

LIVE UNITED



**UNITED WAY OF
MISSOULA COUNTY**

**AUDITED FINANCIAL STATEMENTS
For The Years Ended
December 31, 2016 and 2015**

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report	1 and 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4 and 5
Statements of Functional Expenses	6 and 7
Statement of Cash Flows	8 and 9
Notes to the Financial Statements	10 to 25
Supplemental Information	
Schedule of 2016 Campaign Revenue	26



RANDALL & PETERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
United Way of Missoula County
Missoula, Montana

We have audited the accompanying financial statements of the United Way of Missoula County (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows 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 misstatement, 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 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.

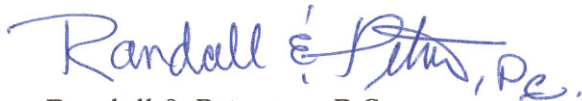
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Way of Missoula County as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of 2016 Campaign Revenue on page 26 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 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.



Randall & Peterson, P.C.
Missoula, Montana
July 20, 2017

FINANCIAL STATEMENTS

UNITED WAY OF MISSOULA COUNTY

STATEMENTS OF FINANCIAL POSITION
As of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 64,436	\$ 75,060
Accounts receivable	23,924	19,236
Contributions receivable, net	72,306	212,629
Prepaid expenses	7,341	2,084
Funds held in trust	21,914	25,004
Investments	298,590	254,854
Property and equipment, net	376,245	385,573
Endowment investments	527,417	522,417
Total Assets	<u>\$ 1,392,173</u>	<u>\$ 1,496,857</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 21,936	\$ 4,751
Accrued payroll and payroll taxes	1,241	1,360
Designations to agencies	21,279	59,015
Security deposits	2,790	500
Funds held in trust liability	17,725	23,852
Line of credit payable	-	37,797
Compensated absences	7,917	18,665
Deferred annuity payable	1,144	1,144
Mortgage payable	337,915	347,154
Total Liabilities	<u>\$ 411,947</u>	<u>\$ 494,238</u>
NET ASSETS		
Unrestricted	\$ 209,722	\$ 106,803
Board designated	170,781	160,770
	<u>380,503</u>	<u>267,573</u>
Temporarily restricted	72,306	212,629
Permanently restricted	527,417	522,417
Total Net Assets	<u>\$ 980,226</u>	<u>\$ 1,002,619</u>
Total Liabilities and Net Assets	<u>\$ 1,392,173</u>	<u>\$ 1,496,857</u>

The accompanying notes are an integral part of these financial statements

UNITED WAY OF MISSOULA COUNTY

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Contributions	\$ 705,023	\$ 72,306	\$ 5,000	\$ 782,329
Investment income	51,972	-	-	51,972
Contract services	70,000	-	-	70,000
Grant Revenues	15,000	-	-	15,000
Administrative fee income	2,863	-	-	2,863
Bad debt recovery	7,977	-	-	7,977
Rental income	13,436	-	-	13,436
Workshop fees and dues	471	-	-	471
TOTAL REVENUE AND SUPPORT	866,742	72,306	5,000	944,048
Net assets released from restrictions	212,629	(212,629)	-	-
	<u>\$1,079,371</u>	<u>\$ (140,323)</u>	<u>5,000</u>	<u>\$ 944,048</u>
EXPENSES				
Program services	\$ 706,643	\$ -	\$ -	\$ 706,643
Management and general	173,198	-	-	173,198
Fundraising	86,600	-	-	86,600
TOTAL EXPENSES	\$ 966,441	\$ -	\$ -	\$ 966,441
Change in net assets	112,930	(140,323)	5,000	(22,393)
NET ASSETS				
Beginning of year	267,573	212,629	522,417	1,002,619
End of year	<u>\$ 380,503</u>	<u>\$ 72,306</u>	<u>\$ 527,417</u>	<u>\$ 980,226</u>

