

Heart of Missouri United Way, Inc.
Columbia, Missouri

Financial Statements and
Independent Auditors' Report

December 31, 2016 and 2015

Marberry & Eagle, P.C.
Certified Public Accountants
414 East Broadway, Suite 200
Columbia, Missouri

**Heart of Missouri United Way, Inc.
Columbia, Missouri**

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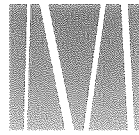
Independent Auditors' Report

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Marberry & Eagle_{PC}
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
of Heart of Missouri United Way, Inc.

We have audited the accompanying financial statements of the Heart of Missouri United Way, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Heart of Missouri United Way, Inc. 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.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of functional expenses and allocations on pages 16-18 are presented for purposes of additional analysis and are not a required part of the basic 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.

Marberry & Eagle P.C.

Marberry & Eagle, P.C.
Certified Public Accountants
Columbia, Missouri
May 15, 2017

Heart of Missouri United Way, Inc.
Statements of Financial Position
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 965,709	\$ 685,105
Certificates of Deposit	319,000	319,000
Pledges Receivable, 2016-17 Campaign (Net of Allowance for Uncollectibles of \$145,562)	2,252,009	2,282,787
Pledges Receivable, 2015-16 Campaign (Net of Allowance for Uncollectibles of \$141,293)	216,332	149,762
Sponsorships Receivable	50,000	-
Employee Advances	634	-
Prepaid Expenses	24,857	20,333
Total Current Assets	<u>3,828,541</u>	<u>3,456,987</u>
Fixed Assets:		
Equipment	125,769	125,769
Leasehold Improvements	92,500	92,500
Less: Accumulated Depreciation	<u>(132,949)</u>	<u>(110,964)</u>
Net Fixed Assets	<u>85,320</u>	<u>107,305</u>
Endowment Fund:		
Donor Restricted	135,036	131,697
Board Designated	<u>130,767</u>	<u>127,533</u>
Total Endowment Fund	<u>265,803</u>	<u>259,230</u>
Total Assets	<u>\$ 4,179,664</u>	<u>\$ 3,823,522</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 37,886	\$ 15,471
Note Payable - Current Maturities within One Year	8,053	7,764
Allocations Payable - Next Fiscal Year	634,333	628,330
Designations Payable - Next Fiscal Year	240,629	220,376
Deferred Revenue - Grant	67,897	-
Payroll Related Accruals	<u>31,607</u>	<u>10,389</u>
Total Current Liabilities	<u>1,020,405</u>	<u>882,330</u>
Long-Term Liabilities:		
Note Payable - LT Portion	<u>58,541</u>	<u>66,594</u>
Total Long-Term Liabilities	<u>58,541</u>	<u>66,594</u>
Net Assets:		
Unrestricted	2,443,989	2,295,998
Temporarily Restricted	556,429	478,300
Permanently Restricted	<u>100,300</u>	<u>100,300</u>
Total Net Assets	<u>3,100,718</u>	<u>2,874,598</u>
Total Liabilities and Net Assets	<u>\$ 4,179,664</u>	<u>\$ 3,823,522</u>

See the accompanying notes to financial statements and independent auditors' report.

Heart of Missouri United Way, Inc.
Statement of Activities
For the Year Ended December 31, 2016

