

Heart of Missouri United Way, Inc.
Columbia, Missouri

Financial Statements and
Independent Auditors' Report

December 31, 2017 and 2016

Hauk Kruse & Associates LLC
Certified Public Accountants
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Columbia, Missouri

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

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Heart of Missouri United Way, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heart of Missouri United Way, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Heart of Missouri United Way, Inc. as of December 31, 2016, were audited by other auditors whose report dated May 15, 2017, expressed an unmodified opinion on those statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The December 31, 2017 schedules of functional expenses and allocations on pages 16 and 18 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole. The December 31, 2016 schedules of functional expenses and allocations on pages 17-18 were subjected to the auditing procedures applied in the December 31, 2016 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the December 31, 2016 financial statements as a whole.

Hauk Kruse & Associates LLC

Hauk Kruse & Associates LLC
Certified Public Accountants
Columbia, Missouri
May 15, 2018

Heart of Missouri United Way, Inc.
Statements of Financial Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets:		
Cash	\$ 742,434	\$ 965,707
Certificates of Deposit	700,000	319,000
Pledges Receivable, 2017-18 Campaign (Net of Allowance for Uncollectibles of \$140,754)	2,122,079	2,252,009
Pledges Receivable, 2016-17 Campaign (Net of Allowance for Uncollectibles of \$145,562)	198,953	216,333
Sponsorships Receivable	22,867	50,000
Employee Advances	-	634
Prepaid Expenses	22,307	24,858
Total Current Assets	<u>3,808,640</u>	<u>3,828,541</u>
Fixed Assets:		
Equipment	189,620	125,769
Leasehold Improvements	101,013	92,500
Less: Accumulated Depreciation	<u>(147,443)</u>	<u>(132,949)</u>
Net Fixed Assets	<u>143,190</u>	<u>85,320</u>
Endowment Fund:		
Donor Restricted	141,277	135,036
Board Designated	<u>136,810</u>	<u>130,767</u>
Total Endowment Fund	<u>278,087</u>	<u>265,803</u>
Total Assets	<u>\$ 4,229,917</u>	<u>\$ 4,179,664</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 18,790	\$ 37,886
Note Payable - Current Maturities within One Year	7,696	8,053
Allocations Payable - Next Fiscal Year	613,099	634,333
Designations Payable - Next Fiscal Year	258,022	240,629
Deferred Revenue - Grant	73,511	67,897
Payroll Related Accruals	<u>30,578</u>	<u>31,607</u>
Total Current Liabilities	<u>1,001,696</u>	<u>1,020,405</u>
Long-Term Liabilities:		
Note Payable - LT Portion	<u>50,818</u>	<u>58,541</u>
Total Long-Term Liabilities	<u>50,818</u>	<u>58,541</u>
Net Assets:		
Unrestricted	2,483,876	2,443,989
Temporarily Restricted	593,227	556,429
Permanently Restricted	<u>100,300</u>	<u>100,300</u>
Total Net Assets	<u>3,177,403</u>	<u>3,100,718</u>
Total Liabilities and Net Assets	<u>\$ 4,229,917</u>	<u>\$ 4,179,664</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, 2017

