



THE WHITLOCK CO.

CPAs and Consultants

UNITED WAY OF THE OZARKS, INC.

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT**

YEARS ENDED DECEMBER 31, 2016 AND 2015



INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Way of the Ozarks, Inc.
Springfield, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of **United Way of the Ozarks, Inc.** (United Way), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, cash flows, and functional expenses 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.

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 audit 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 United Way'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 United Way'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 Ozarks, Inc.** as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "THE WHITLOCK CO., LLP". The signature is written in a cursive, slightly slanted style.

Springfield, Missouri
June 9, 2017

STATEMENTS OF FINANCIAL POSITION

UNITED WAY OF THE OZARKS, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	<u>2016</u>	<u>2015</u>
Current assets		
Cash and cash equivalents	\$ 334,274	\$ 199,652
Short-term investments	150,763	50,502
Pledge receivables		
Current campaign, net	2,170,563	2,184,271
Prior campaign, net	213,475	265,043
Grants receivable	-	37,859
Other receivable	373	37
Prepaid expenses	<u>10,638</u>	<u>2,832</u>
Total current assets	<u>2,880,086</u>	<u>2,740,196</u>
Non-current		
Cash surrender value of life insurance policy	33,026	32,681
Long-term investments	383,052	524,942
Fixed assets, net	<u>87,948</u>	<u>45,999</u>
Total non-current assets	<u>504,026</u>	<u>603,622</u>
Total assets	<u>\$ 3,384,112</u>	<u>\$ 3,343,818</u>

LIABILITIES AND NET ASSETS

	December 31,	
	<u>2016</u>	<u>2015</u>
Current liabilities		
Accounts payable	\$ 68,901	\$ 56,704
Accrued salaries	11,805	17,273
Accrued vacation	30,410	27,735
Deferred revenue	-	4,832
Due to agencies	<u>866,924</u>	<u>1,863,760</u>
 Total current liabilities	 <u>978,040</u>	 <u>1,970,304</u>
 Net assets		
Unrestricted		
Unrestricted, undesignated	363,314	261,771
Unrestricted, designated	<u>383,052</u>	<u>423,404</u>
 Total unrestricted	 746,366	 685,175
 Temporarily restricted	 <u>1,659,706</u>	 <u>688,339</u>
 Total net assets	 <u>2,406,072</u>	 <u>1,373,514</u>
 Total liabilities and net assets	 <u>\$ 3,384,112</u>	 <u>\$ 3,343,818</u>

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

STATEMENTS OF ACTIVITIES

UNITED WAY OF THE OZARKS, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and other support						
Campaign - current period						
Contributions received - released from restriction	\$ 805,653	\$ (805,653)	\$ -	\$ 617,654	\$ (617,654)	\$ -
Write off adjustment to 2015 and 2014 campaign	6,435	-	6,435	(40,211)	-	(40,211)
Total campaign - current period	<u>812,088</u>	<u>(805,653)</u>	<u>6,435</u>	<u>577,443</u>	<u>(617,654)</u>	<u>(40,211)</u>
Campaign revenue - next allocation period	-	2,819,542	2,819,542	-	2,849,147	2,849,147
Contributions received - released from restrictions	652,898	(652,898)	-	1,624,419	(1,624,419)	-
Less donor designations	-	(214,026)	(214,026)	-	(239,341)	(239,341)
Less allowance for uncollectible pledges	-	(176,222)	(176,222)	-	(176,817)	(176,817)
Total campaign - next allocation period	<u>652,898</u>	<u>1,776,396</u>	<u>2,429,294</u>	<u>1,624,419</u>	<u>808,570</u>	<u>2,432,989</u>
Total campaign	1,464,986	970,743	2,435,729	2,201,862	190,916	2,392,778
Federal and state grants and contracts	233,745	-	233,745	418,879	-	418,879
Program income	8,264	-	8,264	10,000	-	10,000
Miscellaneous income	120,113	-	120,113	40,379	-	40,379
Loss on sale of building	-	-	-	(78,905)	-	(78,905)
Unrealized gain (loss) on designated quasi-endowments	13,931	-	13,931	(31,587)	-	(31,587)
Interest and dividends from designated quasi-endowments	8,551	-	8,551	16,873	-	16,873
Interest and dividends from investments	1,992	624	2,616	1,495	347	1,842
Rental income	-	-	-	57,388	-	57,388
Service fee income	151,249	-	151,249	137,814	-	137,814
In-kind contributions	10	-	10	5,696	-	5,696
Transfers (to) from related party	3,190	-	3,190	(97,885)	-	(97,885)
Release of other restricted funds	-	-	-	132,064	(132,064)	-
Total revenue and other support	<u>\$ 2,006,031</u>	<u>\$ 971,367</u>	<u>\$ 2,977,398</u>	<u>\$ 2,814,073</u>	<u>\$ 59,199</u>	<u>\$ 2,873,272</u>

