



## **United Way of Yellowstone County**

Independent Auditor's Report and Financial Statements  
June 30, 2016 and 2015

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**UNITED WAY OF YELLOWSTONE COUNTY**  
**For the Years Ended June 30, 2016 and 2015**

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## INDEPENDENT AUDITOR'S REPORT

October 18, 2016

To the Board of Directors  
United Way of Yellowstone County  
Billings, Montana

### Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Yellowstone County which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, changes in net assets, 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; 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. 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 United Way of Yellowstone County as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Wipfli LLP  
Billings, Montana

## FINANCIAL STATEMENTS

### STATEMENTS OF FINANCIAL POSITION

For the Year Ended June 30,

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and cash equivalents (includes certificates of deposits of \$526,796 and \$499,196, respectively)	759,206	816,952
Receivables:		
Pledges, net of allowance for uncollectible pledges of \$35,000 and \$30,000, respectively.	383,767	392,854
CARE/Miscellaneous receivables	25,371	33,332
Grants receivable	41,196	18,443
Investments	1,462,067	1,423,529
Prepaid expenses	11,545	10,453
Total current assets	<u>2,683,152</u>	<u>2,695,563</u>
Property and equipment		
Land	443,873	443,873
Furniture and equipment	76,661	74,666
Buildings and improvements	1,035,703	1,035,703
Less: accumulated depreciation	(149,305)	(113,121)
Net property and equipment	<u>1,406,932</u>	<u>1,441,121</u>
Other Assets		
Cash value of life insurance	17,283	16,618
Deferred financing cost	15,000	15,000
Less: accumulated amortization	(2,625)	(1,875)
Total other assets	<u>29,658</u>	<u>29,743</u>
Total assets	<u><u>4,119,742</u></u>	<u><u>4,166,427</u></u>

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

## FINANCIAL STATEMENTS

### STATEMENTS OF FINANCIAL POSITION - CONTINUED For the Year Ended June 30,

	<u>2016</u>	<u>2015</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	127,076	109,845
Grants payable	72,447	71,884
Deferred revenue	53,414	56,950
Agency funds	98,580	97,042
Current portion of capital lease	3,000	3,000
Current portion of note payable	39,236	37,787
Total current liabilities	<u>393,753</u>	<u>376,508</u>
Long Term Liabilities		
Capital lease obligations	6,250	9,250
Note payable	823,346	862,580
Total long term liabilities	<u>829,596</u>	<u>871,830</u>
Total liabilities	<u>1,223,349</u>	<u>1,248,338</u>
Net Assets		
Unrestricted:		
Board designated	844,602	851,515
Undesignated	1,634,222	1,672,005
Permanently restricted	417,569	394,569
Total net assets	<u>2,896,393</u>	<u>2,918,089</u>
Total liabilities and net assets	<u>4,119,742</u>	<u>4,166,427</u>

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

## FINANCIAL STATEMENTS

### STATEMENT OF ACTIVITIES – FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:			
Campaign results:			
Campaign pledges for current year campaign	1,214,815	0	1,214,815
Less - donor designations	(106,436)	0	(106,436)
Total Campaign results	<u>1,108,379</u>	<u>0</u>	<u>1,108,379</u>
Grants	241,704	0	241,704
Administration fees	12,161	0	12,161
CARE Academy income, net of tuition assistance \$23,667	561,448	0	561,448
Investment income	(12,662)	0	(12,662)
Endowment donations	0	23,000	23,000
Bad debt recoveries	458	0	458
Other	13,706	0	13,706
Total public support and revenue	<u>1,925,194</u>	<u>23,000</u>	<u>1,948,194</u>
Expenses:			
Program services:			
Community response	1,652,787	0	1,652,787
Supporting services:			
Fundraising	231,129	0	231,129
Management and general	85,974	0	85,974
Total expenses	<u>1,969,890</u>	<u>0</u>	<u>1,969,890</u>
Change in net assets	(44,696)	23,000	(21,696)
Net assets, beginning of year	<u>2,523,520</u>	<u>394,569</u>	<u>2,918,089</u>
Net assets, end of year	<u><u>2,478,824</u></u>	<u><u>417,569</u></u>	<u><u>2,896,393</u></u>