	<u>2017</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Combined Total</u>
Revenue and Other Support				
Prior Period Contributions Overage	\$ 2,092	\$ -	\$ -	\$ 2,092
Contributions Received in Prior Periods and Now Released from Restriction	521,693	(521,693)	-	-
Total Campaign for Current Period	523,785	(521,693)	-	2,092
Campaign Revenue Received for Next Allocation Period	2,262,832	552,251	-	2,815,083
Campaign Revenue - In Kind Donations/Services	44,040	-	-	44,040
Designations to Partner/Other Agencies	(246,692)	-	-	(246,692)
Designations to Other United Ways	(10,679)	-	-	(10,679)
Provision for Uncollectible Pledges	(140,754)	-	-	(140,754)
Total Campaign	2,432,532	30,558	-	2,463,090
Other Income				
Project BEST - Grant	-	102,150	-	102,150
Realized Gains on Investments	717	727	-	1,444
Unrealized Gains on Investments	4,335	4,476	-	8,811
Interest Income	11,024	2,424	-	13,448
Sponsorships and Grants	18,171	6,359	-	24,530
In Kind Donations/Services	32,304	-	-	32,304
Released from Restrictions	109,896	(109,896)	-	-
Total Other Income	176,447	6,240	-	182,687
Total Revenue and Other Support	2,608,979	36,798	-	2,645,777
Expenses				
Allocations:				
Funds Allocated to Member Agencies for 2017	1,510,334	-	-	1,510,334
Project BEST - Grant	24,870	-	-	24,870
Other Community Initiatives Funding	35,350	-	-	35,350
Total Allocations	1,570,554	-	-	1,570,554
Other Functional Expenses				
Fundraising	417,570	-	-	417,570
Community Investment & Engagement	255,419	-	-	255,419
Administration & Management	325,549	-	-	325,549
Total Other Functional Expenses	998,538	-	-	998,538
Total Expenses	2,569,092	-	-	2,569,092
Change in Net Assets	39,887	36,798	-	76,685
Net Assets, Beginning of Year	2,443,989	556,429	100,300	3,100,718
Net Assets, End of Year	<u>\$ 2,483,876</u>	<u>\$ 593,227</u>	<u>\$ 100,300</u>	<u>\$ 3,177,403</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

	<u>2016</u>			
	<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	1,496,684	-	-	1,496,684
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	23,526	-	-	23,526
Total Allocations	1,553,335	-	-	1,553,335
Other Functional Expenses				
Fundraising	346,509	-	-	346,509
Community Investment & Engagement	291,195	-	-	291,195
Administration & Management	291,195	-	-	291,195
Total Other Functional Expenses	928,899	-	-	928,899
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	<u>\$ 2,443,989</u>	<u>\$ 556,429</u>	<u>\$ 100,300</u>	<u>\$ 3,100,718</u>

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 76,685	\$ 226,120
Adjustments to Reconcile Increase in Net Assets to Cash		
Provided by Operating Activities:		
Depreciation	14,493	21,985
(Purchase) of Assets	(72,363)	-
(Increase) Decrease in Current Assets and Increase (Decrease)		
in Current Liabilities:		
Pledges Receivable, Net	147,310	(35,793)
Accounts Receivable	27,133	(50,000)
Accrued Interest Receivable	-	-
Employee Advances	634	(634)
Prepaid Expenses	2,551	(4,526)
Other Receivables	-	-
Allocations & Designations Payable	(3,841)	26,256
Deferred Revenue	5,614	67,897
Accounts Payable and Accrued Liabilities	(20,125)	43,633
Net Cash Provided by Operating Activities	<u>178,091</u>	<u>294,938</u>
Cash Flows from Investing Activities:		
Endowment - Contributions & Income	(12,284)	(6,573)
Proceeds from Sale of Stock	-	-
(Purchase) of Certificates of Deposit	(381,000)	-
Net Cash (Used) by Investing Activities	<u>(393,284)</u>	<u>(6,573)</u>
Cash Flows from Financing Activities:		
(Payments) on Note Payable	(8,080)	(7,764)
Net Cash (Used) by Financing Activities	<u>(8,080)</u>	<u>(7,764)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(223,273)	280,601
Cash and Cash Equivalents at Beginning of Year	<u>965,707</u>	<u>685,106</u>
Cash and Cash Equivalents at End of Year	<u>\$ 742,434</u>	<u>\$ 965,707</u>
 Interest Paid	 <u>\$ 2,517</u>	 <u>\$ 2,833</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, 2017

Note 1: Summary of Significant Accounting Policies

Organization

The Heart of Missouri United Way, Inc. (the Organization) 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, 2017 and 2016, 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, 2017

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 allocation period, 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 2017 commitments payable in the first six months of 2018.