(continued)

UNITED WAY OF THE OZARKS, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(continued)

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Total revenue and support	\$ 2,006,031	\$ 971,367	\$ 2,977,398	\$ 2,814,073	\$ 59,199	\$ 2,873,272
Expenses						
Program services						
Community Investment	938,512	-	938,512	1,830,593	-	1,830,593
Labor	26,829	-	26,829	29,604	-	29,604
Public relations	62,316	-	62,316	113,715	-	113,715
United Way/CPO projects	<u>277,952</u>	<u>-</u>	<u>277,952</u>	<u>437,129</u>	<u>-</u>	<u>437,129</u>
Total program services	<u>1,305,609</u>	<u>-</u>	<u>1,305,609</u>	<u>2,411,041</u>	<u>-</u>	<u>2,411,041</u>
Support services						
Fundraising	270,670	-	270,670	258,362	-	258,362
Management and general	<u>368,561</u>	<u>-</u>	<u>368,561</u>	<u>427,689</u>	<u>-</u>	<u>427,689</u>
Total support services	<u>639,231</u>	<u>-</u>	<u>639,231</u>	<u>686,051</u>	<u>-</u>	<u>686,051</u>
Total expenses	1,944,840	-	1,944,840	3,097,092	-	3,097,092
Change in net assets	61,191	971,367	1,032,558	(283,019)	59,199	(223,820)
Net assets - beginning of year	<u>685,175</u>	<u>688,339</u>	<u>1,373,514</u>	<u>968,194</u>	<u>629,140</u>	<u>1,597,334</u>
Net assets - end of year	<u>\$ 746,366</u>	<u>\$ 1,659,706</u>	<u>\$ 2,406,072</u>	<u>\$ 685,175</u>	<u>\$ 688,339</u>	<u>\$ 1,373,514</u>

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

UNITED WAY OF THE OZARKS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	PROGRAM SERVICES					SUPPORT SERVICES		Totals
	Community Investment	Labor	Public Relations	United Way Projects	Total Program Services	Fundraising	Management and General	
Salaries and related expenses	\$ 133,318	\$ 20,595	\$ 42,104	\$ 166,488	\$ 362,505	\$ 199,469	\$ 257,543	\$ 819,517
Administrative costs	-	-	-	22,719	22,719	-	-	22,719
Professional fees	123	25	354	2,782	3,284	285	28,009	31,578
Supplies and materials	2,691	486	848	48,282	52,307	8,541	8,676	69,524
Telephone	1,391	334	444	630	2,799	2,495	4,831	10,125
Occupancy	7,702	1,873	2,588	7,273	19,436	15,141	16,147	50,724
Insurance	1,045	224	354	476	2,099	1,800	2,176	6,075
Printing	880	300	215	375	1,770	9,668	782	12,220
Local travel	246	154	8	4,280	4,688	1,796	47	6,531
Trainings	-	-	125	5,545	5,670	100	297	6,067
Educational programming	2,004	104	12	2,687	4,807	4,656	2,086	11,549
Membership dues	381	690	158	1,912	3,141	1,513	3,281	7,935
Equipment maintenance	329	88	113	1,137	1,667	4,405	3,897	9,969
Annual meeting	-	-	12,412	-	12,412	-	-	12,412
Public education	14,978	-	-	7,806	22,784	-	10,144	32,928
Contractual services	831	244	217	5,560	6,852	6,514	13,285	26,651
Miscellaneous expenses	-	-	-	-	-	-	572	572
United Way Worldwide dues	5,737	1,402	1,645	-	8,784	11,163	12,525	32,472
Special allocations	122,991	-	-	-	122,991	-	-	122,991
In-kind expenditures	-	-	-	-	-	-	10	10
Total expenses before depreciation and other expenses	294,647	26,519	61,597	277,952	660,715	267,546	364,308	1,292,569
Depreciation of fixed assets	3,441	310	719	-	4,470	3,124	4,253	11,847
Total expenses before other expenses	298,088	26,829	62,316	277,952	665,185	270,670	368,561	1,304,416
Agency allocation	854,450	-	-	-	854,450	-	-	854,450
Less donor designations	(214,026)	-	-	-	(214,026)	-	-	(214,026)
Total expenses	\$ 938,512	\$ 26,829	\$ 62,316	\$ 277,952	\$ 1,305,609	\$ 270,670	\$ 368,561	\$ 1,944,840

