UNITED WAY OF MISSOULA COUNTY

AUDITED FINANCIAL STATEMENTS
For The Years Ended
December 31, 2018 and 2017

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RANDALL & COMPANY, 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 United Way of Missoula County (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Missoula County as of December 31, 2018 and 2017, 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.

Other Matter
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of 2018 Campaign Revenue on page 24 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 & Company, P.C.

Randall & Company, P.C.
Missoula, Montana
September 11, 2019

FINANCIAL STATEMENTS

UNITED WAY OF MISSOULA COUNTY

STATEMENTS OF FINANCIAL POSITION
As of December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 195,515	$ 170,748
Accounts receivable	10,805	25,612
Contributions receivable, net	197,124	257,017
Prepaid expenses	19,885	13,306
Funds held in trust	23,299	26,022
Investments	345,896	407,509
Property and equipment, net	359,480	368,540
Endowment investments	539,710	532,707
Total Assets	$ 1,691,714	$ 1,801,461
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 18,790	$ 11,469
Accrued payroll and payroll taxes	936	1,073
Designations to agencies	729	18,740
Security deposits	0	500
Funds held in trust liability	14,707	19,489
Compensated absences	12,365	15,263
Deferred annuity payable	0	1,144
Mortgage payable	318,875	328,199
Total Liabilities	$ 366,402	$ 395,877
NET ASSETS		
Without donor restrictions	$ 391,647	$ 469,547
With donor restrictions	933,665	936,037
Total Net Assets	$ 1,325,312	$ 1,405,584
Total Liabilities and Net Assets	$ 1,691,714	$ 1,801,461

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

UNITED WAY OF MISSOULA COUNTY

STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2018 and 2017

		2018		2017
NET ASSETS WITHOUT DONOR RESTRICTIONS				
REVENUE AND SUPPORT				
Contributions	$	417,267	$	633,705
Investment income/(loss), net		(44,554)		109,214
Grant income		34,500		0
Contract services		0		35,000
Sponsorship income		19,428		27,700
Administrative fee income		502		3,232
Rental income		0		14,475
Other income		3,848		8,075
TOTAL REVENUE AND SUPPORT	$	430,991	$	831,401
Net assets released from restrictions		331,021		246,735
	$	762,012	$	1,078,136
EXPENSES				
Program services	$	605,698	$	714,164
Management and general		146,385		183,286
Fundraising		87,829		91,642
TOTAL EXPENSES	$	839,912	$	989,092
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$	(77,900)	$	89,044
NET ASSETS WITH DONOR RESTRICTIONS				
Contributions	$	321,646	$	435,906
Endowment Contributions		7,003		5,290
Net assets released from restrictions		(331,021)		(246,735)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	$	(2,372)	$	194,461
CHANGE IN TOTAL NET ASSETS		(80,272)		283,505
NET ASSETS, beginning of year		1,405,584		1,122,079
NET ASSETS, end of year	$	1,325,312	$	1,405,584

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, 2018

Expense Description	Program Services	Management & General	Fund-Raising	TOTAL
Community grants	$ 156,373	$ 0	$ 0	$ 156,373
Special project payments	74,004	0	0	74,004
Uncollectible contributions receivable	24,000	0	0	24,000
Salaries and wages	184,826	77,011	46,206	308,043
Payroll taxes and workers compensation	18,149	7,563	4,538	30,250
Health insurance, retirement, and HSA	26,318	10,966	6,579	43,863
Marketing	33,583	13,993	8,396	55,972
Occupancy	12,982	5,409	3,245	21,636
Office costs	16,658	6,941	4,165	27,764
Professional fees	17,403	7,251	4,351	29,005
Write off grant receivable	10,500	4,375	2,625	17,500
Equipment rental and maintenance	886	369	221	1,476
United way worldwide	5,410	2,254	1,352	9,016
Travel and training	6,964	2,902	1,741	11,607
Insurance	1,966	819	491	3,276
Depreciation	5,436	2,265	1,359	9,060
Interest	10,240	4,267	2,560	17,067
TOTAL EXPENSES	$ 605,698	$ 146,385	$ 87,829	$ 839,912
	72.11%	17.43%	10.46%	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, 2017