The Organization's promise to give period (period for which allocations are accrued) is 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 determined and promised in the spring of that year.

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 2017 commitments payable in 2018.

Note 2: Fixed Assets

Fixed assets are summarized as follows:

	<u>2017</u>	<u>2016</u>
Furniture, Fixtures, and Equipment	\$ 189,620	\$ 125,769
Leasehold Improvements	101,013	92,500
Less Accumulated Depreciation	<u>(147,442)</u>	<u>(132,949)</u>
Net Value	<u>\$ 143,191</u>	<u>\$ 85,320</u>

Depreciation expense was \$14,493 and \$21,985 in 2017 and 2016, respectively.

Heart of Missouri United Way, Inc.
Notes to Financial Statements
December 31, 2017

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, 2017 and 2016, temporarily restricted net assets consisted of the following:

	<u>2017</u>	<u>2016</u>
Campaign Pledges for Next Fiscal Year	\$ 552,250	\$ 521,693
Earnings on Donor Restricted Endowment Fund	40,977	34,736
	<u>\$ 593,227</u>	<u>\$ 556,429</u>

Permanently Restricted

Permanently restricted net assets represent donations that are to be held for investment in the endowment account. At December 31, 2017 and 2016, permanently restricted net assets consisted of the following:

	<u>2017</u>	<u>2016</u>
Donor Contributions to Endowment Fund	\$ 100,300	\$ 100,300

Note 4: Endowment Funds

In 2004, the Board of Directors approved the establishment of an Endowment Fund. The Fund has 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.

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.

Heart of Missouri United Way, Inc.
Notes to Financial Statements
December 31, 2017

Note 4: Endowment Funds (continued)

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:

The income was required to be reinvested until the balances reached \$250,000, which occurred in 2014.

Annually, the HMUW Board has the ultimate approval for use of the HMUW Endowment Fund and Quasi-Endowment Fund income, but may appoint committees to make recommendations.

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, 2017 and 2016, respectively.

Heart of Missouri United Way, Inc.
Notes to Financial Statements
December 31, 2017

Note 4: Endowment Fund (continued)

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.
- 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.

The Organization's endowment funds are maintained by Greater Horizons, through its affiliate, the Community Foundation of Central Missouri. Two separate funds are maintained: the Heart of Missouri United Way Donor Directed Endowment Foundation and the Heart of Missouri Board Directed Endowment Foundation.

Heart of Missouri United Way, Inc.
Notes to Financial Statements
December 31, 2017

Note 4: Endowment Fund (continued)

The composition of net assets by type of endowment fund at December 31, 2017 and 2016, were:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 40,977	\$ 100,300	\$ 141,277
Board-Designated Endowment Funds	<u>136,810</u>	<u>-</u>	<u>-</u>	<u>136,810</u>
Total Endowment Funds	<u>\$ 136,810</u>	<u>\$ 40,977</u>	<u>\$ 100,300</u>	<u>\$ 278,087</u>

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

Changes in endowment net assets for the years ended December 31, 2017 and 2016, were:

	2017			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 130,767	\$ 34,736	\$ 100,300	\$ 265,803
Investment Return:				
Investment Income	2,347	2,424	-	4,771
Realized Gains	704	727	-	1,431
Unrealized Gains	4,335	4,476	-	8,811
Administrative Fees	(1,343)	(1,386)	-	(2,729)
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment Net Assets, End of Year	<u>\$ 136,810</u>	<u>\$ 40,977</u>	<u>\$ 100,300</u>	<u>\$ 278,087</u>

Heart of Missouri United Way, Inc.
Notes to Financial Statements
December 31, 2017

Note 4: Endowment Fund (continued)

		2016		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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>

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, 2017, uninsured cash balances totaled \$119,175. At December 31, 2016, there were no uninsured cash balances.

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 \$20,443 for 2017, and \$14,992 for 2016.

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 \$28,697 for 2017, and \$30,197 for 2016.