		2016		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Combined Total</u>
Revenue and Other Support				
Prior Period Contributions Shortfall	\$ (442)	\$ -	\$ -	\$ (442)
Contributions Received in Prior Periods and Now Released from Restriction	445,637	(445,637)	-	-
Total Campaign for Current Period	445,195	(445,637)	-	(442)
Campaign Revenue Received for Next Allocation Period	2,389,546	521,693	-	2,911,239
Campaign Revenue - In Kind Donations/Services	45,173	-	-	45,173
Designations to Partner/Other Agencies	(228,018)	-	-	(228,018)
Designations to Other United Ways	(11,652)	-	-	(11,652)
Provision for Uncollectible Pledges	(145,562)	-	-	(145,562)
Total Campaign	2,494,682	76,056	-	2,570,738
Other Income				
Project BEST - Grant	-	33,949	-	33,949
Realized Gains on Investments	454	438	-	892
Unrealized Gains on Investments	1,959	2,023	-	3,982
Interest Income	4,518	2,220	-	6,738
Sponsorships and Grants	51,706	25,000	-	76,706
In Kind Donations/Services	15,349	-	-	15,349
Released from Restrictions	61,557	(61,557)	-	-
Total Other Income	135,543	2,073	-	137,616
Total Revenue and Other Support	2,630,225	78,129	-	2,708,354
Expenses				
Allocations:				
Funds Allocated to Member Agencies for 2016	1,496,683	-	-	1,496,683
Cradle to Career	1,267	-	-	1,267
Project BEST - Grant	26,858	-	-	26,858
UW 2-1-1 Info & Referral	5,000	-	-	5,000
Other Community Initiatives Funding	23,525	-	-	23,525
Total Allocations	1,553,333	-	-	1,553,333
Other Functional Expenses				
Fundraising	346,510	-	-	346,510
Community Investment & Engagement	291,197	-	-	291,197
Administration & Management	291,194	-	-	291,194
Total Other Functional Expenses	928,901	-	-	928,901
Total Expenses	2,482,234	-	-	2,482,234
Change in Net Assets	147,991	78,129	-	226,120
Net Assets, Beginning of Year	2,295,998	478,300	100,300	2,874,598
Net Assets, End of Year	\$ 2,443,989	\$ 556,429	\$ 100,300	\$ 3,100,718

See the accompanying notes to financial statements and independent auditors' report.

Heart of Missouri United Way, Inc.
Statement of Activities
For the Year Ended December 31, 2015

		<u>2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Combined Total</u>
Revenue and Other Support				
Prior Period Contributions Overage	\$ 140,046	\$ -	\$ -	\$ 140,046
Contributions Received in Prior Periods and Now Released from Restriction	466,629	(466,629)	-	-
Total Campaign for Current Period	606,675	(466,629)	-	140,046
Campaign Revenue Received for Next Allocation Period	2,380,230	445,637	-	2,825,867
Campaign Revenue - In Kind Donations/Services	47,842	-	-	47,842
Designations to Partner/Other Agencies	(220,376)	-	-	(220,376)
Provision for Uncollectible Pledges	(141,293)	-	-	(141,293)
Total Campaign	2,673,078	(20,992)	-	2,652,086
Other Income				
Tornado Relief Income	-	191	-	191
Cradle to Career Income	-	10,039	-	10,039
Realized Gains on Investments	7,461	338	-	7,799
Unrealized (Losses) on Investments	(671)	(691)	-	(1,362)
Interest Income	2,342	2,356	-	4,698
Miscellaneous Income	52,484	25,000	-	77,484
In Kind Donations/Services Released from Restrictions	19,282	-	-	19,282
	73,335	(73,335)	-	-
Total Other Income	154,233	(36,102)	-	118,131
Total Revenue and Other Support	2,827,311	(57,094)	-	2,770,217
Expenses				
Allocations:				
Funds Allocated to Member Agencies for 2015	1,744,179	-	-	1,744,179
Tornado Relief Expense	2,597	-	-	2,597
Cradle to Career	44,409	-	-	44,409
Other Funding	51,879	-	-	51,879
UW 2-1-1 Info & Referral	5,000	-	-	5,000
Other Community Initiatives Funding	6,899	-	-	6,899
Total Allocations	1,854,963	-	-	1,854,963
Other Functional Expenses				
Fundraising	485,004	-	-	485,004
Community Investment & Engagement	192,189	-	-	192,189
Administration & Management	208,199	-	-	208,199
Total Other Functional Expenses	885,392	-	-	885,392
Total Expenses	2,740,355	-	-	2,740,355
Change in Net Assets	86,956	(57,094)	-	29,862
Net Assets, Beginning of Year	2,209,042	535,394	100,300	2,844,736
Net Assets, End of Year	\$ 2,295,998	\$ 478,300	\$ 100,300	\$ 2,874,598

See the accompanying notes to financial statements and independent auditors' report.

