

UNITED WAY  
OF MISSOULA COUNTY

AUDITED FINANCIAL STATEMENTS

December 31, 2013 and 2012



UNITED WAY OF MISSOULA COUNTY  
Missoula, Montana

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
United Way of Missoula County  
P.O. Box 7395  
Missoula, Montana 59807

### Report on the Financial Statements

We have audited the accompanying financial statements of the United Way of Missoula County (Agency), which comprise the statements of financial position as of December 31, 2013 and 2012, 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 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 of material misstatement.

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

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

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2013 and 2012, 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 Matters*

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplemental schedule of campaign revenues is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of campaign revenues has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

  
Randall, Hensel & Company  
Certified Public Accountants

Missoula, Montana  
July 2, 2014

UNITED WAY OF MISSOULA COUNTY  
Missoula, Montana

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2013 and 2012

	2013	2012
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 109,394	\$ 127,824
Investments	320,480	208,342
Accounts Receivable	36,370	18,771
Officer Advance	800	500
Contributions Receivable, Net of Allowance	393,944	430,757
Prepaid Expenses	5,102	2,344
Endowment Investments	512,261	507,261
Furniture and Equipment	34,760	34,760
Building and Improvements	344,316	338,677
Land	72,000	72,000
Less Accumulated Depreciation	(42,946)	(31,638)
<b>TOTAL ASSETS</b>	<b>\$ 1,786,481</b>	<b>\$ 1,709,598</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 15,750	\$ 5,689
Accrued Payroll and Payroll Taxes	567	1,513
Designations to Agencies	70,163	108,599
Security Deposits	500	500
Line of Credit Payable	35,005	0
Compensated Absences	5,445	5,194
Deferred Annuity Payable	1,144	1,144
Mortgage Payable	364,358	372,368
<b>TOTAL LIABILITIES</b>	<b>\$ 492,932</b>	<b>\$ 495,007</b>
<b>NET ASSETS</b>		
Unrestricted	\$ 378,967	\$ 276,573
Temporarily Restricted	402,321	430,757
Permanently Restricted	512,261	507,261
<b>TOTAL NET ASSETS</b>	<b>\$ 1,293,549</b>	<b>\$ 1,214,591</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,786,481</b>	<b>\$ 1,709,598</b>

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

UNITED WAY OF MISSOULA COUNTY  
Missoula, Montana

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2013 and 2012

	2013	2012
UNRESTRICTED NET ASSETS:		
REVENUES		
Contributions	\$ 506,586	\$ 316,931
Investment Income	124,412	81,112
Contract Services	30,417	0
Administrative Fee Income	12,573	13,021
Recovery of Prior Year Estimated Uncollectibles	0	28,690
Rental Income	12,075	6,745
Net Assets Released from Restrictions	453,727	622,553
TOTAL REVENUES	\$ 1,139,790	\$ 1,069,052
EXPENSES		
Program Services	\$ 737,434	\$ 724,842
Management and General	101,600	94,358
Fundraising	198,362	184,223
TOTAL EXPENSES	\$ 1,037,396	\$ 1,003,423
CHANGE IN UNRESTRICTED NET ASSETS	\$ 102,394	\$ 65,629
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	\$ 425,291	\$ 430,757
Net Assets Released from Restrictions	(453,727)	(622,553)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	\$ (28,436)	\$ (191,796)
PERMANENTLY RESTRICTED NET ASSETS:		
Contributions	\$ 5,000	\$ 5,038
CHANGE IN TOTAL NET ASSETS	\$ 78,958	\$ (121,129)
NET ASSETS, Beginning of Year		
Unrestricted, As Restated for 2012 (See Note 13)	276,573	210,944
Temporarily Restricted	430,757	622,553
Permanently Restricted	507,261	502,223
Total Net Assets, Beginning of Year	\$ 1,214,591	\$ 1,335,720
NET ASSETS, End of Year		
Unrestricted	\$ 378,967	\$ 276,573
Temporarily Restricted	402,321	430,757
Permanently Restricted	512,261	507,261
Total Net Assets, End of Year	\$ 1,293,549	\$ 1,214,591