Expense Description	Program Services	Management & General	Fund-Raising	TOTAL
Community grants	$ 244,765	$ 0	$ 0	$ 244,765
Special Project Payments	73,376	0	0	73,376
Uncollectible contributions receivable	60,000	0	0	60,000
Salaries and wages	188,681	102,917	51,459	343,057
Payroll taxes and workers compensation	16,145	8,807	4,403	29,355
Health insurance, retirement, and HSA	24,801	13,528	6,764	45,093
Marketing	37,350	20,373	10,186	67,909
Occupancy	12,552	6,846	3,423	22,821
Office costs	9,237	5,038	2,519	16,794
Professional fees	16,101	8,783	4,391	29,275
Equipment rental and maintenance	1,423	776	388	2,587
United Way Worldwide	5,396	2,943	1,472	9,811
Travel and training	7,014	3,826	1,913	12,753
Insurance	2,169	1,183	591	3,943
Depreciation	4,891	2,668	1,334	8,893
Interest	10,263	5,598	2,799	18,660
TOTAL EXPENSES	$ 714,164	$ 183,286	$ 91,642	$ 989,092
	72.20%	18.53%	9.27%	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, 2018 and 2017

		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from/for:				
Contributions	$	777,972	$	970,355
Contracts, grants, and sponsors		53,928		62,700
Investments		15,056		(4,995)
Rents and other activities		4,350		25,782
Cash paid for/to:				
Employees		(385,191)		(320,680)
Agency allocations		(248,388)		(410,327)
Vendors		(161,569)		(186,959)
Interest		(17,067)		(18,660)
Net Cash Flows from Operating Activities	$	39,091	$	117,216
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	$	(5,000)	$	0
Purchase of capital assets		0		(1,188)
Net Cash Flows from Investing Activities	$	(5,000)	$	(1,188)
CASH FLOWS FROM FINANCING ACTIVITIES				
Principal paid on long-term debt	$	(9,324)	$	(9,716)
Repayments to line of credit		0		(85,000)
Proceeds from line of credit		0		85,000
Net Cash Flows from Financing Activities	$	(9,324)	$	(9,716)
NET CHANGE IN CASH AND CASH EQUIVALENTS	$	24,767	$	106,312
CASH AND CASH EQUIVALENTS, Beginning of Year		170,748		64,436
CASH AND CASH EQUIVALENTS, End of Year	$	195,515	$	170,748

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, 2018 and 2017

	2018	2017
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (80,272)	$ 283,505
Adjustments to Reconcile Change in Net Assets to		
Net Cash Flows from Operating Activities		
Items Not Affecting Cash:		
Allowance for uncollectible pledges	$ (19,646)	$ 16,679
Net realized and unrealized (gain) loss on investment	59,610	(114,209)
Investment fees paid out of investment	0	0
Depreciation	9,060	8,893
Changes in Operating Assets and Liabilities		
(Increase)/Decrease in:		
Accounts receivable	14,807	(1,688)
Contributions receivable	79,539	(59,537)
Prepaid expenses	(6,579)	(5,965)
Funds held in trust	2,723	(4,108)
Increase/(Decrease) in:		
Accounts payable	7,321	(10,467)
Accrued payroll and payroll taxes	(137)	(168)
Designations to agencies	(18,011)	(2,539)
Security deposits	(500)	(2,290)
Funds held in trust liability	(4,782)	1,764
Compensated absences	(2,898)	7,346
Deferred annuity payable	(1,144)	0
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 39,091	$ 117,216

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

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

United Way of Missoula County (United Way), founded in 1931, is a nonprofit corporation under Internal Revenue Code 501(c)(3), located in Missoula, Montana. United Way builds a better community by improving lives and creating lasting changes in community conditions. The organization accomplishes this by bringing people together to identify problems and craft creative, lasting solutions that improve outcomes in the areas of education, financial stability, and health.