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

UNITED WAY OF THE OZARKS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

PROGRAM SERVICES

SUPPORT SERVICES

	Community Investment	Labor	Public Relations	United Way Projects	Total Program Services	Fundraising	Management and General	Totals
Salaries and related expenses	\$ 99,020	\$ 23,165	\$ 86,368	\$ 299,924	\$ 508,477	\$ 190,513	\$ 263,953	\$ 962,943
Administrative costs	-	-	-	31,680	31,680	-	4,125	35,805
Professional fees	420	108	388	4,504	5,420	778	28,444	34,642
Supplies and materials	2,167	638	981	39,377	43,163	7,015	7,719	57,897
Telephone	1,230	358	999	1,101	3,688	2,650	4,571	10,909
Occupancy	5,820	1,722	4,087	16,334	27,963	12,374	35,839	76,176
Insurance	1,342	387	815	1,062	3,606	2,630	7,224	13,460
Printing	4,375	92	666	1,193	6,326	9,999	380	16,705
Local travel	403	342	3	8,208	8,956	2,150	73	11,179
Trainings	-	284	404	7,048	7,736	324	50	8,110
Educational programming	3,222	26	15	5,531	8,794	4,393	1,506	14,693
Membership dues	172	667	889	1,688	3,416	1,145	2,673	7,234
Equipment maintenance	242	74	159	984	1,459	3,408	3,772	8,639
Annual meeting	-	-	13,285	80	13,365	-	-	13,365
Public education	12,775	-	-	9,293	22,068	-	145	22,213
Contractual services	131	40	90	9,122	9,383	8,125	330	17,838
Miscellaneous expenses	-	-	-	-	-	-	2,438	2,438
Interest expenses	-	-	-	-	-	-	13,751	13,751
Real estate taxes	-	-	-	-	-	-	6,585	6,585
United Way Worldwide dues	5,005	1,378	3,327	-	9,710	10,043	10,209	29,962
Special allocations	146,057	-	-	-	146,057	-	-	146,057
In-kind expenditures	-	-	-	-	-	-	5,696	5,696
Total expenses before depreciation and other expenses	282,381	29,281	112,476	437,129	861,267	255,547	399,483	1,516,297
Depreciation of fixed assets	3,106	323	1,239	-	4,668	2,815	28,206	35,689
Total expenses before other expenses	285,487	29,604	113,715	437,129	865,935	258,362	427,689	1,551,986
Agency allocation	1,784,447	-	-	-	1,784,447	-	-	1,784,447
Less donor designations	<u>(239,341)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(239,341)</u>	<u>-</u>	<u>-</u>	<u>(239,341)</u>
Total expenses	\$ 1,830,593	\$ 29,604	\$ 113,715	\$ 437,129	\$ 2,411,041	\$ 258,362	\$ 427,689	\$ 3,097,092

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

UNITED WAY OF THE OZARKS, INC.

STATEMENTS OF CASH FLOWS

	Years ended December,	
	2016	2015
Cash flows from operating activities		
Campaign contributions - current period	\$ 1,970,796	\$ 1,389,048
Campaign contributions - next allocation period	530,209	1,170,338
Federal and state grants	266,772	414,257
Program income	128,377	50,379
Miscellaneous income	162,664	42,317
Interest income	2,616	1,842
Direct payments to agencies	(1,637,260)	(974,132)
Salaries and related expenditures	(822,310)	(817,164)
Other operating expenditures	(467,926)	(1,559,411)
	133,938	(282,526)
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchase of fixed assets	(53,796)	(10,693)
Proceeds from sale of fixed asset	-	500,000
Purchase of investments	(160,608)	(18,236)
Sale of investments	216,168	3,417
Payment of life insurance policy	(1,080)	(1,080)
	684	473,408
Net cash used in investing activities		
Cash flows from financing activities		
Repayment of long-term debt	-	(309,676)
	-	(309,676)
Net cash used in financing activities		
Net increase (decrease) in cash and cash equivalents	134,622	(118,794)
Cash and cash equivalents at beginning of year	199,652	318,446
Cash and cash equivalents at end of year	\$ 334,274	\$ 199,652

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UNITED WAY OF THE OZARKS, INC.