Note 8: Leases

The Organization renewed a lease agreement with Pitney Bowes for a postage meter in 2016. The lease term is for 51 months beginning July 1, 2016, and terminating September 30, 2020, with quarterly installment payments of \$197, consistent with the prior lease.

Heart of Missouri United Way, Inc.
Notes to Financial Statements
December 31, 2017

Note 8: Leases (continued)

The Organization entered into a lease agreement for a telephone system on 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 for a copier machine in 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 in 2014. The lease term is for 10 years beginning May 1, 2014, and terminating April 30, 2024, with monthly installment payments of \$3,818. Concurrent with the lease, the Organization entered into a note payable with the lessor for the costs of office expansion and renovations.

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

<u>Year</u>	<u>Amount</u>
2018	\$ 52,280
2019	48,023
2020	46,407
2021	45,816
2022-2024	<u>106,904</u>
Total	<u>\$ 299,430</u>

Lease expense was \$52,280 and \$52,280 in 2017 and 2016, respectively.

Note 9: Notes Payable and Long-Term Debt

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

	<u>2017</u>	<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%.		
	\$ 58,514	\$ 66,594
Total Long-Term Debt	58,514	66,594
Less Current Maturities	<u>(7,696)</u>	<u>(8,053)</u>
Net Long-Term Portion	<u>\$ 50,818</u>	<u>\$ 58,541</u>

Heart of Missouri United Way, Inc.
Notes to Financial Statements
December 31, 2017

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

Scheduled maturities of long-term debt for years subsequent to December 31, 2017, are as follows:

2018	\$	7,695
2019		8,723
2020		9,078
2021		9,448
2022-2024		<u>23,570</u>
	\$	<u>58,514</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, 2017.

Heart of Missouri United Way, Inc.
Notes to Financial Statements
December 31, 2017

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, 2017 and 2016:

Assets at Fair Value as of December 31, 2017				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Accounts	\$ 317,561	\$ -	\$ -	\$ 317,561
Certificates of Deposit	700,000	-	-	700,000
Endowment Funds	-	278,087	-	278,087
Total Assets at Fair Value	<u>\$ 1,017,561</u>	<u>\$ 278,087</u>	<u>\$ -</u>	<u>\$ 1,295,648</u>

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>

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, 2017

Note 11: Subsequent Events

Subsequent events have been evaluated through May 15, 2018, 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, 2017

<u>Item</u>	<u>Fundraising</u>	<u>Community Investment & Engagement</u>	<u>Administration & Management</u>	<u>Totals</u>
Salaries and Contracted Salaries	\$ 163,996	\$ 148,726	\$ 189,562	\$ 502,284
Employee Health Benefits	27,043	24,525	31,259	82,827
Pension Contributions	6,675	6,053	7,715	20,443
Other Employee Expenses	2,094	1,899	2,421	6,415
Payroll Taxes	12,191	11,055	14,091	37,337
Total Salaries and Related Expenses	<u>211,998</u>	<u>192,260</u>	<u>245,048</u>	<u>649,306</u>
Operating Expenses				
Professional Fees	8,367	7,588	9,671	25,625
Office Supplies	1,186	1,075	1,370	3,631
Development Expenses	135,928	-	-	135,928
Telephone	2,539	2,303	2,935	7,777
Postage	744	675	860	2,280
Occupancy	14,960	13,567	17,292	45,820
Insurance	3,440	3,120	3,976	10,536
Interest	822	745	950	2,517
Rental and Maintenance of Equipment	14,814	13,435	17,123	45,372
Travel, Conferences and Meetings	4,634	4,203	5,356	14,193
Service Fee Support to United Way	9,370	8,497	10,830	28,697
Utilities	2,327	2,111	2,690	7,128
Miscellaneous	1,709	1,550	1,976	5,235
Total Expenses Before Depreciation	<u>412,838</u>	<u>251,127</u>	<u>320,079</u>	<u>984,045</u>
Depreciation	<u>4,732</u>	<u>4,291</u>	<u>5,470</u>	<u>14,493</u>
Total Functional Expenses	<u>\$ 417,570</u>	<u>\$ 255,419</u>	<u>\$ 325,549</u>	<u>\$ 998,538</u>
Percentage	41.82%	25.58%	32.60%	100.00%

See independent auditors' report.