Heart of Missouri United Way, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 226,120	\$ 29,862
Adjustments to Reconcile Increase in Net Assets to Cash		
Provided by Operating Activities:		
Depreciation	21,985	25,200
(Gain) on Disposal of Assets	-	(7,134)
(Increase) Decrease in Current Assets and Increase (Decrease)		
in Current Liabilities:		
Pledges Receivable, Net	(35,792)	(199,480)
Accounts Receivable	(50,000)	18,273
Accrued Interest Receivable	-	731
Employee Advances	(634)	-
Prepaid Expenses	(4,524)	23,777
Other Receivables	-	20,000
Allocations & Designations Payable	26,256	256,041
Deferred Revenue	67,897	-
Accounts Payable and Accrued Liabilities	43,633	2,925
Net Cash Provided by Operating Activities	<u>294,941</u>	<u>170,195</u>
 Cash Flows from Investing Activities:		
Endowment - Contributions & Income	(6,573)	(1,328)
Proceeds from Sale of Stock	-	12,954
(Purchase) of Investments	-	(80,000)
Net Cash (Used) by Investing Activities	<u>(6,573)</u>	<u>(68,374)</u>
 Cash Flows from Financing Activities:		
(Payments) on Note Payable	(7,764)	(6,347)
Net Cash (Used) by Financing Activities	<u>(7,764)</u>	<u>(6,347)</u>
 Net Increase in Cash and Cash Equivalents	280,604	95,474
Cash and Cash Equivalents at Beginning of Year	<u>685,105</u>	<u>589,631</u>
Cash and Cash Equivalents at End of Year	<u>\$ 965,709</u>	<u>\$ 685,105</u>
 Interest Paid	<u>\$ 2,833</u>	<u>\$ 5,732</u>
Income Taxes Paid	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to financial statements and independent auditors' report.

Heart of Missouri United Way, Inc.
Notes to Financial Statements
December 31, 2016

Note 1: Summary of Significant Accounting Policies

Organization

The Heart of Missouri United Way, Inc. coordinates local volunteers and other resources for agency evaluations, needs assessment, funds distribution, community problem solving, communications, strategic planning and fund raising. Volunteers ensure money is efficiently allocated by distributing funds among local agencies located in the Missouri Counties of Boone, Cooper, and Howard. The financial statements have been prepared on the accrual basis of accounting.

Use of Estimates

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

Pledges and Related Expenses

Annual campaigns generally begin in August to raise support for allocations to member agencies in the subsequent calendar year. Campaign production (pledges) are recognized as public support revenue in the year in which the pledges are received.

Contributions

Contributions (pledges) received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Net time-restricted contributions received by the Organization in one fiscal year to be used in the next fiscal year are reported as temporarily restricted support when received and are then reclassified to unrestricted net assets upon expiration of the time restriction. All receivables are due in less than one year.

Allowance for Uncollected Accounts

Pledges receivable are stated net of an allowance for uncollected accounts. The Organization estimated the allowance based on its historical experience of the relationship between actual bad debts and net amounts pledged. The allowance for uncollected accounts for pledges receivable was \$145,562 and \$141,293 at December 31, 2016 and 2015, respectively.

Property and Equipment

Donated equipment is recorded at appraised or estimated fair value. Purchased equipment is recorded at cost. Expenditures which significantly extend the useful lives of existing assets are capitalized. Repair and maintenance costs are charged to current operations.

Depreciation is provided by applying straight-line rates to the estimated useful lives of equipment from five to fifteen years.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Heart of Missouri United Way, Inc.
Notes to Financial Statements
December 31, 2016

Note 1: Summary of Significant Accounting Policies (continued)

Income Tax Status

The Internal Revenue Service has ruled that the Organization is not subject to federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the Organization's financial statements.

Advertising

The Organization expenses advertising cost as they are incurred.

Functional Expense Allocations

Expenses are allocated to functional categories based on period records of staff time spent on the various functions.

Allocations Payable

The Organization annually allocates funds to its partner agencies. The Board of Directors approves the total amount of allocations to be distributed for the next fiscal year, provided the agencies are in compliance with agency agreements. Allocations are considered unconditional promises to give and are recognized in the fiscal year they are communicated to the agencies. Allocations payable recorded on the Balance Sheet are for 2016 commitments payable in 2017.

In 2015, the Organization made a change to its allocation cycle. The promise to give period (period for which allocations are accrued) was changed from a 12 month calendar year period to a 12 month period beginning in July and ending in June. As a result at each December 31, the Organization only accrues a six month allocation commitment for the period of January to June of the following year. The allocations for the final six months of the following year are now determined and promised in the spring of that year. The effect of the reduction in the accrual of the allocation commitment due to this change in the allocation cycle was a significant increase in Net Assets compared to prior years for the year ended December 31, 2015.

Additionally, 2015 was a transition year and the 2015 promise to give at December 31, 2014, was accrued for only four months. The final eight months of the year were determined in the spring of 2015.