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

UNITED WAY OF MISSOULA COUNTY  
Missoula, Montana

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2013

DESCRIPTION	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND- RAISING	TOTAL
Community Grants	\$ 489,854	\$ 0	\$ 0	\$ 489,854
Allowance for Uncollectible Contributions	63,479	0	0	63,479
Salaries and Wages	109,331	60,280	117,690	287,050
Payroll Taxes and Workers Compensation	10,105	5,584	10,903	26,592
Health Insurance, Retirement, and HSA Plan	7,342	4,057	7,922	19,321
Marketing	12,801	7,074	13,811	33,686
Occupancy	4,314	2,384	4,654	11,352
Office Costs	7,841	4,333	8,459	20,633
Professional Fees	13,116	7,248	14,151	34,515
Equipment Rental and Maintenance	482	266	520	1,268
United Way Worldwide	4,063	2,245	4,384	10,692
Travel and Training	2,288	1,264	2,469	6,021
Insurance	1,009	558	1,089	2,655
Depreciation	4,297	2,374	4,636	11,307
Interest	7,114	3,931	7,675	18,720
<b>TOTAL EXPENSES</b>	<b>\$ 737,434</b>	<b>\$ 101,600</b>	<b>\$ 198,362</b>	<b>\$ 1,037,145</b>

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

UNITED WAY OF MISSOULA COUNTY  
Missoula, Montana

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2012

DESCRIPTION	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND- RAISING	TOTAL
Community Grants	\$ 523,732	\$ 0	\$ 0	\$ 523,732
Allowance for Uncollectible Contributions	31,318	0	0	31,318
Salaries and Wages	92,132	51,441	100,433	244,959
Payroll Taxes and Workers Compensation	8,238	4,552	8,888	21,678
Health Insurance Benefits and HSA Plan	7,400	4,090	7,984	19,474
Marketing	10,232	5,654	11,039	26,925
Occupancy	10,750	5,940	11,598	28,288
Office Costs	4,928	2,723	5,317	12,968
Professional Fees	13,121	7,251	14,157	34,530
Equipment Rental and Maintenance	692	383	747	1,822
United Way Worldwide	4,063	2,245	4,384	10,692
Travel and Training	10,314	5,700	11,128	27,142
Insurance	1,003	554	1,082	2,640
Depreciation	2,874	1,588	3,100	7,562
Interest	4,046	2,236	4,365	10,646
<b>TOTAL EXPENSES</b>	<b>\$ 724,842</b>	<b>\$ 94,358</b>	<b>\$ 184,223</b>	<b>\$ 1,004,376</b>

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



UNITED WAY OF MISSOULA COUNTY  
Missoula, Montana

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from/for:		
Contributions	\$ 920,302	\$ 955,224
Interest and Dividends	26	376
Rents	12,075	7,245
Other	0	3,690
Cash Paid for/to:		
Employees	(333,909)	(284,871)
Agency Allocations	(528,290)	(507,996)
Marketing	(33,686)	(26,925)
Vendors	(72,035)	(103,098)
Interest	(18,720)	(10,646)
Net Cash Provided/(Used) by Operating Activities	<u>\$ (54,237)</u>	<u>\$ 32,999</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Proceeds of Investments	\$ 9,451	\$ 10,342
Purchase of Capital Assets	(5,639)	(410,677)
Net Cash Provided/(Used) by Investing Activities	<u>\$ 3,812</u>	<u>\$ (400,335)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions to Endowment	\$ 5,000	\$ 5,038
Principal Paid on Long Term Debt	(8,010)	(2,632)
Proceeds from Debt	35,005	375,000
Net Cash Provided by Financing Activities	<u>\$ 31,995</u>	<u>\$ 377,406</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (18,430)	\$ 10,070
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>127,824</u>	<u>117,754</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 109,394</u>	<u>\$ 127,824</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 78,958	\$ (121,129)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided/(Used) by Operating Activities		
Items Not Affecting Cash:		
Allowance for Uncollectible Pledges	\$ 10,000	\$ (25,000)
Investment Changes/Fees	(121,588)	(78,417)
Depreciation	11,307	7,562
Changes in Operating Assets and Liabilities		
(Increase)/Decrease in:		
Contributions Receivable	16,813	216,745
Accounts Receivable	(17,899)	9,087
Prepaid Expenses	(2,758)	1,964
Increase/(Decrease) in:		
Accounts Payable	9,115	6,904
Designations to Agencies	(38,436)	15,736
Compensated Absences	251	(953)
Security Deposits	0	500
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	<u>\$ (54,237)</u>	<u>\$ 32,999</u>

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

UNITED WAY OF MISSOULA COUNTY  
Missoula, Montana

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 1. NATURE OF AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

United Way of Missoula County (Agency), founded in 1931, is a not-for-profit corporation under Internal Revenue Code 501(c) (3) located in Missoula, Montana. The Agency is committed to building a better community through focus on providing low-income and vulnerable individuals and families with access to education, income, health and human services: the building blocks for a good life.