The accompanying notes are an integral part of this financial statement

UNITED WAY OF MISSOULA COUNTY

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Contributions	\$ 579,009	\$ 212,629	\$ 5,000	\$ 796,638
Investment loss	(7,594)	-	-	(7,594)
Contract services	70,000	-	-	70,000
Administrative fee income	3,137	-	-	3,137
Bad debt recovery	-	-	-	-
Rental income	11,400	-	-	11,400
Workshop fees and dues	386	-	-	386
TOTAL REVENUE AND SUPPORT	<u>656,338</u>	<u>212,629</u>	<u>5,000</u>	<u>873,967</u>
Net assets released from restrictions	<u>347,790</u>	<u>(347,790)</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,004,128</u>	<u>\$ (135,161)</u>	<u>\$ 5,000</u>	<u>\$ 873,967</u>
EXPENSES				
Program services	\$ 843,546	\$ -	\$ -	\$ 843,546
Management and general	167,400	-	-	167,400
Fundraising	83,698	-	-	83,698
TOTAL EXPENSES	<u>\$ 1,094,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,094,644</u>
Change in net assets	(90,516)	(135,161)	5,000	(220,677)
NET ASSETS				
Beginning of year	<u>358,089</u>	<u>347,790</u>	<u>517,417</u>	<u>1,223,296</u>
End of year	<u>\$ 267,573</u>	<u>\$ 212,629</u>	<u>\$ 522,417</u>	<u>\$ 1,002,619</u>

The accompanying notes are an integral part of this financial statement

UNITED WAY OF MISSOULA COUNTY

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

Expense Description	Program Services	Management & General	Fund- Raising	TOTAL
Community grants	\$ 329,117	\$ -	\$ -	\$ 329,117
Uncollectible contributions receivable	60,000	-	-	60,000
Salaries and wages	171,086	93,320	46,660	311,066
Payroll taxes and workers compensation	14,872	8,112	4,056	27,040
Health insurance, retirement, and HSA	22,584	12,319	6,159	41,062
Marketing	37,578	20,497	10,249	68,324
Occupancy	11,743	6,405	3,203	21,351
Office costs	8,071	4,403	2,201	14,675
Professional fees	17,396	9,489	4,744	31,629
Equipment rental and maintenance	879	480	240	1,599
United Way Worldwide	5,908	3,222	1,611	10,741
Travel and training	9,310	5,078	2,540	16,928
Insurance	2,028	1,107	553	3,688
Depreciation	5,130	2,798	1,400	9,328
Interest	10,941	5,968	2,984	19,893
TOTAL EXPENSES	\$ 706,643	\$ 173,198	\$86,600	\$ 966,441
	73.12%	17.92%	8.96%	100.00%

The accompanying notes are an integral part of this financial statement

UNITED WAY OF MISSOULA COUNTY

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

Expense Description	Program Services	Management & General	Fund- Raising	TOTAL
Community grants	\$ 439,879	\$ -	\$ -	\$ 439,879
Uncollectible contributions receivable	96,767	-	-	96,767
Salaries and wages	175,251	95,592	47,796	318,639
Payroll taxes and workers compensation	15,896	8,670	4,335	28,901
Health insurance, retirement, and HSA	23,219	12,665	6,332	42,216
Marketing	23,982	13,081	6,540	43,603
Occupancy	11,415	6,226	3,113	20,754
Office costs	8,436	4,602	2,301	15,339
Professional fees	18,701	10,201	5,100	34,002
Equipment rental and maintenance	994	542	271	1,807
United Way Worldwide	5,448	2,972	1,486	9,906
Travel and training	4,346	2,371	1,185	7,902
Insurance	1,675	913	456	3,044
Depreciation	6,111	3,333	1,667	11,111
Interest	11,426	6,232	3,116	20,774
TOTAL EXPENSES	<u><u>\$ 843,546</u></u>	<u><u>\$ 167,400</u></u>	<u><u>\$83,698</u></u>	<u><u>\$1,094,644</u></u>
	77.06%	15.29%	7.65%	100.00%

