

UNITED WAY OF THE LEWIS
AND CLARK AREA

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

JUNE 30, 2016 and 2015



**UNITED WAY OF THE LEWIS AND CLARK AREA
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ACCOUNTING
AUDIT
TAX
EMPLOYEE BENEFITS
SPECIALIZED SERVICES

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management
United Way of the Lewis and Clark Area
Helena, Montana

We have audited the accompanying financial statements of United Way of the Lewis and Clark Area (a non-profit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 United Way of the Lewis and Clark Area, as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Junkermier, Clark, Campanella, Stevens, P.C.

April 28, 2017
Helena, Montana

**UNITED WAY OF THE LEWIS AND CLARK AREA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 278,220	\$ 235,594
Pledges receivable, less allowance of \$15,542 and \$13,925 at June 30, 2016 and 2015, respectively	301,178	264,937
Accounts receivable	1,150	1,750
Prepaid expenses	598	666
TOTAL CURRENT ASSETS	581,146	502,947
INVESTMENTS		
Investments	317,057	321,275
Beneficial interest in assets held by the Montana Community Foundation	54,850	57,114
TOTAL INVESTMENTS	371,907	378,389
BUILDING AND EQUIPMENT		
Net building and equipment	217,587	229,250
OTHER ASSETS		
State and federal campaign deposit accounts	123,549	128,182
TOTAL ASSETS	\$ 1,294,189	\$ 1,238,768
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Donor designations payable	\$ 428,386	\$ 420,463
Payroll liabilities	5,304	3,457
Salary and benefits payable	15,002	7,688
Accounts payable	3,916	2,946
TOTAL CURRENT LIABILITIES	452,608	434,554
OTHER LIABILITIES		
State and federal campaign deposit accounts	123,549	128,182
TOTAL LIABILITIES	576,157	562,736
NET ASSETS		
Unrestricted	327,930	294,593
Temporarily restricted	370,102	361,439
Permanently restricted	20,000	20,000
TOTAL NET ASSETS	718,032	676,032
TOTAL LIABILITIES AND NET ASSETS	\$ 1,294,189	\$ 1,238,768

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

**UNITED WAY OF THE LEWIS AND CLARK AREA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Campaign contribution	\$ 16,652	\$ 748,287	\$ -	\$ 764,939
Donor designation fees	25,003	-	-	25,003
Administrative fees	28,808	-	-	28,808
Less: uncollectible pledge expense	-	(79,398)	-	(79,398)
Total support	70,463	668,889	-	739,352
Investment income	33,579	-	-	33,579
Change in value of beneficial interest in perpetual trust	-	222	-	222
Special events	13,723	-	-	13,723
Special grants	15,510	-	-	15,510
In-kind donations	14,426	-	-	14,426
Rental income	9,200	-	-	9,200
Miscellaneous	873	-	-	873
Total revenue	87,311	222	-	87,533
SATISFACTION OF PROGRAM RESTRICTIONS	<u>660,448</u>	<u>(660,448)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT, REVENUE, AND SATISFACTION OF PROGRAM RESTRICTIONS	<u>818,222</u>	<u>8,663</u>	<u>-</u>	<u>826,885</u>
EXPENSES				
Program				
Allocations to member agencies	180,151	-	-	180,151
Donor designations to member agencies	286,035	-	-	286,035
Other program	<u>180,743</u>	<u>-</u>	<u>-</u>	<u>180,743</u>
Total program	646,929	-	-	646,929
Fundraising	89,949	-	-	89,949
Management	<u>48,007</u>	<u>-</u>	<u>-</u>	<u>48,007</u>
Total expenses	784,885	-	-	784,885
CHANGE IN NET ASSETS	33,337	8,663	-	42,000
Net assets, beginning of year	<u>294,593</u>	<u>361,439</u>	<u>20,000</u>	<u>676,032</u>
NET ASSETS, END OF YEAR	<u>\$ 327,930</u>	<u>\$ 370,102</u>	<u>\$ 20,000</u>	<u>\$ 718,032</u>

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and notes to the financial statements.