The Agency strives to identify the community's most pressing health and human service needs and brings together resources and people to address those needs. The Agency accomplishes these goals through collaboration with donors, funded agencies, and diverse partners to improve lives and create lasting changes in community conditions. The Agency serves as the conduit for donors who desire a trusted, one-stop way to invest in high-quality programs that produce measurable results, ensuring that donated dollars are spent wisely in the community.

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

The Agency currently has 18 board members who serve on various committees. Board and committee members are selected based on their expertise.

The Executive Committee is comprised of officers, the immediate past president, and the CEO. It may include committee chairs. It helps the CEO and board president set the agenda for board meetings, and focuses on board development: recruiting, nominating, electing, mentoring, orienting and evaluating board members. It takes the lead in evaluating the CEO and sets his/her compensation. The committee often acts as a confidential sounding board for the CEO, providing an appropriate forum in which to share issues and challenges instead of, or prior to, discussing them with the full board.

The Administrative Committee ensures careful stewardship of the Agency's financial resources. It maintains oversight of the financial well being and integrity through review and approval of financial statements, practices and policies. It manages the emergency and contingency funds and the permanent endowment.

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

UNITED WAY OF MISSOULA COUNTY  
Missoula, Montana

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 1. NATURE OF AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, continued

A. Organization, continued

The Community Impact Committee identifies and develops strategies to address Missoula County's most critical health and human service needs; identifies the best role for the Agency to play in implementing those strategies, including formulating funding processes and making funding recommendations to the Agency's Board of Directors; and evaluates the results and impact of supported activities.

The Audit Committee ensures a 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.

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

United Way of Missoula County administers a Fund for Ravalli County, an internally designated fund to benefit qualified nonprofit organizations serving Ravalli County. This fund replaces the United Way of Ravalli County, which was disbanded in 2011 due to cost and benefit constraints.

In January 2012, the Agency assumed fiscal sponsorship of the Missoula Youth Philanthropy Club, whose mission is to teach high-school students about charitable giving, while also giving them the opportunity to raise money, give grants, and get involved with local nonprofits on the board level. The Agency places all gifts, grants, and contributions received and identified with the Missoula Youth Philanthropy Club into a committed fund to be used for the sole benefit of their mission, under guidance given by a steering committee that includes the Agency's chief executive officer.

UNITED WAY OF MISSOULA COUNTY  
Missoula, Montana

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 1. NATURE OF AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

In July 2013, the Agency assumed fiscal sponsorship of the Missoula Interfaith Collaborative, whose mission is to empower congregations and community organizations to work together, leveraging strengths to address community challenges. The Agency places all gifts, grants, and contributions received and identified with the Missoula Interfaith Collaborative into a committed fund to be used for the sole benefit of their mission, under guidance given by a steering committee that includes the Agency's chief executive officer.

B. Basis of Accounting

The Agency's financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. The Agency measures financial instruments at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of cash and cash equivalents, current receivables, and current liabilities approximate their fair values because of their short-term nature. Investments are recorded at quoted active market prices at the reporting date for identical assets (Level 1).

C. Categories of Net Assets

The net assets of the Agency are reported in the following categories:

*Unrestricted net assets* generally have no donor-imposed restrictions. This category includes net amounts that have been earned and expended according to donor and contract conditions and generally unrestricted activities. Unrestricted resources are used to benefit the community at the discretion of the Agency's Board of Directors, and for internal operations and administration. Designated reserves represent resources for special projects through Board of Director resolution.

*Temporarily restricted net assets* include gifts for which donor-imposed restrictions have not been met and funds for which the ultimate purpose is not permanently restricted. The agency had \$402,321 and \$430,757 in temporarily restricted net assets as of December 31, 2013 and 2012, respectively, relating to donations pledged in future periods for unrestricted activities and internally designated programs.

*Permanently restricted net assets* result from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Agency. At December 31, 2013 and 2012, the Agency had \$512,261 and \$507,261 in permanently restricted net assets related to its endowment fund.