The accompanying notes are an integral part of this financial statement

UNITED WAY OF MISSOULA COUNTY

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (22,393)	\$ (220,677)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	9,328	11,111
Net realized and unrealized (gain) loss on investments	(32,372)	38,051
Changes in operating assets and liabilities:		
Accounts receivable	(4,688)	(393)
Contributions receivable	140,323	135,161
Prepaid expenses	(5,257)	(33)
Accounts payable	17,185	(1,024)
Accrued payroll and payroll taxes	(119)	(1,868)
Designations to agencies	(37,736)	1,064
Funds held in trust	(3,037)	(1,152)
Security deposits	2,290	-
Compensated absences	(10,748)	9,857
Total adjustments	<u>75,169</u>	<u>190,774</u>
Net cash flows from operating activities	<u>\$ 52,776</u>	<u>\$ (29,903)</u>

The accompanying notes are an integral part of these financial statements

UNITED WAY OF MISSOULA COUNTY

STATEMENTS OF CASH FLOWS, Continued
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from sale of investments	\$ 42,853	\$ 75,000
Cash paid for the purchase of investments	<u>(59,217)</u>	<u>(45,674)</u>
Net cash flows from investing activities	<u>\$ (16,364)</u>	<u>\$ 29,326</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from advances on line of credit	\$ 180,954	\$ 25,000
Cash paid for repayments to the line of credit	(218,751)	(37,203)
Cash paid for repayment of mortgage payable	<u>(9,239)</u>	<u>(8,792)</u>
Net cash flows from financing activities	<u>\$ (47,036)</u>	<u>\$ (20,995)</u>
Net change in cash and cash equivalents	(10,624)	(21,572)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>75,060</u>	<u>96,632</u>
End of year	<u>\$ 64,436</u>	<u>\$ 75,060</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 19,893</u>	<u>\$ 20,774</u>

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS For the Years Ended December 31, 2016 and 2015

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

United Way of Missoula County (United Way), founded in 1931, is a not-for-profit corporation under Internal Revenue Code 501(c) (3), located in Missoula, Montana. The United Way is committed to building a better community by improving lives and create lasting changes in community conditions.

The United Way furthers this goal by supporting carefully screened, regularly evaluated programs that provide low-income and vulnerable individuals and families with access to education, income, health and human services: the building blocks for a good life.

Through broad-based, results-oriented collaborations with donors, funded agencies, and diverse partners, the United Way strives to identify the community's most pressing health and human service needs and bring together resources and people to address those needs. The United Way serves as the conduit for donors who desire a trusted, one-stop way to invest in high-quality programs that produce measurable results, ensuring that donated dollars are spent wisely in the community. The United Way also plays a leadership role in, and provides in-kind and financial support to, community-wide efforts to end homelessness, prevent childhood obesity, ensure student success, and reduce suicide. These initiatives include Reaching Home: Missoula's 10-Year Plan to End Homelessness, Let's Move! Missoula, the Imagination Library, Graduation Matters Missoula, and the Western Montana Suicide Prevention Initiative.

Recipient organizations of donor funds are screened carefully and must comply with certain requirements in order to ensure that donors' dollars are spent for the intended purpose of the donation, such as providing food, shelter, counseling, help and hope to needy people in Missoula County. The United Way invests in carefully screened, regularly evaluated programs, such as youth programs, food-distribution programs, homeless shelters, parenting training, child abuse and neglect prevention, and referral and information services.

The United Way currently has 20 board members serving on various committees. Board and committee members are selected based on their expertise and commitment to advancing the United Way's goals. The Executive Committee comprises board officers, the immediate past president, and the CEO, and may include committee chairs. It helps the CEO and board president set the agenda for board meetings, and focuses on board development: recruiting, nominating, electing, mentoring, orienting and evaluating board members. It takes the lead in evaluating the CEO and sets his/her compensation. The committee often acts as a confidential sounding board for the CEO, providing an appropriate forum in which to share issues and challenges instead of, or prior to, discussing with the full board.

UNITED WAY OF MISSOULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued**

A. Organization, Continued

The Administrative Committee ensures careful stewardship of the United Way's financial resources. It maintains oversight of the financial well-being and integrity through review and approval of financial statements, practices and policies. It manages the United Way's Emergency and Opportunity funds and its permanent endowment.

The Community Impact Committee includes board members and community volunteers. It supports the United Way's community-building work by identifying and developing strategies to address Missoula County's most critical needs in the areas of education, income and health. It formulates funding processes and makes funding recommendations to the Board of Directors, and evaluates the results and impact of supported activities.