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

## FINANCIAL STATEMENTS

### STATEMENT OF ACTIVITIES – FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:			
Campaign results:			
Campaign pledges for current year campaign	1,261,296	0	1,261,296
Less - donor designations	(102,619)	0	(102,619)
Total Campaign results	<u>1,158,677</u>	<u>0</u>	<u>1,158,677</u>
Grants	223,564	0	223,564
Administration fees	13,921	0	13,921
CARE Academy income, net of tuition assistance of \$21,889	475,589	0	475,589
Investment income	24,517	0	24,517
Endowment donations	0	18,000	18,000
Other	12,918	0	12,918
Total public support and revenue	<u>1,909,186</u>	<u>18,000</u>	<u>1,927,186</u>
Expenses:			
Program services:			
Community response	1,520,724	0	1,520,724
Supporting services:			
Fundraising	182,231	0	182,231
Management and general	77,686	0	77,686
Other campaign administration	2,800	0	2,800
Total expenses	<u>1,783,441</u>	<u>0</u>	<u>1,783,441</u>
Change in net assets from operations	<u>125,745</u>	<u>18,000</u>	<u>143,745</u>
Other changes			
Loss on sale of assets	(804)	0	(804)
Total other changes	<u>(804)</u>	<u>0</u>	<u>(804)</u>
Change in net assets	124,941	18,000	142,941
Net assets, beginning of year	<u>2,398,579</u>	<u>376,569</u>	<u>2,775,148</u>
Net assets, end of year	<u><u>2,523,520</u></u>	<u><u>394,569</u></u>	<u><u>2,918,089</u></u>

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



## FINANCIAL STATEMENTS

### STATEMENTS OF CHANGES IN NET ASSETS

For the Years Ended June 30, 2016 and 2015

	Designated					Undesignated	Total Unrestricted	Permanently Restricted	Total
	Endowment	HRDC	General	Building Fund	Out of School				
Net assets, July 1, 2014	183,454	35,000	569,565	50,094	19,730	1,540,736	2,398,579	376,569	2,775,148
Board transfers	(30,000)	0	0	30,000	0	0	0	0	0
Change in net assets	<u>3,597</u>	<u>(10,000)</u>	<u>0</u>	<u>75</u>	<u>0</u>	<u>131,269</u>	<u>124,941</u>	<u>18,000</u>	<u>142,941</u>
Net assets, July 1, 2015	157,051	25,000	569,565	80,169	19,730	1,672,005	2,523,520	394,569	2,918,089
Board transfers	(15,000)	0	0	15,000	0	0	0	0	0
Change in net assets	<u>3,012</u>	<u>(10,000)</u>	<u>0</u>	<u>75</u>	<u>0</u>	<u>(37,783)</u>	<u>(44,696)</u>	<u>23,000</u>	<u>(21,696)</u>
Net assets, June 30, 2016	<u><u>145,063</u></u>	<u><u>15,000</u></u>	<u><u>569,565</u></u>	<u><u>95,244</u></u>	<u><u>19,730</u></u>	<u><u>1,634,222</u></u>	<u><u>2,478,824</u></u>	<u><u>417,569</u></u>	<u><u>2,896,393</u></u>

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

## FINANCIAL STATEMENTS

### STATEMENT OF FUNCTIONAL EXPENSES – FOR THE YEAR ENDED JUNE 30, 2016

	Community Response	Fundraising	Management & General	Total
Agency allocations	361,222	0	0	361,222
Bank service charges	6,978	3,401	0	10,379
Best Beginnings	8,518	0	0	8,518
Board expense	0	0	1,859	1,859
CARE expense	97,675	0	0	97,675
Communications	4,471	20,975	53	25,499
Community incentive program	324	0	0	324
Community resource center	16,574	0	0	16,574
Depend grant	808	0	0	808
DeStress grant	40,953	0	0	40,953
Disaster project	3	0	0	3
Dues and subscriptions	886	1,337	15	2,238
EFSP expense	25,344	0	0	25,344
Early Childhood	22,927	0	0	22,927
Employee benefits	141,845	22,437	18,005	182,287
Fees	4,607	382	211	5,200
Graduation Matters	2,960	0	0	2,960
Impact building	5,790	0	0	5,790
Insurance	5,403	455	1,246	7,104
Interest expense	27,856	2,343	1,170	31,369
Investment fees	0	14,557	0	14,557
Janitorial	16,245	1,367	682	18,294
Legal and accounting	14,008	1,178	589	15,775
Maintenance	5,925	498	250	6,673
Meals and entertainment	405	444	5	854
Miscellaneous	82	0	0	82
Mileage	2,479	173	2	2,654
Myrhe Grant	1,123	0	0	1,123
Payroll expenses	722,621	85,964	57,235	865,820
Postage	1,917	986	583	3,486
Software and computer maintenance	12,351	2,506	519	15,376
Supplies	29,953	1,740	817	32,510
Telephone	3,491	253	127	3,871
Training and development	5,088	2,030	(6)	7,112
Uncollectible pledges	0	62,952	0	62,952
Utilities	12,620	1,062	529	14,211
UW of America dues	16,144	1,358	678	18,180
Youth volunteer corps	393	0	0	393
	<u>1,619,989</u>	<u>228,398</u>	<u>84,569</u>	<u>1,932,956</u>
Depreciation and amortization	32,798	2,731	1,405	36,934
	<u>1,652,787</u>	<u>231,129</u>	<u>85,974</u>	<u>1,969,890</u>