UNITED WAY OF MISSOULA COUNTY  
Missoula, Montana

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 1. NATURE OF AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, continued

C. Categories of Net Assets, continued

Some donors specify certain recipient organizations for cash contributions and promises to give. Because the Agency 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 Agency 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 titled *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. The fee for 2013 and 2012 was 21.0% or \$12,573 and \$13,021, respectively.

D. Contributed Support

The Agency recognizes all unconditional gifts and promises to give in the period notified. Contributed support is reported as unrestricted, temporarily restricted, or permanently restricted depending upon the existence of donor stipulations. Temporarily restricted contributions whose restrictions have been fulfilled in the current year are reported as unrestricted.

E. Revenue Recognition

Contributed service revenue results when donated services create or enhance non-financial assets or when they require specialized skills provided by people possessing those skills that would typically be purchased if not provided by donation. Contributed goods are valued at their estimated fair value at the date of contribution. For the years ending December 31, 2013 and 2012, no donated services or goods qualified for recognition.

F. Cash and Cash Equivalents and Investments

Cash and cash equivalents include cash in banks and on hand, and highly liquid debt instruments that are readily convertible to known amounts of cash. Such debt instruments have maturities of three months or less from the date of purchase. Investments consist of debt instruments with original maturities to the Agency in excess of three months. The Agency's primary investment objective is to maximize total return with minimal risk to preserve capital that is intended for the Agency's charitable missions while generating cash flow for operations. Investments consist primarily of marketable debt and equity securities purchased through institutional mutual funds and bond funds. Investments are carried at fair market value, determined by quoted market prices. Increases and decreases in fair value are recognized in the current period as investment income or losses.

UNITED WAY OF MISSOULA COUNTY  
Missoula, Montana

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 1. NATURE OF AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

G. Deferred Gift Annuity

The Agency was the recipient of a deferred gift annuity to their endowment. The annuity amount will be distributed to the donors in annual installments beginning November, 2041. The fair market value of the contributed asset is recorded on the Agency's financial statements. The present value of the future annuity payments is recorded as a liability using a discount rate of 4.6 percent and standard actuarial tables for remaining lives of donors and beneficiaries, with the difference as contribution revenue, and is classified as permanently restricted. The changes in the fair market value of the gift annuity and the present value of the gift annuity liability as of the end of the year are recognized as changes in the value of the annuity agreement.

H. Furniture, Equipment, and Building

The Agency capitalizes property and equipment with a significant purchase price and an expected life of at least three years. Property and equipment are carried at cost. Straight-line depreciation is used to depreciate assets over estimated lives of five to 39 years.

I. Concentration of Risks

The Agency has risks regarding its revenue sources and investments. Essentially all revenue comes from individual and business donations and investment returns. Investments represent approximately 47% of the Agency's total assets and approximately 64% of its equity. A substantial change in market values of the investments or changes in the donor contributions may have a significant effect on operations.

J. Cost Allocation and Program Activities

The Agency allocates costs that can be identified specifically with a particular final cost objective directly to the services benefiting. Joint costs are allocated directly to fundraising, management and general, and program services on the basis of estimated time identifiable with such services. The primary activity groups and their related purposes are summarized as follows:

*Program Services* – Consists 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, contingency grants, emergency grants, mentoring, advocacy, volunteers, networking, supply drives, and other efforts. Program service expenses include expenditures for contractual work performed for the City and County of Missoula, Montana under Missoula's 10-year Plan to End Homelessness (the Plan). Contractual costs include \$28,903 in wages, \$3,000 in space costs, and \$1,960 in outreach services for the Plan.

UNITED WAY OF MISSOULA COUNTY  
Missoula, Montana

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 1. NATURE OF AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

J. Cost Allocation and Program Activities, continued

*Management and General* – Consists of funds that are used for administering the Agency and processing donor contributions.

*Fundraising* – Funds for these activities and events are designed to create public awareness and support for the Agency's programs, principally its grantmaking to education, income and health programs in the community.

K. Use of Estimates

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

L. Subsequent Events

The Agency recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed as of December 31, 2013, including the estimates inherent in the process of preparing financial statements. Subsequent events that provide evidence about conditions that did not exist as of December 31, 2013 but arose after that date and prior to the financial statements are available to be issued are not recognized in these financial statements. The Agency evaluates subsequent events through the date the financial statements are available to be issued which is the date of the auditor's report.