Through broad-based, results-oriented collaborations with other nonprofits, donors, businesses, the University of Montana, local and county government, the school district, the faith community and other diverse partners, United Way drives progress in implementing solutions to identified priorities in its three areas of focus. United Way also serves as a conduit for donors who desire a trusted, one-stop way to invest in high-quality programs that produce measurable results, ensuring that charitable dollars are spent wisely and well in the community. Current initiatives in which United Way plays a leadership role in terms of visioning, convening, funding, staffing, and in-kind assistance include the following:

EDUCATION: Missoula Zero to Five (improving outcomes for families and kids ages 0-5); Dolly Parton's Imagination Library (free book-gifting program that promotes kindergarten readiness); Graduation Matters Missoula (various initiatives advancing student success); the Back to School Bash (annual school-supply drive).

FINANCIAL STABILITY: Reaching Home: Missoula's 10-Year Plan to End Homelessness. For its first five years, Reaching Home was housed at and staffed by United Way; in 2017, the program was transferred to the City of Missoula, to provide the initiative with additional funding and other resources. United Way remains the plan's principal private-sector fundraiser and advocate.

HEALTH: 5-2-1-0 Let's Move! Missoula (childhood obesity prevention by encouraging increased physical activity and healthy eating); Project Tomorrow Montana (suicide prevention).

DISASTER RELIEF: United Way is also Missoula County's designated financial partner, serving as a repository for private donations to alleviate natural disasters, such as fire and floods. United Way receives, acknowledges and, with a panel of volunteer advisors, disburses donated funds to help families and organizations affected by natural disasters.

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

A. Organization, Continued

United Way also provides grant funding to carefully screened and qualified nonprofit organizations in Missoula and Ravalli counties whose work aligns with and advances the goals of the above education, financial stability and health initiatives. Each initiative has its own advisory board of local volunteers with expertise in the respective initiative areas. Funding decisions are made collaboratively by United Way staff, members of the Community Impact Committee, and the board of directors. Funded programs comply with certain mutually agreed-upon conditions, spelled out in written memoranda of understanding, and results are evaluated by United Way, in order to ensure that donor dollars are invested wisely and well.

Fifteen members serve on United Way's board of directors, providing oversight and guidance to the CEO, and ensuring high standards of financial and programmatic excellence. As a member in good standing of United Way Worldwide, the world's largest privately supported nonprofit organization, United Way of Missoula County annually must demonstrate compliance with rigorous standards in the areas of fiscal oversight, governance, management, fundraising, recordkeeping, and donor stewardship.

United Way's board of directors also includes several committees. The Administrative Committee ensures careful stewardship of financial resources, including oversight of the organization's permanent endowment. The Community Impact Committee, which also includes non-board members, supports United Way's community-building work by identifying and developing strategies (including grant funding) to address Missoula County's most pressing needs in the areas of education, financial stability, and health. This committee, with staff, also 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.

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

A. Organization, Continued

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

Under the guidance of the board of directors, and via formal memoranda of understanding, United Way also serves as the fiscal sponsor of three programs: Missoula Nonprofit Network, which provides training and networking opportunities to members of Missoula's diverse nonprofit community; Volunteer Missoula, a web-based platform that links people with volunteer opportunities at member nonprofit organizations; and Missoula Youth Philanthropy Club, which educates and empowers the next generation of philanthropists. United Way's CEO and Collective Impact and Initiatives Manager staff these efforts; the CEO serves on the advisory boards of each. In 2018, plans were developed to merge Volunteer Missoula and Missoula Nonprofit network into a new Missoula Nonprofit Center, to be launched in 2019.

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, 2018 and 2017, 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.

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 2018 and 2017. 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, 2018 and 2017, 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 $57,033 and $76,679 for December 31, 2018 and 2017, respectively. 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.

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

F. 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 live 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.

G. 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.

H. 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.

I. Net Asset Classification
The net assets of the United Way are reported in the following categories:

Net assets are classified as *without donor restrictions* in the absence of donor imposed restrictions. This category includes those revenues and expense associated with generally unrestricted activities and with the United Way's primary exempt functions. The board has designated certain funds for reserves or use in future period totaling $62,852 at December 31, 2018 and 2017, respectively.

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

I. Net Asset Classification, continued

Net assets classified as *with donor restrictions* have donor-imposed restrictions that have not been met. Such restrictions may be met by the passage of time or use for a specific purpose, or the assets may be expected to be maintained in perpetuity.

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 $502 and $3,232 for 2018 and 2017, respectively.