Designations Payable

The Organization honors designations to nonprofit partner agencies. In accordance with Generally Accepted Accounting Principles, these specified designations are not considered to be part of the allocations to member agencies and are deducted from the current campaign results to arrive at the net allocation expense in the financial statements. Designations payable recorded on the Balance Sheet are for 2016 commitments payable in 2017.

Heart of Missouri United Way, Inc.
Notes to Financial Statements
December 31, 2016

Note 2: Fixed Assets

Fixed assets are summarized as follows:

	<u>2016</u>	<u>2015</u>
Furniture, Fixtures, and Equipment	\$ 125,769	\$ 125,769
Leasehold Improvements	92,500	92,500
Less Accumulated Depreciation	<u>(132,949)</u>	<u>(110,964)</u>
Net Value	<u>\$ 85,320</u>	<u>\$ 107,305</u>

Depreciation expense was \$21,985 and \$25,199 in 2016 and 2015, respectively.

Note 3: Restricted Net Assets

Temporarily Restricted

Temporarily restricted net assets represent donations for which donor stipulations that limit use for time period or purpose have not been met. At December 31, 2016 and 2015, temporarily restricted net assets consisted of the following:

	<u>2016</u>	<u>2015</u>
Campaign Pledges for Next Fiscal Year	\$ 521,693	\$ 445,637
Cradle to Career Program	-	1,267
Earnings on Donor Restricted Endowment Fund	<u>34,736</u>	<u>31,396</u>
	<u>\$ 556,429</u>	<u>\$ 478,300</u>

Permanently Restricted

Permanently restricted net assets represent donations that are to be held for investment in the endowment account. At December 31, 2016 and 2015, permanently restricted net assets consisted of the following:

	<u>2016</u>	<u>2015</u>
Donor Contributions to Endowment Fund	<u>\$ 100,300</u>	<u>\$ 100,300</u>

Note 4: Endowment Funds

On February 17, 2004, the Board of Directors approved the establishment of an Endowment Fund. The Fund shall have two components (funds): 1) a donor-restricted fund, and 2) a board-restricted fund (Quasi Endowment Fund) containing monies directed by the Board. The board-designated endowment and earnings are reported as a component of unrestricted net assets. Donor-designated endowment contributions are reported as permanently restricted net assets and earnings are reported as temporarily restricted net assets.

Heart of Missouri United Way, Inc.
Notes to Financial Statements
December 31, 2016

Note 4: Endowment Fund (continued)

Details of the policies of the two Endowment funds are as follows:

HMUW Endowment Fund:

All gifts restricted by the donor to the endowment will be placed in the HMUW Endowment Fund. The HMUW Endowment Fund income is designed to support and sustain the mission of HMUW, but shall not be used for administrative costs or capital expenditures.

The Board of Directors of 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 stipulations 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.

Investment Return Objectives, Risk Parameters and Strategies:

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that will attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. Endowment fund investment performance will be evaluated regularly and reports made to the Board on a scheduled basis. The Fund's investment decisions should be made with a long-term perspective.

Spending Policy:

Until the endowment fund balances (Donor and Quasi Endowment fund) reach \$250,000, the income generated from the investments will be reinvested. Annually, the HMUW Board has the ultimate approval for use of the HMUW Endowment Fund and Quasi-Endowment Fund income, but may appoint committee(s) to make recommendations.

Heart of Missouri United Way, Inc.
Notes to Financial Statements
December 31, 2016

Note 4: Endowment Fund (continued)

Once the \$250,000 fund balance is reached, income from the Endowment Fund may be used for any or all of the following:

- Stabilize HMUW against campaign fluctuations or downturns in the economy
- Fund special projects, initiatives, or community emergencies
- Increase annual funding of agency services beyond the annual campaign

Funding Deficiencies

From time to time, the fair value of assets associated with the endowment fund may fall below the level that the Organization is required to retain in the fund. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and were \$-0- and \$-0- as of December 31, 2016 and 2015, respectively.

HMUW Quasi Endowment Fund:

These are funds which the Board, rather than the donor, has determined are to be retained and invested as endowments. As a general rule, unrestricted outright gifts, unrestricted bequests, distributions from charitable trusts, and other deferred gifts, where the donor has not restricted the use, may be placed in the HMUW Quasi Endowment Fund. The uses for HMUW Quasi Endowment Fund income are subject to the same policies that govern the HMUW Endowment Fund, with the exception that the income may be used for administrative costs or capital expenditures.