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

As of December 31, 2013 and 2012, cash and cash equivalents consist of seven non-interest bearing checking accounts, and one interest bearing bank insured deposit account.

In 2012, the Agency's non-interest bearing accounts were subject to unlimited coverage by the Federal Deposit Insurance Corporation (FDIC). Effective January 1, 2013, FDIC coverage for non-interest bearing accounts was \$250,000. From time to time, certain bank accounts that are subject to limited FDIC coverage exceed their insured limits. Management does not believe there is any significant risk associated with these accounts.

UNITED WAY OF MISSOULA COUNTY  
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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

Investments consist of mutual funds, equities, and a cash surrender value life insurance policy. The fair market value of the investments from quoted market prices in active markets for identical assets or liabilities (level 1) or significant other observable inputs, valued at cash surrender value, (level 2) and cost basis of the investments is as follows:

	Fair Value	Cost
Balance as of 12/31/13		
Mutual Funds (Level 1)		
Bond Funds	\$ 117,864	\$ 114,823
Equity Funds	706,358	589,243
Cash Surrender Life Insurance Policy (Level 2)	8,519	8,519
Balance as of 12/31/12		
Mutual Funds (Level 1)		
Bond Funds	\$ 105,814	\$ 115,877
Equity Funds	601,598	537,532
Cash Surrender Life Insurance Policy (Level 2)	8,191	8,191

For the year ended December 31, 2013, realized interest, dividends, and gains and losses on the investments were \$51,581 reduced by brokerage fees of \$7,797. The unrealized gain from market value changes was \$72,946 in 2013. For the year ending December 31, 2012, realized interest, dividends, and gains on the investments were \$19,289 reduced by brokerage fees of \$7,358. The unrealized gain from market value changes was \$61,445 in 2012. Realized and unrealized gains and losses are reported in the Statement of Activities as investment income.

NOTE 3. RECEIVABLES

*Accounts Receivable* represent amounts owing to the Agency for amounts due for reimbursements of costs from the Combined Federal Campaign and other Agencies. As of December 31, 2013 and 2012 the agency had \$36,370 and \$18,771 in accounts receivable, respectively. All amounts are considered collectible; therefore, no provision for bad debts has been made. In addition, a payroll advance was receivable from the Executive Director in the amount of \$800 and \$500 as of December 31, 2013 and 2012, respectively, which were repaid after year end.

*Contributions Receivable* represents unconditional promises to give through a written agreement to contribute cash or other assets to the Agency. These promises to give are reported as contribution revenue and receivables even if the promise is not legally enforceable. Unconditional promises to give, which are expected to be collected within one year, are measured at their net realizable value. An estimated allowance for uncollectible promises to give is based on historical collection percentages and evaluation of contributions receivable as of year end.



UNITED WAY OF MISSOULA COUNTY  
Missoula, Montana

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 3. RECEIVABLES, continued

The amounts of unconditional promises to give and related allowances for uncollectible promises due in less than one year are as follows:

	2013	2012
Gross Contributions Receivable	\$ 453,944	\$ 480,757
Allowance for Uncollectible Promises	(60,000)	(50,000)
Net Contributions Receivable	\$ 393,944	\$ 430,757

NOTE 4. FIXED ASSETS

As of December 31, 2013 and 2012, fixed assets consisted of the following:

	Furniture and Equipment	Building	Land
Cost Basis, January 1, 2012	\$ 34,760	\$ 0	\$ 0
Additions	0	338,677	72,000
Disposals	0	0	0
Cost Basis, December 31, 2012	\$ 34,760	\$ 338,677	\$ 72,000
Additions	0	5,639	0
Disposals	0	0	0
Cost Basis, December 31, 2013	\$ 34,760	\$ 344,316	\$ 72,000

Changes in Accumulated Depreciation are as follows:

Balance, January 1, 2012	\$ 24,077	\$ 0	
Additions	2,629	4,932	
Disposals	0	0	
Balance, December 31, 2012	\$ 26,706	\$ 4,932	
Additions	2,630	8,678	
Disposals	0	0	
Balance, December 31, 2013	\$ 29,336	\$ 13,610	
Net Book Value, December 31, 2012	\$ 8,054	\$ 333,745	\$ 72,000
Net Book Value, December 31, 2013	\$ 5,424	\$ 330,706	\$ 72,000

NOTE 5. LINE OF CREDIT

As of December 31, 2013 and 2012, the Agency had a line of credit from a financial institution which can be renewed annually and matures in September. The line of credit is for a maximum of \$75,000 with a variable interest rate at the prime rate plus 1.50% and is collateralized by the general assets of the Agency. Interest on the line of credit is payable monthly with all principal and interest due at maturity. The outstanding draws on the line of credit were \$35,005 and \$0 as of December 31, 2013 and 2012, respectively.