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

## FINANCIAL STATEMENTS

### STATEMENT OF FUNCTIONAL EXPENSES – FOR THE YEAR ENDED JUNE 30, 2015

	Community Response	Fundraising	Management & General	Other Campaign Administration	Total
Agency allocations	380,000	0	0	0	380,000
Bank service charges	568	2,144	0	0	2,712
Best Beginnings	71,217	0	0	0	71,217
Board expense	35	0	1,293	0	1,328
CARE expense	84,964	0	0	0	84,964
Communications	2,259	8,667	75	0	11,001
Community incentive program	66	0	0	0	66
Community resource center	22,904	0	0	0	22,904
Day of action	2,520	0	0	0	2,520
DeStress grant	10,259	0	0	0	10,259
Disaster project	6,293	0	0	0	6,293
Drug free grant expense	9,912	0	0	0	9,912
Dues and subscriptions	1,097	1,540	498	0	3,135
EFSP expense	14,392	0	0	0	14,392
Early Childhood	27,695	0	0	0	27,695
Employee benefits	114,970	20,958	19,950	0	155,878
Fees	3,908	423	441	0	4,772
Graduation Matters	4,553	0	0	0	4,553
Impact building	11,495	0	0	0	11,495
Insurance	4,544	445	1,250	0	6,239
Interest expense	27,892	2,733	1,420	0	32,045
Investment fees	0	14,993	0	0	14,993
Janitorial	15,558	1,525	792	0	17,875
Legal and accounting	13,730	1,346	699	2,800	18,575
Maintenance	4,952	485	252	0	5,689
Meals and entertainment	113	21	0	0	134
Mileage	532	517	0	0	1,049
Myhre grant	472	0	0	0	472
Payroll expenses	565,170	57,209	44,808	0	667,187
Postage	1,206	848	306	0	2,360
Software and computer maintenance	11,122	2,585	566	0	14,273
Stop grant	5	0	0	0	5
Supplies	35,148	7,470	974	0	43,592
Telephone	4,092	350	182	0	4,624
Training and development	1,285	41	1,072	0	2,398
Uncollectible pledges	2,692	51,947	0	0	54,639
Utilities	12,462	1,221	634	0	14,317
UW of America dues	16,421	1,609	836	0	18,866
Youth volunteer corps	953	0	0	0	953
	<u>1,487,456</u>	<u>179,077</u>	<u>76,048</u>	<u>2,800</u>	<u>1,745,381</u>
Depreciation and amortization	<u>33,268</u>	<u>3,154</u>	<u>1,638</u>	<u>0</u>	<u>38,060</u>
	<u>1,520,724</u>	<u>182,231</u>	<u>77,686</u>	<u>2,800</u>	<u>1,783,441</u>