Distributions:

Income from the Quasi-Endowment Fund may be used for any or all of the following:

- Stabilize HMUW against campaign fluctuations or downturns in the economy
- Fund special projects, initiatives, or community emergencies
- Increase annual funding of agency services beyond the annual campaign
- Defray administrative costs
- Fund Capital expenditures

Income available for distribution on a calendar year basis is defined as 5% of a three-year rolling average of fund market value. (In the case of a new fund, 5% of market value in year one; 5% of the two-year average market value in year two).

Any investment income, which is not distributed in a particular calendar year, will be reinvested in the principal of the fund.

Additional Endowment Disclosures:

Donors may place additional restrictions on their endowment gifts, or allow the income from their endowment gift to be used for administrative and capital expenses, providing:

- The restrictions are compatible and supportive of HMUW's mission.

Heart of Missouri United Way, Inc.
Notes to Financial Statements
December 31, 2016

Note 4: Endowment Fund (continued)

- A minimum gift of \$25,000 is required.
- The additional restrictions have been approved by the Gift Acceptance Committee. (GAC).
- The language used in creating such a gift should leave enough leeway to apply the gift to some other purpose if the designated purpose is no longer feasible. Such action would require a simple majority vote of the Board. In such cases, the Board will make an effort to identify and respect the donor's wishes as closely as is feasible.

On December 31, 2010, the Organization transferred their endowment funds to Greater Horizons, through its affiliate, the Community Foundation of Central Missouri. Two separate funds were established: the Heart of Missouri United Way Donor Directed Endowment Foundation and the Heart of Missouri Board Directed Endowment Foundation.

The composition of net assets by type of endowment fund at December 31, 2016 and 2015, were:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 34,736	\$ 100,300	\$ 135,036
Board-Designated Endowment Funds	130,767	-	-	130,767
Total Endowment Funds	<u>\$ 130,767</u>	<u>\$ 34,736</u>	<u>\$ 100,300</u>	<u>\$ 265,803</u>

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 31,396	\$ 100,300	\$ 131,696
Board-Designated Endowment Funds	127,534	-	-	127,534
Total Endowment Funds	<u>\$ 127,534</u>	<u>\$ 31,396</u>	<u>\$ 100,300</u>	<u>\$ 259,230</u>

Changes in endowment net assets for the years ended December 31, 2016 and 2015, were:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ 127,534	\$ 31,396	\$ 100,300	\$ 259,230
Investment Return:				
Investment Income	2,149	2,220	-	4,369
Realized Gains	424	438	-	862
Unrealized Gains	1,959	2,023	-	3,982
Administrative Fees	(1,299)	(1,341)	-	(2,640)
Contributions	-	-	-	-
Endowment Net Assets, End of Year	<u>\$ 130,767</u>	<u>\$ 34,736</u>	<u>\$ 100,300</u>	<u>\$ 265,803</u>

Heart of Missouri United Way, Inc.
Notes to Financial Statements
December 31, 2016

Note 4: Endowment Fund (continued)

		2015		
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 126,880	\$ 30,722	\$ 100,300	\$ 257,902
Investment Return:				
Investment Income	2,282	2,356	-	4,638
Realized Gains	328	338	-	666
Unrealized Gains	(670)	(692)	-	(1,362)
Administrative Fees	(1,286)	(1,328)	-	(2,614)
Contributions	-	-	-	-
Endowment Net Assets, End of Year	<u>\$ 127,534</u>	<u>\$ 31,396</u>	<u>\$ 100,300</u>	<u>\$ 259,230</u>

Note 5: Concentrations of Credit Risk

The Organization maintains its cash balances in financial institutions located in the central Missouri area. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2016, there were no uninsured cash balances. At December 31, 2015, uninsured cash balances totaled \$100,082.

Note 6: Simplified Employee Pension Plan

The Organization sponsors a Simplified Employee Pension (SEP) – Individual Retirement Account (IRA) Plan (the Plan) for its employees. Employees that have attained age 21 are eligible to participate in the Plan. Employer contributions are discretionary and totaled \$14,992 for the year ended December 31, 2016, and \$14,462 for the year ended December 31, 2015.

Note 7: Voluntary Service Fee Support

The Organization pays voluntary service fee support to the United Way of Worldwide. In return, it receives a variety of services including national coordination of pledges and advertising. Payment of service fees is subject to the discretion of the Heart of Missouri United Way's management and Board of Directors. Total fees paid to the United Way of Worldwide were \$30,197 for the year ended December 31, 2016, and \$29,713 for the year ended December 31, 2015.