J. In-Kind Donations

The United Way seeks and receives volunteer efforts of community members to attain its goals and objections. 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 2018 and 2017.

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.

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.

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

K. Expense Allocation and Functional Activities, continued
Functional activities are summarized as follows:

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 $55,972 and $67,909 in 2018 and 2017, 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 2018. 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 2015.

NOTE 2. ADOPTION OF NEW ACCOUNTING STANDARD

During 2018 The United Way adopted ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. Adoption of this accounting standard does not change prior reported numbers for net assets or changes in net assets. This change primarily results in new and changed disclosures and a change in classification of net assets from three categories (unrestricted, temporarily restricted, and permanently restricted) to two (without donor restrictions and with donor restrictions).

NOTE 3. 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:

	2018	2017
Contributions receivable	254,157	333,696
Allowance	(57,033)	(76,679)
Contributions receivable, net	$ 197,124	$ 257,017

NOTE 4. 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.

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.

NOTE 4. INVESTMENTS, Continued

The cost and fair value of investments at December 31, 2018 was as follows:

	Cost or Amortized Cost	Net Unrealized Gain (Loss)	Fair Value
Money market	$ 11,178	$ 0	$ 11,178
LEVEL 1			
Mutual Funds			
Bond funds	195,554	(6,571)	188,983
Equity funds	601,732	83,713	685,445
Total	$ 797,286	$ 77,142	$ 874,428
TOTAL INVESTMENTS	$ 808,464	$ 77,142	$ 885,606

Net investment income for the year ended December 31, 2018 was as follows:

Interest and dividends	$ 40,514
Net realized and unrealized gains	(75,231)
Investment management fees	(9,837)
Net investment income	$ (44,554)

The cost and fair value of investments at December 31, 2017 was as follows:

	Cost or Amortized Cost	Net Unrealized Gain (Loss)	Fair Value
Money market	$ 10,078	$ 0	$ 10,078
LEVEL 1			
Mutual Funds			
Bond funds	142,479	(1,187)	141,292
Equity funds	611,062	167,818	778,880
Total	$ 753,541	$ 166,631	$ 920,172
LEVEL 2			
Cash surrender value of life insurance policy	$ 9,966	$ 0	$ 9,966
TOTAL INVESTMENTS	$ 773,585	$ 166,631	$ 940,216

NOTE 4. INVESTMENTS, Continued

Net investment income for the year ended December 31, 2017 was as follows:

Interest and dividends	$ 30,575
Net realized and unrealized gains	87,643
Investment management fees	(9,004)
Net investment income	$ 109,214

NOTE 5. PROPERTY AND EQUIPMENT

The United Way's property and equipment consisted of the following at December 31, 2018 and 2017:

	December 31, 2016	Additions	December 31, 2017
Land	$ 72,000	$ 0	$ 72,000
Furniture and equipment	34,760	1,188	35,948
Building	344,316	0	344,316
	$ 451,076	$ 1,188	$ 452,264
Accumulated depreciation	(74,831)	(8,893)	(83,724)
Property and equipment, net	$ 376,245	$ (7,705)	$ 368,540

	December 31, 2017	Additions	December 31, 2018
Land	$ 72,000	$ 0	$ 72,000
Furniture and equipment	35,948	0	35,948
Building	344,316	0	344,316
	$ 452,264	$ 0	$ 452,264
Accumulated depreciation	(83,724)	(9,060)	(92,784)
Property and equipment, net	$ 368,540	$ (9,060)	$ 359,480

NOTE 6. 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 $1,476 and $2,588 in 2018 and 2017, respectively, which is expected to approximate future amounts.

NOTE 7. 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 as with donor restrictions is classified as without donor restrictions, 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 net assets without donor restrictions. There were no funds with deficiencies in 2018 and 2017.

NOTE 7. 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 given 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.