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

## FINANCIAL STATEMENTS

### STATEMENTS OF CASH FLOW

For the Years Ended June 30,

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	(21,696)	142,941
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	36,934	38,060
Realized and unrealized gains on investments	54,658	16,428
Contributions restricted for long-term purposes	(23,000)	(18,000)
Changes in assets and liabilities:		
Decrease (increase) in receivables	(5,705)	18,393
Increase in prepaid expenses	(1,092)	(522)
Decrease in other assets	85	111
Increase in accounts payable and accrued expenses	17,231	18,219
Increase in grants payable	563	58,865
Increase (decrease) in deferred revenue	(3,536)	1,297
Increase in agency funds	1,538	27,875
Net cash provided by operating activities	<u>55,980</u>	<u>303,667</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases	(1,995)	(8,113)
Purchase of investments	(300,581)	(585,193)
Proceeds from sale of investments	206,635	651,527
Net cash provided (used) by investing activities	<u>(95,941)</u>	<u>58,221</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital lease repayments	(3,000)	(2,750)
Payments on notes payable	(37,785)	(72,481)
Proceeds from contributions restricted for investment in permanent endowment	23,000	18,000
Net cash used by financing activities	<u>(17,785)</u>	<u>(57,231)</u>
Net increase (decrease) in cash and cash equivalents	(57,746)	304,657
Cash and cash equivalents, beginning of year	816,952	512,295
Cash and cash equivalents, end of year	<u>759,206</u>	<u>816,952</u>
Supplemental Cash Flow Information:		
Cash paid during the year for:		
Interest	31,428	32,008
Income taxes	0	0
Non Cash Information		
Leased equipment	0	15,000

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

**NOTES TO FINANCIAL STATEMENTS**

For the Years Ended June 30, 2016 and 2015

**Note A. Organization and Significant Accounting Policies****1. Nature of Operations:**

The United Way of Yellowstone County is a nonprofit organization formed for the purpose of achieving significant community impact by developing strategies, building partnerships and investing in programs, all of which are supported through annual fundraising campaigns as well as through competitive private, state and federal grants and contracts. United Way of Yellowstone County improves community conditions for children, youth, individuals, families and senior citizens.

**2. Financial Statement Presentation**

The Organization has presented its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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

Permanently restricted net assets – Net assets that are restricted by donors to be maintained by the Organization in perpetuity.

**3. Cash Equivalents:**

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**4. Promises to Give:**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All promises to give are expected to be collected within one year. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**5. Allowance Method Used to Record Bad Debts**

The Organization uses the allowance method for uncollectible pledges receivables.

**6. Investments:**

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.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

For the Years Ended June 30, 2016 and 2015

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.

**7. Property and Equipment:**

Property and equipment acquisitions with an original cost of at least \$1,000 are recorded at cost. Donated property and equipment is reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is provided over the estimated useful lives of assets (generally 5-40 years) and is computed using the straight-line method.

**8. Allocations Payable:**

Allocations payable represent amounts approved by the Board of Directors payable to United Way agencies.

**9. Annuity Obligation:**

The Organization receives charitable donations for annuities from donors with a provision that a fixed income be paid to the donor and/or his named beneficiary for life. The annuity obligation represents the present value of payments to be made over the life expectancies of the annuitant and/or his named beneficiaries based on Internal Revenue Service annuity tables. The contributions received and the related obligations are permanently restricted until the death of the annuitant and/or his named beneficiary at which time the remaining assets become permanently restricted or unrestricted based upon the terms of the original annuity agreement. The recorded obligation is recognized as income at the time of death. On an annual basis, the Organization revalues the liability related to required distributions to the designated beneficiaries based on actuarial assumptions. The liability is included in the accounts payable balance on the statement of financial position. The present value of the estimated future payments at June 30, 2016 and 2015 is \$19,105 and \$16,634, respectively. The obligation is included in Accounts Payable and Accrued Expenses.

**10. Board Designated Endowment:**

Board designated endowment funds represent funds that are designated by Board policy requiring in perpetuity that the principal be invested and the income only be used as determined by the Board.

**11. Revenue Recognition:**

Annual campaigns are conducted to raise support for allocation to participating agencies. Pledges, less an allowance for uncollectible amounts, are recorded as receivables in the year made. All contributions are considered available for unrestricted use unless specifically restricted by the donor as to time or purpose. The Organization acts as an agent of the donor when contributions are directed by the donor and are to be distributed to a specific third-party beneficiary. These contributions received and subsequently remitted to third parties are reflected in campaign results on the statement of activities but are not treated as contribution revenue.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

For the Years Ended June 30, 2016 and 2015

The Organization administers other campaigns for local employers. Under the agreements, the employers run campaigns, collect the pledges and make payments to the Organization for quarterly distribution to the agencies designated by the employee. The Organization collects administration fees for administering the other campaigns. The Organization is acting as an agent in administering the other campaigns and, therefore, contributions received and subsequently remitted to agencies are not included in the statement of activities.