The Audit Committee ensures sound financial oversight by overseeing the annual audit process with an independent auditor and management. Comprising members with financial expertise, the committee selects, reviews, and evaluates the performance of independent auditors and staff members with audit responsibilities; reviews the annual financial statements (audit report, notes, schedules); provides an avenue of communication between independent auditors, management, and the Board of Directors; and oversees the integrity and adequacy of the financial accounting processes and internal controls.

The Development Committee designs and executes year-round marketing and fundraising efforts, with an emphasis on corporate and workplace campaigns, major gifts and planned giving.

STAND for United Way (Serve, Team up, Advance, Network and Develop) is the United Way's young leaders group. It provides opportunities for learning, career and skills development, networking, recognition, service and civic engagement for business and community leaders ages 25-40.

United Way administers The Fund for Ravalli County, an internally designated fund to benefit qualified nonprofit organizations serving Ravalli County.

Under the guidance of its Board of Directors, the United Way has assumed fiscal sponsorship for three programs. The United Way's Community Relations Manager plays an active role in all three of the fiscally sponsored programs; the CEO serves on the advisory boards of the programs.

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued**

A. Organization, Continued

The United Way places all gifts, grants, and contributions received and identified with these programs into a committed fund to be used for the sole benefit of their missions, under guidance given by steering committees that include the Agency's CEO. All program expenditures are approved by the CEO. Programs under the United Way's fiscal sponsorship are:

1) The Missoula Youth Philanthropy Club, whose mission is to teach high-school students about charitable giving, while also giving them the opportunity to raise money, give grants, and become involved with local nonprofits at the board level.

2) Volunteer Missoula, whose mission is to connect volunteers to service opportunities, and connect nonprofits to volunteer recruitment tools; and to foster greater collaboration between nonprofit organizations in Missoula.

3) The Missoula Nonprofit Network (MNN), which provides training, networking opportunities, and resources (including a weekly email update) on nonprofit management and governance to a diverse network of 501(c) (3) organizations in Missoula and Ravalli counties. Members pay annual dues to the MNN.

B. Basis of Accounting

United Way's financial statements have been prepared on the accrual basis of accounting and are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board.

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, the United Way considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

From time to time, certain bank accounts that are subject to coverage by the Federal Deposit Insurance Corporation (FDIC) may exceed their insured limits. At December 31, 2016 and 2015, the United Way's bank accounts were fully insured by the FDIC. Accordingly, the United Way does not believe it is exposed to any significant credit risk on its cash balances.

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued**

D. Accounts Receivable and Contributions Receivable

Accounts receivable represent amounts owed to the United Way for reimbursements of costs from the Combined Federal Campaign and other organizations and are stated at unpaid balances. All amounts are considered collectible by management. Therefore, no allowance was made for 2016 and 2015. Due to inherent uncertainties in estimated the allowance for uncollectible accounts; it is at least reasonably possible that this estimate could change in the near term. Accounts receivable are considered impaired if payments are not received in accordance with terms of agreements. It is the United Way's policy to write off accounts receivable when management determined they will not be collected. At December 31, 2016 and 2015, all receivables were current. Interest is not charged on accounts receivable.

Contributions receivable represent unconditional promises to give through written agreements to contribute cash or other assets to the United Way. These promises to give (pledges) are reported as contribution revenue and receivables even if the promise is legally unenforceable. Unconditional promises to give are reported at unpaid principal balances less an allowance account of \$60,000 for December 31, 2016 and 2015. Management determines the allowance account based on historical collection percentages, an evaluation of individual contributions receivable, and consideration of economic conditions, among other factors. Due to inherent uncertainties in estimated the allowance for uncollectible accounts receivable, it is at least reasonably possible that this estimate could change in the near term.

E. Investments

Investments are reported at fair value using the market approach. Investments consist primarily of mutual funds. Increases or decreases in fair value are recognized in the current period as investment gains or losses. Investment income includes interest, dividends, and realized and unrealized gains and losses. The United Way's investment values are determined using either Level 1 inputs or Level 2 inputs. Level 1 inputs are quoted prices in active markets for identical assets as of the measurement date. Level 2 inputs are quoted priced in active markets for similar assets that are observable through the measurement date. Investments are classified as available-for-sale investments.