**UNITED WAY OF THE LEWIS AND CLARK AREA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Campaign contribution	\$ 13,133	\$ 747,128	\$ -	\$ 760,261
Donor designation fees	11,708	-	-	11,708
Administrative fees	24,065	-	-	24,065
Less: uncollectible pledge expense	-	(17,539)	-	(17,539)
Total support	48,906	729,589	-	778,495
Investment income	(2,428)	-	-	(2,428)
Change in value of beneficial interest in perpetual trust	-	2,082	-	2,082
Special events	21,847	-	-	21,847
In-kind donations	47,987	-	-	47,987
Rental income	10,000	-	-	10,000
Miscellaneous	786	-	-	786
Total revenue	78,192	2,082	-	80,274
SATISFACTION OF PROGRAM RESTRICTIONS	<u>724,975</u>	<u>(724,975)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT, REVENUE, AND SATISFACTION OF PROGRAM RESTRICTIONS	<u>852,073</u>	<u>6,696</u>	<u>-</u>	<u>858,769</u>
EXPENSES				
Program				
Allocations to member agencies	232,141	-	-	232,141
Donor designations to member agencies	285,020	-	-	285,020
Other program	201,965	-	-	201,965
Total program	719,126	-	-	719,126
Fundraising	109,708	-	-	109,708
Management	70,195	-	-	70,195
Total expenses	899,029	-	-	899,029
CHANGE IN NET ASSETS	(46,956)	6,696	-	(40,260)
Net assets, beginning of year	<u>341,549</u>	<u>354,743</u>	<u>20,000</u>	<u>716,292</u>
NET ASSETS, END OF YEAR	<u>\$ 294,593</u>	<u>\$ 361,439</u>	<u>\$ 20,000</u>	<u>\$ 676,032</u>

See accompanying independent accountants' audit report
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**UNITED WAY OF THE LEWIS AND CLARK AREA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016**

	<u>Program</u>	<u>Fundraising</u>	<u>Management</u>	<u>Total</u>
Allocations to member agencies	\$ 180,151	\$ -	\$ -	\$ 180,151
Donor designations to member agencies	286,035	-	-	286,035
Salaries	97,645	48,822	16,274	162,741
Employee benefits	5,653	2,827	942	9,422
Payroll taxes	7,179	3,590	1,197	11,966
Insurance	2,735	1,693	945	5,373
Travel and training	5,868	3,630	2,027	11,525
Accounting and legal	9,011	5,576	3,113	17,700
Office supplies	1,911	1,182	660	3,753
Software/computer equipment	5,632	3,485	1,946	11,063
Marketing expenses	7,703	4,766	2,662	15,131
Non-campaign special events	6,410	-	-	6,410
Telephone	433	267	149	849
Postage and freight	807	499	279	1,585
Equipment rental/maintenance	2,505	1,550	865	4,920
Bank charges	-	-	1,119	1,119
Community impact	4,869	-	859	5,728
Dues	1,246	-	3,737	4,983
Utilities	1,903	1,178	658	3,739
Building repair and maintenance	550	341	190	1,081
Real estate taxes	133	81	45	259
In-kind expenses	7,344	4,544	2,538	14,426
Miscellaneous	1,642	-	4,497	6,139
	<u>637,365</u>	<u>84,031</u>	<u>44,702</u>	<u>766,098</u>
Total before depreciation				
Depreciation	<u>9,564</u>	<u>5,918</u>	<u>3,305</u>	<u>18,787</u>
Total expenses	<u>\$ 646,929</u>	<u>\$ 89,949</u>	<u>\$ 48,007</u>	<u>\$ 784,885</u>