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

<u>Item</u>	<u>Fundraising</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>
Operating Expenses				
Professional Fees	7,138	9,177	9,177	25,493
Office Supplies	1,035	1,331	1,331	3,696
Development Expenses	120,024	-	-	120,024
Telephone	2,213	2,845	2,845	7,904
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	14,164	18,211	18,211	50,587
Travel, Conferences and Meetings	3,409	4,383	4,383	12,174
Service Fee Support to United Way	8,455	10,871	10,871	30,197
Utilities	2,055	2,642	2,642	7,338
Miscellaneous	1,262	1,623	1,623	4,508
Total Expenses Before Depreciation	<u>340,353</u>	<u>283,280</u>	<u>283,280</u>	<u>906,914</u>
Depreciation	<u>6,156</u>	<u>7,915</u>	<u>7,915</u>	<u>21,985</u>
Total Functional Expenses	<u>\$ 346,509</u>	<u>\$ 291,195</u>	<u>\$ 291,195</u>	<u>\$ 928,899</u>
Percentage	37.30%	31.35%	31.35%	100.00%

See independent auditors' report

Heart of Missouri United Way, Inc.
Schedules of Allocations
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Partner Agency Allocations:		
Big Brothers/Big Sisters	\$ 56,369	\$ 54,763
Boonslick Heartland YMCA	11,785	9,700
Boys & Girls Club	85,885	110,880
City of Refuge	58,364	26,000
Columbia Housing Authority	57,528	55,922
Columbia Center for Urban Agriculture	62,402	59,402
Columbia Montessori	2,893	34,720
Family Counseling Center	120,000	140,111
Family Health Center	64,532	64,532
First Chance for Children	7,000	-
Grade A Plus (For His Glory, Inc)	43,116	41,511
Great Circle	24,300	24,300
Harrisburg Early Learning Center	53,085	51,480
Harvest House	10,123	9,646
Heart of Missouri CASA	14,670	14,670
Job Point	90,000	90,000
Love in the Name of Christ of Columbia	124,400	124,400
Lutheran Family & Children's Services	55,960	55,440
Mary Lee Johnston Early Learning Center	106,891	97,020
Mid-Missouri Legal Services Corporation	34,996	34,996
Nora Stewart Nursery School	104,565	102,960
Phoenix Programs, Inc.	87,000	53,351
Rainbow House	21,402	12,222
Services for Independent Living	71,120	71,144
Sustainable Farms & Communities	2,610	1,200
The Food Bank for Central & Northeast Missouri	109,488	109,488
The Salvation Army	35,200	35,200
True North	25,000	25,000
Turning Point	55,818	51,318
United Community Builders	42,147	47,612
Unlimited Opportunities	22,425	21,369
University "Y"	7,149	5,544
Voluntary Action Center	63,360	63,360
Youth Empowerment Zone	25,440	25,440
Total Partner Agency Allocations	<u>1,757,023</u>	<u>1,724,701</u>
 Less Designated Agency Contributions	 <u>(246,692)</u>	 <u>(228,018)</u>
 Net Partner Agency Allocations	 <u>\$ 1,510,331</u>	 <u>\$ 1,496,683</u>

	<u>2017</u>	<u>2016</u>
Actual Expenses for HMUW Initiatives:		
Cradle to Career	\$ -	\$ 1,267
Project Best -grant	\$ 24,870	\$ 26,858
UW 2-1-1 Info & Referral	\$ -	\$ 5,000
Other Community Initiatives Funding	\$ 35,350	\$ 23,526

See independent auditors' report