The United Way's investment in securities is exposed to various risks, such as interest rate, credit, and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the financial statements.

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued**

F. Deferred Gift Annuity

The United Way was the recipient of a deferred gift annuity to their endowment and was recorded at fair market value. The annuity amount will be distributed to the donors in annual installments beginning November 2041. The present value of the future annuity payments is recorded as a liability using a discount rate of 4.6% and standard actuarial tables for remaining lives of donors and beneficiaries, with the difference recorded as contribution revenue. The changes in the fair market value of the gift annuity are recognized as changes in the value of the annuity agreement at year-end. The deferred gift annuity is classified as permanently restricted net assets.

G. Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value if donated. Generally, repairs and maintenance are expensed as incurred and purchases and betterments with a useful life of three years or more (regardless of cost) are capitalized. Capitalized assets are depreciated on a straight-line basis over the estimated useful lives ranging from five to thirty nine years. Property and equipment is reported net of accumulated depreciation.

H. Net Asset Classification

The United Way classifies contributions as unrestricted, temporarily restricted, or permanently restricted net assets in accordance with donor restrictions.

Unrestricted net assets generally have no donor-imposed restrictions and are used to benefit the community at the discretion of the United Way's board of directors and for internal operations and administration. The board has designated certain funds for reserves or use in future period totaling \$170,781 and \$160,770 at December 31, 2016 and 2015, respectively.

Temporarily restricted net assets include gifts restricted by the donor as to purpose or time. When the donor-restriction expires by either the passage of time or purpose restriction being accomplished, temporarily restricted net assets are accounted for and reported in the statement of activities as net assets released from restriction and reclassified as unrestricted net assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Temporarily restricted assets for 2016 and 2015 were comprised primarily of donations pledged in future periods.

Donor-restricted contributions that neither expire by the passage of time nor are fulfilled or otherwise removed by actions of the United Way are classified as permanently restricted. Permanently restricted net assets consist of endowed gifts where donors have specified investment in perpetuity to support the United Way's mission.

UNITED WAY OF MISSOULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued**

H. Net Asset Classification

Some donors specify certain recipient organizations for cash donations and promises to give. Because the United Way acts solely as an intermediary, such donations are excluded from the statement of activities and are reflected as custodial funds liability in the statement of financial position until the funds are distributed to the recipient organizations. The United Way assesses a fee on these funds to cover fund-raising costs, management and general costs, and an estimated uncollectible amount based on actual historical costs in accordance with United Way of America Membership Standards as outlined in their publication entitled *United Way of America Implementation Requirement for Membership Standard M (Cost Deduction for Designated Funds)*. Such fees are presented as administrative fee income in the statement of activities. Administrative fees totaled \$2,863 and \$3,117 for 2016 and 2015, respectively.

I. In-Kind Donations

The United Way seeks and receives volunteer efforts of community members to attain its goals and objectives. Donated services meeting the criteria of GAAP for recognition are reported as donated services in the statement of activities with a corresponding expense recorded in program expenses. The value of donated services is determined by the donors at the usual fee they would receive for such services in the normal course of their profession. No amounts are recorded in the statement of activities for donated services for 2016 and 2015.

J. Compensated Absences

United Way's employees are entitled to paid time off depending on the length of employment, hours worked, and other factors after a thirty day probation period. Vacation leave earned ranges from 80 hours to 200 hours depending on the number of years of service. Vacation is paid out at the current employees' rate of pay upon termination. The United Way records an expense for vacation leave as it is paid.

Sick leave is accrued at up to 8 hours per month from the date of hire and may be carried over year to year. Sick leave is not paid out to the employee upon leaving the United Way.

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued**

K. Expense Allocation and Functional Activities

The United Way allocates costs that can be identified specifically with a particular cost objective directly to the benefitting services. Joint costs are allocated to fundraising, management and general, and program activities on the basis of estimated time identifiable with such services.