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

**UNITED WAY OF THE LEWIS AND CLARK AREA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015**

	<u>Program</u>	<u>Fundraising</u>	<u>Management</u>	<u>Total</u>
Allocations to member agencies	\$ 232,141	\$ -	\$ -	\$ 232,141
Donor designations to member agencies	285,020	-	-	285,020
Salaries	83,794	51,846	28,952	164,592
Employee benefits	5,698	3,457	1,965	11,120
Payroll taxes	6,954	4,303	2,403	13,660
Insurance	2,342	1,449	809	4,600
Travel and training	3,041	1,881	1,051	5,973
Accounting and legal	11,190	6,924	3,866	21,980
Office supplies	1,133	700	391	2,224
Software/computer equipment	8,760	5,421	3,029	17,210
Marketing expenses	11,854	7,335	4,096	23,285
Non-campaign special events	8,319	-	-	8,319
Telephone	477	294	164	935
Postage and freight	2,792	1,728	965	5,485
Equipment rental/maintenance	1,327	822	459	2,608
Bank charges	-	-	875	875
Community impact	13,859	-	279	14,138
Dues	1,834	-	5,024	6,858
Utilities	2,045	1,265	706	4,016
Building repair and maintenance	364	225	126	715
Real estate taxes	231	140	79	450
In-kind expenses	24,430	15,116	8,441	47,987
Miscellaneous	2,247	1,063	3,310	6,620
	<u>709,852</u>	<u>103,969</u>	<u>66,990</u>	<u>880,811</u>
Total before depreciation				
Depreciation	<u>9,274</u>	<u>5,739</u>	<u>3,205</u>	<u>18,218</u>
Total expenses	<u>\$ 719,126</u>	<u>\$ 109,708</u>	<u>\$ 70,195</u>	<u>\$ 899,029</u>

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

**UNITED WAY OF THE LEWIS AND CLARK AREA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES:		
Change in net assets	\$ 42,000	\$ (40,260)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	18,787	18,218
Uncollectible pledge expense	79,398	17,539
Unrealized (gains) losses on investments	2,268	20,504
(Increase) decrease in:		
Pledges and accounts receivable	(115,038)	(17,393)
Prepaid expenses	68	(184)
Beneficial interest in perpetual trust	2,264	224
Increase (decrease) in:		
Donor designations payable	7,923	(30,427)
Payroll liabilities	1,846	(128)
Salaries and benefits payable	7,314	2,630
Accounts payable	970	(15,936)
	<u>47,800</u>	<u>(45,213)</u>
NET CASH FROM (USED BY) OPERATING ACTIVITIES		
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES:		
Improvements to building	(5,891)	-
Purchase of equipment	(1,233)	-
Net purchases, reinvestments, and sales of investments	<u>1,950</u>	<u>(15,804)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(5,174)</u>	<u>(15,804)</u>
NET CHANGE IN CASH	42,626	(61,017)
CASH AT BEGINNING OF YEAR	<u>235,594</u>	<u>296,611</u>
CASH AT END OF YEAR	<u>\$ 278,220</u>	<u>\$ 235,594</u>

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

UNITED WAY OF THE LEWIS AND CLARK AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

United Way of the Lewis and Clark Area (the "Organization") is a nonprofit agency organized to identify and prioritize human service issues, then garner and distribute resources to make an impact on those issues. The Organization serves people in Lewis and Clark, Broadwater, and Jefferson Counties in the state of Montana.

Basis of Accounting

The Organization uses the accrual basis of accounting in recognizing revenues and expenses in the financial statements. Revenues are recognized when earned and expenses are recognized when the liability is incurred. Accordingly, net assets of the Organization and changes therein are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor imposed stipulations that are met by actions of the Organization or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfaction of program restrictions. Restricted revenue is reported as unrestricted if the restrictions are met in the reporting period.

Permanently restricted net assets - Net assets subject to donor imposed stipulations requiring that they be maintained in perpetuity by the Organization. Generally, donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes.

Pledges Receivable and Revenue Recognition

Annual campaigns are conducted from mid-September to the end of November to raise support for allocation to participating agencies in the subsequent fiscal year. Pledges received which are restricted for future periods are reported as temporarily restricted support. When the time restriction ends in the subsequent fiscal year, the restricted net assets are reclassified to unrestricted net assets and released from restriction. Funds raised in non campaign-related activities are recorded as unrestricted revenue when earned.

Pledges are recorded on the balance sheet as receivables and allowances are provided for amounts estimated to be uncollectible. The Organization utilizes the reserve method for computing the allowance for uncollectible pledges. The amount reserved is determined by the Board of Directors based on actual experience from prior years. The carrying value of pledges receivable approximates fair value based on the present value of expected receipts, less an allowance for uncollectability.

Contributed Services

Many of the Organization's functions, particularly in the areas of fund raising and fund distribution, are performed by volunteers. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs and fund-raising campaigns, which do not meet the criteria for financial statement recognition.

Income Taxes

The Organization is a nonprofit corporation exempt from taxation under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes is necessary in the accompanying financial statements.