Note 8: Leases

The Organization renewed a lease agreement with Pitney Bowes for a postage meter on March 14, 2016. The lease term is for 51 months beginning July 1, 2016, and terminating September 30, 2020, with quarterly installment payments of \$197. The previous lease was entered into on February 2, 2012. The previous lease term was for 51 months and commenced April 1, 2012, and terminated June 30, 2016, with quarterly installment payments of \$197.

Heart of Missouri United Way, Inc.
Notes to Financial Statements
December 31, 2016

Note 8: Leases (continued)

The Organization entered into a lease agreement with Marlin Business Bank for a telephone system on March 14, 2014. The lease term is for 60 months beginning April 1, 2014, and terminating March 31, 2019, with monthly installment payments of \$305.

The Organization entered into a lease agreement with GreatAmerica Financial Services Corporation for a copier machine on March 20, 2014. The lease term is for 5 years beginning April 1, 2014, and terminating March 31, 2019, with monthly installment payments of \$168.

The Organization entered into a lease agreement with Columbia Knipp Properties, LLC, for office space on May 9, 2014. The lease term is for 10 years beginning May 1, 2014, and terminating April 30, 2024, with monthly installment payments of \$3,818.

Future minimum lease payments are as follows for the years ended December 31:

<u>Year</u>	<u>Amount</u>
2017	\$ 52,280
2018	52,280
2019	48,023
2020	46,407
2021-2024	<u>152,720</u>
Total	<u>\$ 351,710</u>

Lease expense was \$52,280 and \$52,280 in 2016 and 2015, respectively.

Note 9: Notes Payable and Long-Term Debt

Long-term debt at December 31, 2016, is summarized as follows:

	<u>2016</u>
Note payable to Columbia Knipp Properties, LLC, totaling \$85,000, dated May 1, 2014, for Ash Street office expansion/renovations, with equal monthly installments of \$883, through April 9, 2024. Interest is calculated at 4.00%.	
	\$ 66,594
Total Long-Term Debt	66,594
Less Current Maturities	<u>(8,053)</u>
Net Long-Term Portion	<u>\$ 58,541</u>

Heart of Missouri United Way, Inc.
Notes to Financial Statements
December 31, 2016

Note 9: Notes Payable and Long-Term Debt (continued)

Scheduled maturities of long-term debt for years subsequent to December 31, 2016, are as follows:

2017	\$	8,053
2018		8,381
2019		8,723
2020		9,078
2021-2024		32,359
	\$	<u>66,594</u>

Note 10: Fair Value of Financial Instruments

The Fair Value Measurements topic of the FASB Accounting Standards Codification establishes a framework for measuring fair value. This framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for presenting assets that are required to be carried at fair value. There have been no changes in the methodologies used at December 31, 2016.

Heart of Missouri United Way, Inc.
Notes to Financial Statements
December 31, 2016

Note 10: Fair Value of Financial Instruments (continued)

Money Market Accounts: The carrying value is a reasonable estimate of fair value.

Certificates of Deposit: The carrying value is a reasonable estimate of fair value.

Endowment Funds: Fund share prices are computed daily and are based upon the market value of the underlying securities owned by the fund.

Stocks: The fair value is based on quoted market prices for publicly traded securities and internal valuations for privately held companies.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets that are required to be carried at fair value in the financial statements as of December 31, 2016 and 2015:

Assets at Fair Value as of December 31, 2016				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Accounts	\$ 677,649	\$ -	\$ -	\$ 677,649
Certificates of Deposit	319,000	-	-	319,000
Endowment Funds	-	265,803	-	265,803
Total Assets at Fair Value	<u>\$ 996,649</u>	<u>\$ 265,803</u>	<u>\$ -</u>	<u>\$ 1,262,452</u>

Assets at Fair Value as of December 31, 2015				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Accounts	\$ 321,022	\$ -	\$ -	\$ 321,022
Certificates of Deposit	319,000	-	-	319,000
Endowment Funds	-	259,230	-	259,230
Total Assets at Fair Value	<u>\$ 640,022</u>	<u>\$ 259,230</u>	<u>\$ -</u>	<u>\$ 899,252</u>

Valuation of Other Financial Instruments

Additionally, the Fair Value Measurements topic of the FASB Accounting Standards requires disclosure of fair value information about financial instruments whether or not recognized in the statement of financial position. The carrying amounts reflected in the balances sheets for cash, cash equivalents, pledges receivable, accounts payable and payroll liabilities approximate the respective fair values due to the short maturities of those instruments.