Functional activities are summarized as follows:

Program Services consist of funds utilized for community building and community impact work, specifically those funds that help provide critical community resources in the areas of education, income, and health support. Such services include community grants, opportunity grants, emergency grants, mentoring, advocacy, volunteers, networking, supply drives, and other efforts. Program services expenses include expenditures for contractual work performed for the City and County of Missoula, Montana under Missoula's 10-Year Plan to End Homelessness.

Management and General consist of funds that are used for administering the United Way and processing donor contributions.

Fundraising expenses are for activities and events designed to create public awareness and support for the United Way's programs; principally its grant making to education, income, and health programs in the community.

L. Marketing Expenses

The United Way expenses the costs of marketing as incurred. Marketing expenses totaled \$68,324 and \$43,603 in 2016 and 2015, respectively.

M. Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

N. Income Tax Status

The United Way is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes has been recorded in the financial statements because the United Way did not have any unrelated business income in 2016. With few exceptions, United Way's federal Return of Organization Exempt from Income Tax (Form 990) is not subject to examination for tax years prior to 2013.

UNITED WAY OF MISSOULA COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended December 31, 2016 and 2015

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
 Continued**

O. Subsequent Events

Management has evaluated subsequent events through July 20 2017, the date which the financial statements were available for issue.

NOTE 2. CONTRIBUTIONS RECEIVABLE

The United Way's contributions receivable are due in less than one year and are reported on the statement of financial position at unpaid principal amounts, net of an allowance account. A summary is as follows:

	2016	2015
Contributions receivable	\$ 132,306	\$ 272,629
Allowance	(60,000)	(60,000)
Contributions receivable, net	\$ 72,306	\$ 212,629

NOTE 3. INVESTMENTS

A framework for measuring fair value and defining fair value is provided by GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. GAAP also established a fair value hierarchy prioritizing the valuation of inputs into three broad levels as described below:

Level 1 – unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 – significant unobservable prices or inputs where there is little or no market activity for the asset or liability at the measurement date.

UNITED WAY OF MISSOULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

NOTE 3. INVESTMENTS, Continued

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The United Way's policy for determining the timing of significant transfers between Level 1 and Level 2 is at the end of the reporting period.

Marketable equity securities are stated at fair value based on quoted market prices in active markets. Mutual funds are valued at the net asset value (NAV). The NAV is based on the value of the underlying assets owned, minus its liabilities, and then divided by the number of shares held at year-end. The NAV is quoted in an active market.

The cost and fair value of investments at December 31, 2016 was as follows:

	Cost or Amortized Cost	Net Unrealized Gain (Loss)	Fair Value
Money market	\$ 8,428	\$ -	\$ 8,428
LEVEL 1			
Mutual Funds			
Bond funds	139,429	(2,631)	136,798
Equity funds	576,972	94,226	671,198
Total	<u>716,401</u>	<u>91,595</u>	<u>807,996</u>
LEVEL 2			
Cash surrender value of life insurance policy	9,583	-	9,583
TOTAL INVESTMENTS	<u>\$ 734,412</u>	<u>\$ 91,595</u>	<u>\$ 826,007</u>

Net investment income for the year ended December 31, 2016 was as follows:

Interest and dividends	\$ 19,600
Net realized and unrealized gains	<u>32,372</u>
Investment income	<u>\$ 51,972</u>

UNITED WAY OF MISSOULA COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended December 31, 2016 and 2015

NOTE 3. INVESTMENTS, Continued

The cost and fair value of investments at December 31, 2015 was as follows:

	Cost or Amortized Cost	Net Unrealized Gain (Loss)	Fair Value
Money market	\$ 8,052	\$ -	\$ 8,052
LEVEL 1			
Mutual Funds			
Bond funds	107,048	(2,408)	104,640
Equity funds	607,283	48,082	655,365
Total	714,331	45,674	760,005
LEVEL 2			
Cash surrender value of life insurance policy	9,214	-	9,214
TOTAL INVESTMENTS	\$ 731,597	\$ 45,674	\$ 777,271

Net investment income for the year ended December 31, 2015 was as follows:

Interest and dividends	\$ 30,457
Net realized and unrealized gains (losses)	(38,051)
Investment loss	\$ (7,594)

Investment fees totaling \$8,233 and \$8,811 were paid in 2016 and 2015, respectively. Investment fees are reported on the Statement of Functional Expense with professional fees.