**UNITED WAY OF THE LEWIS AND CLARK AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include bank accounts. Cash and cash equivalents were \$278,220 and \$235,594 at June 30, 2016 and 2015, respectively. Cash is held in commercial banks, all of which was insured by the Federal Deposit Insurance Corporation. Cash and cash equivalents exclude cash designated or restricted for the endowment fund.

Cash deposits consisted of the following:

	June 30,	
	2016	2015
Petty cash	\$ 2	\$ 2
Demand accounts	261,119	209,105
Money market accounts	17,099	26,487
	\$ 278,220	\$ 235,594

Investments

Under professional standards, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and changes in the value of investments are recorded as changes to unrestricted net assets.

Depreciation and Amortization

Property and equipment are stated at historical cost. Fixed assets are depreciated on the straight-line basis over the estimated useful lives of the asset. Estimated useful lives for depreciable assets are as follows:

Building	20 years
Building improvements	5-10 years
Equipment	5-10 years

Compensated Absences

Employees earn vacation and sick leave at varying rates per pay period depending upon longevity. An employee may carry over up to one full year's accrual of vacation leave from one fiscal year to the next. Any hours in excess of one full year's accrual at the employee's anniversary date will be forfeited. All accumulated sick leave may be carried over from year to year. Upon termination, an employee will be paid for 100% of accumulated vacation leave and 25% of accumulated sick leave at their current rate of pay. The compensated absences balance was \$14,567 and \$6,394 at June 30, 2016 and 2015, respectively.

Advertising

The Organization uses advertising to promote its campaigns and these costs are expensed as incurred. Advertising expense for the years ended June 30, 2016 and 2015 was \$10,091 and \$18,867, respectively.

UNITED WAY OF THE LEWIS AND CLARK AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Combined Federal and State Employee Giving Campaign Deposit Accounts

Asset and liability line items on the statement of financial position for the Combined Federal Campaign and State Employee Giving Campaign deposit accounts consist of checking and money market accounts under the custody of and managed by the United Way of the Lewis and Clark Area as the administrator of the annual campaigns.

Risks and Uncertainties

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

NOTE 2. - FUNDS HELD BY THE MONTANA COMMUNITY FOUNDATION

The Montana Community Foundation ("the Foundation") is a non-profit corporation which was organized in 1988 to receive and accept property to be administered exclusively for charitable purposes, primarily for the benefit of inhabitants of the State of Montana. The funds administered by the Foundation consist of three separate accounts. However, the only fund presented in these financial statements is described in Note 4. The other two funds are held on the books of the Foundation and are described as follows:

McCauley United Way Directors Discretionary Fund

This fund is held with the Foundation and the Organization is entitled to receive distributions. In accordance with the provisions of the agreement, the funds are reported as assets of the Montana Community Foundation and neither the assets nor the related gains and losses are presented on the statements of the Organization. The Organization receives annual distributions from the account, at the discretion of the Foundation, which are recorded as revenue when received. The account balance at June 30, 2016 and 2015 was \$82,740 and \$82,822, respectively. The Organization received distributions of \$3,550 and \$3,167 from the account for the years ended June 30, 2016 and 2015, respectively.

Pearl & Bob Richardson Endowment of the UWLC

The second endowment fund account is also held with the Foundation. In accordance with the provisions of the endowment contract, the funds are reported as assets of the Foundation and neither the assets nor the related gains and losses are presented on the statements of the Organization. The Organization receives annual distributions from the account, generally equal to 4% of the account's balance at the beginning of the fiscal year, which is recorded as income when received. The account balance at June 30, 2016 and 2015 was \$143,776 and \$148,644, respectively. The Organization received distributions of \$6,064 and \$5,421 from the account for the years ended June 30, 2016 and 2015, respectively.