Heart of Missouri United Way, Inc.
Notes to Financial Statements
December 31, 2016

Note 11: Subsequent Events

Subsequent events have been evaluated through May 15, 2017, which was the date the financial statements were issued.

Supplementary Information

Heart of Missouri United Way, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2016

<u>Item</u>	<u>Fund Raising</u>	<u>Community Investment & Engagement</u>	<u>Administration & Management</u>	<u>Totals</u>
Salaries and Contracted Salaries	\$ 125,145	\$ 160,900	\$ 160,900	\$ 446,945
Employee Health Benefits	20,449	26,292	26,292	73,033
Pension Contributions	4,198	5,397	5,397	14,992
Other Employee Expenses	4,068	5,230	5,230	14,528
Payroll Taxes	9,250	11,893	11,893	33,036
Total Salaries and Related Expenses	<u>163,110</u>	<u>209,712</u>	<u>209,712</u>	<u>582,534</u>
Professional Fees	7,137	9,177	9,177	25,491
Office Supplies	1,034	1,331	1,331	3,696
Development Expenses	120,024	-	-	120,024
Telephone	2,212	2,845	2,845	7,902
Postage	930	1,196	1,196	3,322
Occupancy	12,830	16,495	16,495	45,820
Insurance	2,936	3,774	3,774	10,484
Interest	793	1,020	1,020	2,833
Rental and Maintenance of Equipment	14,166	18,212	18,212	50,590
Travel, Conferences and Meetings	3,409	4,383	4,383	12,175
Service Fee Support to United Way	8,455	10,871	10,871	30,197
Utilities	2,055	2,642	2,642	7,339
Miscellaneous	1,263	1,624	1,621	4,508
Total Expenses Before Depreciation	<u>340,354</u>	<u>283,282</u>	<u>283,279</u>	<u>906,915</u>
Depreciation	<u>6,156</u>	<u>7,915</u>	<u>7,915</u>	<u>21,986</u>
Total Functional Expenses	<u>\$ 346,510</u>	<u>\$ 291,197</u>	<u>\$ 291,194</u>	<u>\$ 928,901</u>
Percentage	37.30%	31.35%	31.35%	100%

See independent auditors' report.

Heart of Missouri United Way, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2015

<u>Item</u>	<u>Fund Raising</u>	<u>Community Investment & Engagement</u>	<u>Administration & Management</u>	<u>Totals</u>
Salaries and Contracted Salaries	\$ 216,970	\$ 104,146	\$ 112,824	\$ 433,940
Employee Health Benefits	44,506	21,363	23,143	89,012
Pension Contributions	7,231	3,471	3,760	14,462
Other Employee Expenses	3,635	1,745	1,890	7,270
Payroll Taxes	15,986	7,673	8,312	31,971
Total Salaries and Related Expenses	<u>288,328</u>	<u>138,398</u>	<u>149,929</u>	<u>576,655</u>
Professional Fees	11,521	5,531	5,991	23,043
Office Supplies	2,382	1,144	1,239	4,765
Development Expenses	84,616	-	-	84,616
Telephone	3,770	1,810	1,961	7,541
Postage	1,522	731	791	3,044
Occupancy	22,908	10,996	11,912	45,816
Insurance	4,583	2,200	2,383	9,166
Interest	2,866	1,376	1,490	5,732
Rental and Maintenance of Equipment	26,272	12,610	13,661	52,543
Travel, Conferences and Meetings	3,469	1,665	1,804	6,938
Service Fee Support to United Way	14,857	7,131	7,725	29,713
Utilities	2,950	1,416	1,534	5,900
Miscellaneous	2,360	1,133	1,227	4,720
Total Expenses Before Depreciation	<u>472,404</u>	<u>186,141</u>	<u>201,647</u>	<u>860,192</u>
Depreciation	12,600	6,048	6,552	25,200
Total Functional Expenses	<u>\$ 485,004</u>	<u>\$ 192,189</u>	<u>\$ 208,199</u>	<u>\$ 885,392</u>
Percentage	54.78%	21.71%	23.51%	100%

See independent auditors' report.