UNITED WAY OF MISSOULA COUNTY  
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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 6. LEASES

The Agency classifies its leases as either operating or capitalized leases. The Agency had one operating lease for office space in Missoula, Montana. The space was leased under a one year contract expiring in May 2012, at which time, the Agency purchased a permanent location for their offices. The lease was for \$1,500 per month increased by up to four percent annually. The lease payment to May 31, 2012 was \$1,500 per month.

NOTE 7. MORTGAGE PAYABLE

The Agency's obligation under mortgage payable consists of the following:

		2013	2012
	<u>Authorized</u>	<u>Outstanding</u>	<u>Outstanding</u>
Mortgage Payable	\$ 375,000	\$ 364,358	\$ 372,368
Date of Loan	June 1, 2012		
Maturity	June 15, 2037		
Interest Rate	5.00%		
Payment Principal and Interest, Monthly, \$2,199			
Secured by Real Property Located at 412 West Alder, Missoula, Montana			

Loan principal payments for the years ended December 31 are as follows:

2014	\$	8,277
2015		8,700
2016		9,145
2017		9,613
2018		10,105
2019-2037		318,518
Total	\$	<u><u>364,358</u></u>

NOTE 8. EMPLOYEE BENEFITS

In May, 2012, the Agency began a Simple IRA retirement plan for employees who had completed one year of service and earned \$5,000 in compensation. The Agency contributes two percent of employee compensation. Employees may make elective deferrals up to the amount allowed by law. The Agency's contribution to the Simple IRA Plan for the year ending December 31, 2013 and 2012 was \$1,457 and \$3,720, respectively.

The Agency also provides health insurance for full time employees after thirty days of employment. Family coverage is available at the employee's expense. The Agency paid \$14,762 and \$13,214 for insurance premiums for the years ending December 31, 2013 and 2012, respectively, and an additional \$3,102 and \$2,540 in health savings account contributions for employees.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 8. EMPLOYEE BENEFITS, continued

The Agency provides vacation and sick leave to eligible employees after thirty days probation. Vacation leave earned ranges from 80 to 200 hours per year depending on the years of service. Employees may carryover no more than 80 hours to the following calendar year. Vacation is paid out at the current employee's rate of pay upon termination. Sick leave is accrued at up to 8 hours per month from the date of hire. Sick leave benefits may be carried over from year to year, but are not paid to the employee upon leaving the Agency. The Agency records an expense for vacation leave as it is paid. The accrued liability for vacation leave was \$5,445 and \$5,194, including related payroll taxes as of December 31, 2013 and 2012, respectively. (See Note 13)

NOTE 9. ENDOWMENT

A. Interpretation of Relevant Law

The Board of Directors 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 Agency classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowment, the original value of the subsequent gifts to the permanent endowment, and 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 unrestricted net assets, and those amounts are immediately appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by 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 fund
2. The purposes of the organization and the donor-restricted endowment fund
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
7. The investment policies of the organization.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 9. ENDOWMENT, continued

B. Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Agency to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations that occur during the investment of the permanently restricted contribution and continued appropriation for certain programs that are deemed prudent by the Board of Directors. There were no such deficiencies as of December 31, 2013 and 2012. The principal contributions to the endowment were \$512,261 and \$507,261 as of December 31, 2013 and 2012, respectively. The fair market value of the endowment funds were \$833,215 and \$716,485, respectively. There was an additional \$11,978 and \$6,978 due to be deposited to the endowment account as of December 31, 2013 and 2012, respectively.