**UNITED WAY OF THE LEWIS AND CLARK AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 3. - FAIR VALUE MEASUREMENTS

Professional standards define fair value, establish a framework for measuring fair value of assets and liabilities in periods subsequent to initial recognition, and enhance disclosures about fair value measurements. Fair value is defined under professional standards as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The standards provide a fair value hierarchy that prioritizes the unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under professional standards are described as follows:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The Organization's beneficial interest in the Montana Community Foundation is measured at fair value on a recurring basis for each period subsequent to initial recognition. Per information obtained from the Montana Community Foundation, these assets were valued at the closing price reported in the active market in which the individual assets are traded. This method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, although the Organization believes the valuation method used is 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 historical cost and fair value of the investments are as follows at June 30:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual funds - equity	\$ 101,052	\$ 109,984	\$ 97,827	\$ 119,156
Mutual funds - bonds	217,837	207,073	211,297	202,119
MT Community Fund - agency	47,408	54,850	47,408	57,114
	<u>\$ 366,297</u>	<u>\$ 371,907</u>	<u>\$ 356,532</u>	<u>\$ 378,389</u>

**UNITED WAY OF THE LEWIS AND CLARK AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 3. - FAIR VALUE MEASUREMENT (Continued)

A summary of investments by level within the fair value hierarchy is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2016				
Mutual funds - equity	\$ 109,984	\$ -	\$ -	\$ 109,984
Mutual funds - bonds	207,073	-	-	207,073
MT Community Fund - agency	-	54,850	-	54,850
	<u>\$ 317,057</u>	<u>\$ 54,850</u>	<u>\$ -</u>	<u>\$ 371,907</u>
June 30, 2015				
Mutual funds - equity	\$ 119,156	\$ -	\$ -	\$ 119,156
Mutual funds - bonds	202,119	-	-	202,119
MT Community Fund - agency	-	57,114	-	57,114
	<u>\$ 321,275</u>	<u>\$ 57,114</u>	<u>\$ -</u>	<u>\$ 378,389</u>

Components of investment income consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 22,804	\$ 13,980
Net realized gains	13,265	6,178
Net unrealized gains (losses)	(2,490)	(22,586)
	<u>\$ 33,579</u>	<u>\$ (2,428)</u>

NOTE 4. - ENDOWMENT FUND

Pearl & Bob Richardson Endowment Fund of the UWLC (Agency)

The Organization is the beneficiary of the above mentioned fund, which is held for the exclusive benefit of the Organization. The value of this beneficial interest is recorded at the fair value of the underlying securities of the trust, which management believes accurately approximates the present value of the future cash flows. The underlying investments in the trust are comprised primarily of mutual funds; therefore, the estimated fair value of this investment may differ materially from the amount ultimately realized. The total assets held by the Foundation at June 30, 2016 and 2015 were \$54,850 and \$57,114, respectively. The Organization will receive an annual distribution from this account generally equal to 4% of the fund's balance at the beginning of the year. Distributions of \$2,486 and \$2,306 were received for the years ended June 30, 2016 and 2015, respectively.

The endowment includes both board-restricted and donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**UNITED WAY OF THE LEWIS AND CLARK AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 4. - ENDOWMENT FUND (Continued)

Interpretation of Relevant Law

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 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

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA at June 30, 2016 and 2015 was \$20,000.

Funds with Surplus

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may rise above or fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, surpluses of this nature reported in temporarily restricted net assets were \$10,750 and \$13,014 as of June 30, 2016 and 2015, respectively. The surpluses resulted from market fluctuations that occurred during the year.

The composition of endowment net assets is as follows:

June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 10,750	\$ 20,000	\$ 30,750
Board-restricted endowment funds	24,100	-	-	24,100
Total funds	\$ 24,100	\$ 10,750	\$ 20,000	\$ 54,850

**UNITED WAY OF THE LEWIS AND CLARK AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 4. - ENDOWMENT FUND (Continued)

June 30, 2015	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 13,014	\$ 20,000	\$ 33,014
Board-restricted endowment funds	<u>24,100</u>	<u>-</u>	<u>-</u>	<u>24,100</u>
Total funds	<u><u>\$ 24,100</u></u>	<u><u>\$ 13,014</u></u>	<u><u>\$ 20,000</u></u>	<u><u>\$ 57,114</u></u>