UNITED WAY OF MISSOULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

NOTE 4. PROPERTY AND EQUIPMENT

The United Way's property and equipment consisted of the following at December 31, 2016 and 2015:

	December 31, 2014	Additions	December 31, 2015
	<u> </u>	<u> </u>	<u> </u>
Land	\$ 72,000	\$ -	\$ 72,000
Furniture and equipment	34,760	-	34,760
Building	<u>344,316</u>	<u>-</u>	<u>344,316</u>
	451,076	-	451,076
Accumulated depreciation	<u>(54,392)</u>	<u>(11,111)</u>	<u>(65,503)</u>
Property and equipment, net	<u>\$ 396,684</u>	<u>\$ (11,111)</u>	<u>\$ 385,573</u>
	December 31, 2015	Additions	December 31, 2016
	<u> </u>	<u> </u>	<u> </u>
Land	\$ 72,000	\$ -	\$ 72,000
Furniture and equipment	34,760	-	34,760
Building	<u>344,316</u>	<u>-</u>	<u>344,316</u>
	451,076	-	451,076
Accumulated depreciation	<u>(65,503)</u>	<u>(9,328)</u>	<u>(74,831)</u>
Property and equipment, net	<u>\$ 385,573</u>	<u>\$ (9,328)</u>	<u>\$ 376,245</u>

NOTE 5. LEASES

The United Way leases certain office equipment under terms of an operating lease on a month-to-month basis. Rent is determined based on usage. Total rent expense paid under this lease was \$1,599 and \$1,807 in 2016 and 2015, respectively, which is expected to approximate future amounts.

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

NOTE 6. ENDOWMENT

Interpretation of Relevant Law

The Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the United Way classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment from donors, (b) the original value of subsequent gifts to the permanent endowment from donors, and (c) any accumulations made to the permanent endowment made in accordance with the director of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted permanent 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 United Way in a manner consistent with the standard of prudence prescribed by MUPMIFA.

In accordance with MUPMIFA, the United Way considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the fund and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the fund;
- The investment policies of the fund

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, board of directors, or MUPMIFA requires the United Way to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are required to be reported in unrestricted net assets. There were no funds with deficiencies in 2016 and 2015.

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS For the Years Ended December 31, 2016 and 2015

NOTE 6. ENDOWMENT, Continued

Return Objectives and Risk Parameters

The United Way has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and activities supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the United Way must hold in perpetuity or for a donor-specified period as well as board-designated endowment funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield of 5%. The United Way expects its endowment funds over time to provide a reasonable level of income to support the spending policy authorized by the Board of Directors and to grow equity assets. Actual returns in any give year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the United Way relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The United Way targets a diversified asset allocation including cash, cash equivalents, equity securities, and mutual funds to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The United Way's spending policy allows for an annual distribution up to 5% of the three-year average market value of the funds as calculated on 4 quarters ending December 31, not to exceed the average net earnings, growth, and income of the three-year period. The United Way expects its spending policy to allow the endowment to grow and to maintain the purchasing power of the endowment assets.

UNITED WAY OF MISSOULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

NOTE 6. ENDOWMENT, Continued

Changes in the endowment net assets composition by fund type for the years ended December 31, 2016 and 2015 are as follows:

	Unrestricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2015	\$ 344,499	\$ 517,417	\$ 861,916
Investment Return			
Investment Income	30,103	-	30,103
Net Depreciation (realized and unrealized)	(38,051)	-	(38,051)
Total Investment Return	(7,948)	-	(7,948)
Contributions	-	5,000	5,000
Appropriations for Expenditures and Fees	(81,697)	-	(81,697)
Endowment Net Assets, December 31, 2015	254,854	522,417	777,271
Investment Return			
Investment Income	19,232	-	19,232
Net Depreciation (realized and unrealized)	31,118	-	31,118
Total Investment Return	50,350	-	50,350
Contributions	-	5,000	5,000
Appropriations for Expenditures and Fees	8,233	-	8,233
Endowment Net Assets, December 31, 2016	<u>\$ 313,437</u>	<u>\$ 527,417</u>	<u>\$ 840,854</u>

NOTE 7. LINE OF CREDIT

The United Way has line of credit from a financial institution that can be renewed annually. The line of credit was last renewed in September of 2016 with a maximum limit of \$100,000. The amount outstanding at December 31, 2016 and 2015 was \$0 and \$37,702, respectively. The maturity date is September 1, 2017. Interest is variable at the Wall Street Journal prime rate (3.75% at December 31, 2016 and 2015) plus 1.0% point and is payable monthly. The line of credit is secured by United Way's assets.