**12. Advertising:**

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2016 and 2015 was \$3,185 and \$53, respectively.

**13. Donated Services, Materials and Facilities:**

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. The value of these contributed services does not meet the requirements for recognition in the financial statements and have not been recorded.

**14. Functional Allocation:**

The Organization's management allocates expenses by function between program and supporting service classifications based upon estimated levels of functional time and effort.

**15. Use of Estimates:**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

**16. Income Taxes:**

The Organization is organized as a nonprofit corporation and is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code. The Organization is subject to examination of their federal and state income tax filing in the United States and the State of Montana for the 2013 through 2015 tax years. There were no uncertain tax positions taken by the Organization. In the event that the Organization is assessed penalties and or interest, penalties will be charged to other operating expense and interest will be charged to interest expense.

**17. Concentration of Credit risk:**

The Organization has accounts that are maintained in several banks. Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of balances held at these banks in amounts that may, at times, exceed the \$250,000 FDIC insurance limits.

**18. Date of Management's Review:**

Management has performed a review of the activities and transactions subsequent to June 30, 2016 to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2016. Management has performed this analysis through October 18, 2016, the date the financial statements were available to be issued.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

For the Years Ended June 30, 2016 and 2015

**Note B. Cash and Cash Equivalents**

Cash and cash equivalents at June 30 are as follows:

	2016	2015
General Operating Deposits	178,573	239,477
Emergency Food and Shelter Fund Deposits	12,885	2,347
Employee Benefit Savings	1,070	2,221
General Operating Funds	1,447	2,145
General Operating Certificates of Deposit	526,796	499,196
Endowment Money Market	38,435	71,566
	<u>759,206</u>	<u>816,952</u>

**Note C. Allowance Method Used to Record Bad Debts**

The Organization provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Organization’s estimate is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that the Organization’s estimate of the allowance for doubtful accounts will change. Pledges receivable are presented net of an allowance for doubtful accounts of \$35,000 and \$30,000 at June 30, 2016 and 2015, respectively.

**Note D. Fair Value Measurement of Investments and Investment Return**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Values Measurements and Disclosures*, specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with FASB ASC 820, the following summarizes the fair value hierarchy:

Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 Inputs – Inputs other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.



### NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended June 30, 2016 and 2015

FASB ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization classifies assets and liabilities within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement of each individual asset and liability taken as a whole. The following table sets forth by level within the fair value hierarchy the gross components of investments measured at fair value on a recurring basis.

<u>June 30, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income securities	438,211	0	0	438,211
Equity securities	838,907	0	0	838,907
Complementary strategies	77,037	0	0	77,037
Real asset securities	107,912	0	0	107,912
Total	<u>1,462,067</u>	<u>0</u>	<u>0</u>	<u>1,462,067</u>

  

<u>June 30, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income securities	326,186	0	0	326,186
Equity securities	886,205	0	0	886,205
Complementary strategies	66,667	0	0	66,667
Real asset securities	144,471	0	0	144,471
Total	<u>1,423,529</u>	<u>0</u>	<u>0</u>	<u>1,423,529</u>

Investment income (loss) as of June 30, 2016 and 2015 is summarized as follows:

	<u>2016</u>	<u>2015</u>
Unrestricted:		
Interest income on cash and cash equivalents	3,385	3,205
Investment interest and dividends	38,611	37,740
Net realized and unrealized gains (losses)	(54,658)	(16,428)
	<u>(12,662)</u>	<u>24,517</u>

#### Note E. Other Assets

In November 2001, the Organization received a single premium whole life insurance policy from a donor. Under the terms of the insurance, the Organization receives the cash surrender value if the policy is terminated, and, upon death of the insured, receives a guaranteed death benefit. The cash surrender value of the life insurance as of June 30, 2016 and 2015 is \$17,283 and \$16,618, respectively, and is included in other assets in the accompanying statement of financial position.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

For the Years Ended June 30, 2016 and 2015

On December 21, 2012, the Organization entered into a \$990,000 revenue note agreement with Yellowstone County, Montana. The terms of the note agreement were payoff of a bridge loan to Wells Fargo Bank of \$975,000 and \$15,000 in origination and closing fees. These fees were capitalized immediately and will be amortized over the 20 year life of the loan. The Organization incurred amortization expense of \$750 and \$750 during the years ended June 30, 2016 and 2015, respectively.