Changes in endowment net assets are as follows for the years ended June 30:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2014	\$ 24,100	\$ 13,238	\$ 20,000	\$ 57,338
Investment return:				
Investment income	-	1,345	-	1,345
Net appreciation (realized and unrealized)	<u>-</u>	<u>1,451</u>	<u>-</u>	<u>1,451</u>
Total investment return	<u>-</u>	<u>2,796</u>	<u>-</u>	<u>2,796</u>
Appropriation of endowment assets for expenditure	-	(2,306)	-	(2,306)
Investment Fees	<u>-</u>	<u>(714)</u>	<u>-</u>	<u>(714)</u>
Endowment net assets, June 30, 2015	<u>24,100</u>	<u>13,014</u>	<u>20,000</u>	<u>57,114</u>
Investment return:				
Investment income	-	1,198	-	1,198
Net appreciation (realized and unrealized)	<u>-</u>	<u>(290)</u>	<u>-</u>	<u>(290)</u>
Total investment return	<u>-</u>	<u>908</u>	<u>-</u>	<u>908</u>
Appropriation of endowment assets for expenditure	-	(2,486)	-	(2,486)
Investment Fees	<u>-</u>	<u>(686)</u>	<u>-</u>	<u>(686)</u>
Endowment net assets, June 30, 2016	<u><u>\$ 24,100</u></u>	<u><u>\$ 10,750</u></u>	<u><u>\$ 20,000</u></u>	<u><u>\$ 54,850</u></u>

**UNITED WAY OF THE LEWIS AND CLARK AREA
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5. - BUILDING AND EQUIPMENT

Building and equipment consisted of the following:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Building and improvements	\$ 225,612	\$ 219,721
Land	51,712	51,712
Equipment	<u>46,545</u>	<u>45,312</u>
Total building and equipment	323,869	316,745
Accumulated depreciation	<u>(106,282)</u>	<u>(87,495)</u>
Net building and equipment	<u>\$ 217,587</u>	<u>\$ 229,250</u>

NOTE 6. - PROPERTY UNDER OPERATING LEASES

The Organization leases office space to tenants under a non-cancelable operating lease with a term of two years. The tenants began occupancy of the office space in June of 2013. Rent revenue of \$9,200 and \$10,000 was recognized for the years ended June 30, 2016 and 2015, respectively. Rent revenue of \$9,600 is expected to be collected for the fiscal year ending June 30, 2017. The Organization recognizes revenue when lease payments are received, which management believes approximates U.S. GAAP.

NOTE 7. - IN-KIND DONATIONS

United Way records various types of in-kind support, including professional services and marketing. U.S. GAAP requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind donations for the years ended June 30, 2016 and 2015 were \$14,426 and \$47,987, respectively. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or assets.

NOTE 8. - RETIREMENT PLAN

The Organization offers a retirement plan to all employees with at least one year of service. Employer contributions to the plan are discretionary. Employer contributions for the years ended June 30, 2016 and 2015 were \$6,452 and \$4,020, respectively. Employees may also elect to make additional contributions up to the maximum permitted by law.

**UNITED WAY OF THE LEWIS AND CLARK AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 9. - RESTRICTIONS ON NET ASSETS

The Organization's net assets are restricted as follows at June 30:

	<u>2016</u>	<u>2015</u>
Unrestricted (undesignated)	\$ 303,830	\$ 270,493
Unrestricted (board - designated endowment)	<u>24,100</u>	<u>24,100</u>
Total unrestricted	327,930	294,593
Temporarily restricted, subject to time and purpose restrictions	359,352	348,425
Temporarily restricted, endowment earnings in excess of corpus, subject to time restriction	<u>10,750</u>	<u>13,014</u>
Total temporarily restricted	370,102	361,439
Permanently restricted (Montana Community Foundation)	<u>20,000</u>	<u>20,000</u>
Total net assets	<u>\$ 718,032</u>	<u>\$ 676,032</u>

Temporarily restricted net assets consist of campaign pledges received in the current fiscal year to be used to fund allocations to participating organizations. Net assets released from restriction of \$660,448 from the Fall 2014 campaign were used to fund allocations to participating agencies in the current year, thus satisfying the time restriction on those funds.

NOTE 10. - RELATED PARTY TRANSACTIONS

During the year ended June 30, 2016, United Way received cash donations from board members totaling \$20,246.

NOTE 11. - DESIGNATIONS - COMBINED FEDERAL / STATE EMPLOYEE CAMPAIGNS

The United Way of the Lewis and Clark Area distributes the funds of the Combined Federal and State Employee Giving Campaigns to each member organization for their proportionate share of receipts, less expenses and uncollectible pledges, based on donor designations.

NOTE 12. - SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 28, 2017, the date on which the financial statements were available to be issued. No subsequent events were identified.