UNITED WAY OF MISSOULA COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended December 31, 2016 and 2015

NOTE 8. MORTGAGE PAYABLE

The United Way has a mortgage payable with an outstanding balance due of \$337,915 and \$347,154 at December 31, 2016 and 2015. The mortgage payable originated in June 2012 for \$375,000 and matures in June 2037. Interest is 5.0%. Repayment is in monthly principal and interest payments of \$2,199. Collateral is the United Way's office building.

Annual maturities at December 31, 2016 are as follows:

<u>Years Ending December 31,</u>	
2017	\$ 9,705
2018	10,201
2019	10,723
2020	11,229
2021	11,846
Thereafter	<u>284,211</u>
	<u>\$337,915</u>

NOTE 9. EMPLOYEE BENEFITS

The United Way participates in a SIMPLE IRA retirement plan for employees who had completed one year of service and earned at least \$5,000 in compensation. The United Way contributes 2% of employee compensation. Employees may make elective deferrals up to the amount allowed by law. The United Way contributed \$4,243 and \$4,938 in 2016 and 2015, respectively.

The United Way provides health insurance for full time employees after thirty days of employment. Family coverage is available at the employee's expense. The United Way paid insurance premiums of \$36,535 and paid \$284 in health savings account fees for its employees in 2016. The United Way paid insurance premiums of \$37,193 and paid \$85 in health savings account fees for its employees in 2015.

UNITED WAY OF MISSOULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

NOTE 10. RELATED PARTIES

The United Way is an affiliate of the United Way Worldwide meeting high standards of accountability in the areas of financial reporting, governance, ethics, and operations. Membership dues attributed to United Way Worldwide totaled \$10,741 and \$9,906 in 2016 and 2015, respectively.

NOTE 11. RESTRICTED NET ASSETS

Restricted net assets at December 31, 2016 and 2015 comprise temporarily restricted net assets and permanently restricted net assets.

Temporarily restricted assets of \$72,306 and \$212,629 at December 31, 2016 and 2015, respectively, consist of the net realizable value of promises to give.

Permanently restricted net assets of \$527,417 and \$522,417 at December 31, 2016 and 2015, respectively, consist of the United Way's endowment fund.

SUPPLEMENTAL INFORMATION

UNITED WAY OF MISSOULA COUNTY
 SCHEDULE OF 2016 CAMPAIGN REVENUE
 For the Year Ended December 31, 2016

	2/1/2016 to 12/31/2016	1/1/2017 to 1/31/2017	Total
CAMPAIGN REVENUES			
Undesignated Contributions	\$ 405,046	\$ 225,481	\$ 630,527
Designated Contributions	62,243	73,328	135,571
Endowment Contributions	5,000	120	5,120
	<u>5,000</u>	<u>120</u>	<u>5,120</u>
Campaign Revenues, Gross	<u>\$ 472,289</u>	<u>\$ 298,929</u>	<u>\$ 771,218</u>
DESIGNATIONS			
Designated Contributions (from above)	\$ 62,243	\$ 73,328	\$ 135,571
Direct Distributions	-	(36,634)	(36,634)
Designation Fees	(1,005)	(11,376)	(12,381)
	<u>(1,005)</u>	<u>(11,376)</u>	<u>(12,381)</u>
Designations, Net	<u>\$ 61,238</u>	<u>\$ 25,318</u>	<u>\$ 86,556</u>
Campaign Revenues, Net	<u>\$ 471,284</u>	<u>\$ 250,919</u>	<u>\$ 722,203</u>

See Independent Auditor's Report