accumulate earnings on endowment funds for future expenses to be determined by the Board of Directors at a later date.

Funds with Deficiencies

From time to time the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the organization to retain as a fund for perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. The Organization's policy is to fund any deficiency. As of January 31, 2016 and 2015, endowment funds with deficiencies totaled \$2,423 and \$0, respectively.

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2016 AND 2015

Endowment Net Asset Composition by Type of Fund as of January 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor restricted endowment funds	\$ -	\$ 7,046	\$ 85,266	\$ 92,312
Board designated endowment funds	362,577	-	-	362,577
Total funds	<u>\$ 362,577</u>	<u>\$ 7,046</u>	<u>\$ 85,266</u>	<u>\$ 454,889</u>

Endowment Net Asset Composition by Type of Fund as of January 31, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor restricted endowment funds	\$ -	\$ 42,638	\$ 75,266	\$ 117,904
Board designated endowment funds	365,000	-	-	365,000
Total funds	<u>\$ 365,000</u>	<u>\$ 42,638</u>	<u>\$ 75,266</u>	<u>\$ 482,904</u>

Changes in endowment net assets as of January 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 365,000	\$ 42,638	\$ 75,266	\$ 482,904
Investment income	-	8,392	-	8,392
Net depreciation	(2,423)	(17,198)	-	(19,621)
Restricted contributions	-	-	10,000	10,000
Investment expense	-	(5,400)	-	(5,400)
Appropriated for operations	-	(21,386)	-	(21,386)
Endowment net assets, end of year	<u>\$ 362,577</u>	<u>\$ 7,046</u>	<u>\$ 85,266</u>	<u>\$ 454,889</u>

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2016 AND 2015

Changes in endowment net assets as of January 31, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 365,000	\$ 46,497	\$ 60,266	\$ 471,763
Investment income	-	7,642	-	7,642
Net appreciation	-	11,075	-	11,075
Restricted contributions	-	-	15,000	15,000
Investment expense	-	(5,110)	-	(5,110)
Appropriated for operations	-	(17,466)	-	(17,466)
Endowment net assets, end of year	<u>\$ 365,000</u>	<u>\$ 42,638</u>	<u>\$ 75,266</u>	<u>\$ 482,904</u>

NOTE 10 CONTRIBUTED SERVICES

A substantial number of unpaid volunteers have made significant contributions of their time to carry out the fund drive of the Souris Valley United Way. In accordance with professional standards, the value of this contributed time is not reflected in these statements.

NOTE 11 IN-KIND CONTRIBUTIONS

The Organization has in-kind contributions totaling \$137,028 and \$82,708 for the years ended January 31, 2016 and 2015, respectively. In-kind contributions included in the statement of functional expenses consisted of the following as of January 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Rent	\$ 2,719	\$ -
Advertising	98,857	70,408
Backpack Buddies (Food)	23,319	-
Dolly Parton Imagination Library (Books)	8,133	12,300
Community Shower	4,000	-
In-kind contributions, end of year	<u>\$ 137,028</u>	<u>\$ 82,708</u>

NOTE 12 CORRECTION OF ERROR

During the current year audit, an error was discovered in which temporarily restricted net assets had been incorrectly reported as unrestricted and unrestricted board designated net assets and unrestricted board designated net assets were reported as permanently restricted net assets. As a result of this error, a prior period adjustment was recorded as of February 1, 2014 to correct this difference. Listed below are the accounts that were affected as of February 1, 2014 and the impact the prior period adjustment had on each balance.

Temporarily restricted net assets (increase)	\$546,357
Unrestricted undesignated net assets (decrease)	(\$138,256)
Unrestricted board designated (decrease)	(\$43,101)
Permanently restricted net assets (decrease)	(\$365,000)

SOURIS VALLEY UNITED WAY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JANUARY 31, 2016 AND 2015

NOTE 13 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Organization's year end. Subsequent events have been evaluated through May 3, 2016, which is the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SOURIS VALLEY UNITED WAY
SCHEDULES OF CASH PAYMENTS TO BENEFICIARIES
FOR THE YEARS ENDED JANUARY 31, 2016 AND 2015

	2016	2015
Domestic Violence Crisis Center	\$ 60,638	\$ 60,560
American Red Cross	40,000	57,000
Salvation Army	30,000	35,000
Minot Area Homeless Coalition	28,000	30,000
Community Action	22,015	21,770
Minot Commission on Aging	18,000	20,000
YMCA	19,410	23,640
Northern Plains Child Advocacy	15,000	20,000
Companions for Children	-	1,040
Village Family Center Services	13,510	14,000
YWCA	10,642	15,000
Lutheran Social Service	15,000	17,500
Catholic Family Service	8,000	10,000
RSVP Program	-	5,000
The Welcome Table	19,481	15,725
Boy Scouts	11,000	9,378
PATH, Inc.	3,845	-
Youth Board	-	4,105
Minot Matwrats Wrestling Club	1,360	-
Girl Scouts	11,000	9,378
Minot Literacy Volunteers	3,841	2,000
Caring Program for Children	-	6,840
FirstLink	7,500	5,000
Minot Public School Nutrition Services	2,500	-
Community Shower	4,555	-
Other	5,595	2,994
Total allotments to agencies of the organization	350,892	385,930
Amounts designated by donors	(57,235)	(40,719)
	\$ 293,657	\$ 345,211