NOTE 7. ENDOWMENT, Continued

Changes in the endowment net assets composition by fund type for the years ended December 31, 2018 and 2017 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2017	$ 298,590	$ 527,417	$ 826,007
Investment Return			
Investment Income	30,575	0	30,575
Net Depreciation (realized and unrealized)	87,348	0	87,348
Total Investment Return	$ 117,923	$ 0	$ 117,923
Contributions	0	5,290	5,290
Appropriations for Expenditures and Fees	(9,004)	0	(9,004)
Endowment Net Assets, December 31, 2017	$ 407,509	$ 532,707	$ 940,216
Investment Return			
Investment Income	40,514	0	40,514
Net Depreciation (realized and unrealized)	(82,324)	0	(82,324)
Total Investment Return	$ (41,810)	$ 0	$ (41,810)
Contributions	0	7,003	7,003
Withdrawl	(9,966)	0	(9,966)
Appropriations for Expenditures and Fees	(9,837)	0	(9,837)
Endowment Net Assets, December 31, 2018	$ 345,896	$ 539,710	$ 885,606

NOTE 8. 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 November of 2018 with a maximum limit of $100,000. The amount outstanding at December 31, 2018 and 2017 was $0. The maturity date is November 27, 2019. Interest is variable at the Wall Street Journal prime rate (5.5% and 3.75% at December 31, 2018 and 2017, respectively plus 1.0% point and is payable monthly. The line of credit is secured by the United Way's assets.

NOTE 9. MORTGAGE PAYABLE

The United Way has a mortgage payable with an outstanding balance due of $318,875 and $328,199 at December 31, 2018 and 2017. 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, 2018 are as follows:

Years Ending December 31,	
2019	10,723
2020	11,229
2021	11,846
2022	12,452
2023	13,090
Thereafter	259,535
	$ 318,875

NOTE 10. EMPLOYEE BENEFITS

The United Way participates in a SIMPLE IRA retirement plan for employees who had competed one year of service and earned at least $5,000 in compensation. The United Way contributed 3% for 2018 and 2% for 2017 of employee compensation. Employees may make elective deferrals up to the amount allowed by law. The United Way contributed $5,075 and $5,032 in 2018 and 2017, 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 $34,903 and paid $3,885 in health savings account fees for its employees in 2018. The United Way paid insurance premiums of $39,884 and paid $177 in health savings account fees for its employees in 2017.

NOTE 11. 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 $9,016 and $9,811 in 2018 and 2017, respectively.

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 and 2017 consist of the following:

Promises to give - The United Way's promises to give are considered with donor restrictions until collected. As of December 31, 2018 and 2017, $197,124 and $257,107 represent promises to give, these amounts are included in net assets with donor restrictions.

Disaster Relief Funds - The United Way's receives donor restricted contributions for the purposes of disaster relief, unspent amounts at year end are carried forward to the next year and are considered net assets with donor restrictions. As of December 31, 2018 and 2017, $133,226 and $146,313 represent amounts unspent for disaster relief and are included in net assets with donor restrictions.

Retirement of Debt Funds – The United Way received funds which are restricted for the purpose of paying off the debt on the building. As of December 31, 2018 $50,000 represents amounts for debt relief and are included in net assets with donor restrictions.

Endowment Fund - The United Way's endowment fund contains net assets with donor restrictions at December 31, 2018 and 2017 of $539,710 and $532,707.

NOTE 13. LIQUIDITY AND AVAILABILITY OF RESOURCES.

As of December 31, 2018 the follow table shows the financial assets held by the United Way and the amounts of those financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Financial assets at year-end		
Cash and cash equivalents	$	195,515
Accounts receivable		10,805
Contributions receivable		197,124
Investments		345,896
Total financial assets	$	749,340

As part of the United Way's liquidity management, it has a line of credit of $100,000 (as discussed in Note 8) in the event of unanticipated liquidity need.

NOTE 14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 11, 2019 the date the financial statements were available for issue.

SUPPLEMENTAL INFORMATION

UNITED WAY OF MISSOULA COUNTY

SCHEDULE OF 2018 CAMPAIGN REVENUE
For the Year Ended December 31, 2018

		01/01/18 to 12/31/2018
CAMPAIGN REVENUES		
Undesignated Contributions	$	564,742
Designated Contributions		113,415
Endowment Contributions		7,003
Campaign Revenues, Gross	$	685,160
DESIGNATIONS		
Designated Contributions (from above)	$	113,415
Direct Distributions		(39,736)
Designation Fees		(502)
Designations, Net	$	73,177
Campaign Revenues, Net	$	644,922

See Independent Auditor's Report