**Note F. Accrued Vacation Payable**

Employees of the Organization are entitled to paid vacation, depending on length of service and other factors. Accrued but unused vacation leave in the amounts of \$21,150 and \$15,165 are included in accounts payable and accrued expenses on the statement of financial position at June 30, 2016 and 2015, respectively.

**Note G. Agency Funds**

The Organization acts as an agent for various organizations or projects where funds are to be disbursed only for the benefit of, and upon the instructions of those organizations or projects.

The Agency funds consist of cash and cash equivalents and pledges receivable for the following as of June 30:

	<u>2016</u>	<u>2015</u>
United Way Campaign, Donor Designations	<u>98,580</u>	<u>97,042</u>
	<u>98,580</u>	<u>97,042</u>

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

For the Years Ended June 30, 2016 and 2015

**Note H. Notes Payable**

On December 21, 2012, the Organization entered into a \$990,000 revenue note agreement with Yellowstone County, Montana to provide long-term financing for the purchase of the building. On the same date Yellowstone County assigned the revenue note to Wells Fargo Bank. The terms of the note call for monthly payments of \$5,768 commencing on January 15, 2013 with a fixed interest rate of 3.50%. The loan matures December 15, 2032 and is secured by the building.

The following is a schedule of future principal payments:

2017	39,236
2018	40,651
2019	42,117
2020	43,566
2021	45,208
Thereafter	<u>651,804</u>
Total	<u><u>862,582</u></u>

**Note I. Capital Lease**

On July 2, 2014, the Organization acquired equipment under the provision of a long-term lease. For financial reporting purposes, minimum lease payments relating to the equipment have been capitalized and are included in equipment on the balance sheet. The leased equipment under the capital lease has a cost of \$15,000. The following is a schedule of future minimum lease payments:

2017	3,000
2018	3,000
2019	3,000
2020	<u>250</u>
	<u><u>9,250</u></u>

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

For the Years Ended June 30, 2016 and 2015

**Note J. Net Assets**

**1. Unrestricted:**

The Board of Directors designated certain funds for special purposes.

- a. Board Designated Endowment is the principal of non-restricted gifts in the form of cash, bequests or stock.
- b. Board Designated HRDC is funds to be used as matching contributions for the Human Resource Development Council’s federally funded Assets for Independence Demonstration Program. The match consists of five annual payments of \$5,000.
- c. Board Designated General is funds to be used to stabilize program funding during periods of below normal campaigns, for special purpose programs grants, for special purpose UWYC programs and activities, and to support the administrative activities of the Organization.
- d. Board Designated Building Fund was income generated from the leasing of office space in the United Way building. The income will be used to pay for future building maintenance costs. In addition, the board designated a portion of the unrestricted endowment to be used for building maintenance.
- e. Board Designated Out of School was the net income from the CARE Academy program for the fiscal year 2010 to be used for after school programs.
- f. Amounts for the following purposes have been designated as of June 30:

Unrestricted:

	<u>2016</u>	<u>2015</u>
Board designated endowment	145,063	157,051
Board designated HRDC	15,000	25,000
Board designated general	569,565	569,565
Board designated building fund	95,244	80,169
Board designated out of school	19,730	19,730
	<u>844,602</u>	<u>851,515</u>
Undesignated	1,634,222	1,672,005
	<u><u>2,478,824</u></u>	<u><u>2,523,520</u></u>

**2. Permanently Restricted:**

Permanently Restricted:

	<u>2016</u>	<u>2015</u>
Permanently restricted assets consist of endowment fund investments to be held indefinitely, the income from which is expendable for unrestricted purposes.	<u>417,569</u>	<u>394,569</u>

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

For the Years Ended June 30, 2016 and 2015

**Note K. Pension Plan**

The Organization has a 403(b) Plan covering all full-time and part-time employees who have performed services for the Organization in at least one year of the immediately preceding five years and does not include employees whose total compensation during the year is less than the amount specified in the Internal Revenue Code. The Organization contributes an amount equal to 5% of the annual compensation plus matches up to 5% of annual compensation of the employees who are members of the plan. Organization contributions to the plan total \$45,902 and \$46,245, for the years ended June 30, 2016 and 2015, respectively.