C. Return Objectives and Risk Parameters

The Agency has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs 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 organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, endowment assets are invested in a manner that is intended to produce results that exceed the Standard and Poor 500 and the MSCI Europe, Australasia, and Far East Index while assuming a prudent level of investment risk at or below the volatility level of appropriate market and peer benchmarks identified. The Agency targets a diversified asset allocation of equities, international equities, fixed income, and cash equivalents through mutual fund investments.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 9. ENDOWMENT, continued

D. Endowment Net Asset Composition and Changes in Endowment Net Assets

DONOR-RESTRICTED ENDOWMENT FUNDS

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, January 1, 2012	\$ 164,576	\$ 502,223	\$ 666,799
Investment Return			
Investment Income	19,289	0	19,289
Net Appreciation (realized and unrealized)	61,445	0	61,445
Total Investment Return	<u>80,734</u>	<u>0</u>	<u>80,734</u>
Contributions	0	0	0
Contributions Receivable	0	5,038	5,038
Appropriations for Expenditures and Fees	<u>(29,108)</u>	<u>0</u>	<u>(29,108)</u>
Endowment Net Assets, December 31, 2012	<u>\$ 216,202</u>	<u>\$ 507,261</u>	<u>\$ 723,463</u>
Investment Return			
Investment Income	27,582	0	27,582
Net Appreciation (realized and unrealized)	96,945	0	96,945
Total Investment Return	<u>124,527</u>	<u>0</u>	<u>124,527</u>
Contributions	0	0	0
Contributions Receivable	0	5,000	5,000
Appropriations for Expenditures and Fees	<u>(7,797)</u>	<u>0</u>	<u>(7,797)</u>
Endowment Net Assets, December 31, 2013	<u>\$ 332,932</u>	<u>\$ 512,261</u>	<u>\$ 845,193</u>

NOTE 10. RELATED PARTIES

The Agency is an affiliate of the United Way Worldwide, meeting high standards of accountability in the areas of financial reporting, governance, and ethics and operations. Membership dues attributable to United Way Worldwide were \$ \$10,692 for the years ended December 31, 2013 and 2012.

The Agency also acts as a management agent to provide fundraising and administrative services to the Combined Federal Campaign of Western Montana. Reimbursements of costs due to the Agency as of December 31, 2013 and 2012 were \$9,442 and \$17,748, respectively, which are included in accounts receivable on the accompanying statements of financial position.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 11. RISK MANAGEMENT

The Agency faces a number of risks including (1) loss or damage to property, (2) general liability, (3) director and officer liability, and (4) employee medical insurance. Commercial insurance policies are purchased for loss or damage to property, general liability, director and officer liability, and employee medical insurance.

NOTE 12. INCOME TAXES

Provisions for income taxes have not been recorded in these financial statements because the Agency believes it had no income unrelated to its exempt purposes in 2013 or 2012. With few exceptions, the Agency is no longer subject to U.S. federal tax examinations by tax authorities for years before 2010.

NOTE 13. CHANGE IN ACCOUNTING PRINCIPLE

In prior years, the Agency had elected not to record a liability for compensated absences due to the immaterial nature of the amount. In 2013, the Agency elected to record compensated absences as a liability in the financial statements to more accurately represent the true liabilities owed. The 2012 financial statements have been retrospectively adjusted to reflect this liability. The effects of the change in accounting principle was to decrease unrestricted net assets as of January 1, 2012 by \$6,147, decrease salaries and wages for 2012 by \$953, and decrease unrestricted net assets as of December 31, 2012 by \$5,194.

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SUPPLEMENTAL SCHEDULE

2013 CAMPAIGN REVENUES

		<u>3/1/2013</u> <u>to 12/31/2013</u>	<u>1/1/2014</u> <u>to 2/28/2014</u>	<u>Total</u>
UNDESIGNATED CONTRIBUTIONS	\$	646,668	141,443	\$ 788,111
DESIGNATED CONTRIBUTIONS		148,859	29,174	178,033
ENDOWMENT CONTRIBUTIONS		<u>5,000</u>	<u>0</u>	<u>5,000</u>
 GROSS CAMPAIGN REVENUES	 \$	 <u>800,527</u>	 <u>170,617</u>	 <u>\$ 971,144</u>
 DESIGNATED CONTRIBUTIONS (from above)	 \$	 148,859	 29,174	 \$ 178,033
DIRECT DISTRIBUTIONS		(49,987)	0	(49,987)
DESIGNATION FEES		<u>(11,638)</u>	<u>(827)</u>	<u>(12,465)</u>
 NET DESIGNATIONS	 \$	 <u>87,234</u>	 <u>28,347</u>	 <u>\$ 115,581</u>
 NET CAMPAIGN REVENUES	 \$	 <u>738,902</u>	 <u>169,790</u>	 <u>\$ 908,692</u>

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