STATEMENTS OF CASH FLOWS

(continued)

	<u>Years ended December 31,</u>	
	2016	2015
<u>Reconciliation of change in net assets to net cash provided by (used in) operating activities</u>		
Change in net assets	\$ 1,032,558	\$ (223,820)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,847	35,689
Loss on sale of building	-	78,906
Unrealized loss (gain) on designated quasi-endowments	(13,931)	31,587
Decrease (increase) in:		
Pledges receivable	65,276	166,608
Grants receivable	37,859	(9,454)
Accounts receivable	(336)	1,336
Prepaid expenses	(7,806)	3,210
Increase (decrease) in:		
Accounts payable	12,932	(40,065)
Accrued salaries	(5,468)	1,467
Accrued vacation payable	2,675	886
Deferred revenue	(4,832)	4,832
Due to other agencies	(996,836)	(333,708)
Net cash provided by (used in) operating activities	\$ 133,938	\$ (282,526)

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

UNITED WAY OF THE OZARKS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

1. Summary of significant accounting policies

Nature of activities

United Way of the Ozarks, Inc. (United Way) was incorporated October 27, 1930 as an independently operated non-profit corporation whose mission is improving lives in the Ozarks by uniting community support in 14 counties in Southwest Missouri. United Way develops financial resources through an annual community-based resource development effort soliciting employee and corporate donations from businesses, health and education institutions, public service agencies, and organized labor. The development of financial resources from individuals, governmental and foundation sources, and the recruitment and mobilization of volunteers is also a core function of United Way.

United Way also has a lead role in the assessment of local community needs and develops an annual volunteer-driven investment plan to direct its resources to address critical issues. United Way is not a unit or chapter of any national organization. United Way is governed by a volunteer Board of Directors that hires and employs professional staff to carry out the day-to-day operations of the organization. Election of the board occurs at the annual meeting upon nomination by a standing committee from the board.

Promises to give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions are reported either in the unrestricted net asset class, or the temporarily restricted net asset class, based on the time frame within which any restrictions expire. The United Way reports all contributions that are restricted by donor in the temporarily restricted net asset class. When the restriction expires, temporarily restricted net assets are reclassified to the unrestricted class.

If a restriction expires in the same fiscal year as the contribution is received, the contribution is reported in the unrestricted class.

Amounts from the fall campaign are due within one year. Often the completion of campaign collections is not until early in the following year. However, since pledges are actually due within one year, the amounts have not been discounted to present value, as any difference due to present value calculations is deemed insignificant.

The United Way uses the allowance method to estimate uncollectible pledges receivable. The allowance estimate is based on prior years' collection experience.

Basis of accounting

Revenues and expenditures are recognized on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when both measurable and available. Expenditures under the accrual basis of accounting are recorded when the liability is incurred.

Financial statement presentation

United Way's financial statements are presented in accordance with Financial Accounting Standards Board (FASB) *Codification Topic 958*, "Not-For-Profit Entities." Under FASB *Codification Topic 958*, the United Way reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. United Way does not have any net assets that are permanently restricted, therefore that asset class is absent from these financial statements.

In accordance with FASB *Codification Topic 958*, all expenses are reported in the unrestricted net asset class. As restrictions are met, reclassification entries are made to move net assets from the temporarily restricted class to the unrestricted class so that expenditures may be made within that asset class.

Contributions

In accordance with the requirements of FASB *Codification Topic 958*, United Way records its current year pledges receivable in the temporarily restricted net asset class since pledges are raised for the following year. Any net pledges receivable remaining at year-end from the prior year campaign are reclassified to the unrestricted net asset class at year-end, since their time restriction has expired.

In accordance with FASB *Codification Topic 958*, other contributions received are recorded as unrestricted or temporarily restricted depending on the existence and/or nature of donor or other restrictions. Funds which have been designated by the donor to agencies outside of United Way are reported as a reduction of total campaign revenue, as required by FASB *Codification Topic 958*. Amounts which have been treated in this manner for year ended December 31, 2016 and 2015 total \$214,026 and \$239,341 respectively.

Cash and cash equivalents

For purposes of the statement of cash flows, United Way considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and equipment

Property and equipment are stated at cost or at their fair market value if donated and are reported in the unrestricted net asset class. All long-lived assets with a cost, or fair market value if donated, of \$1,000 or greater are capitalized and depreciated. Depreciation is computed on a straight-line basis over the useful life of the asset, typically 3-10 years for furniture and equipment.

Deferred revenue

Deferred revenue amounts as listed on the Statement of Financial Position represent grant or other funds, which are available for use in future periods. Revenue recognition will occur as qualifying expenditures are made.

Functional expenses

United Way allocates its expenses on a functional basis among its various programs and support services, and is committed to complying with United Way Worldwide cost reduction standards. Expenses that can be identified with a specific program (i.e. agency allocations) are allocated directly

according to their natural expenditure classification. Various statistical basis allocate other expenses that are common to several functions.

The principal programs of United Way, as reported on the functional expense statement are as follows:

Community Investment

Community investment includes all direct payments to community providers, as well as regular allocations to agencies and initiatives funded by the United Way. Partner agencies normally receive monthly allocations from the United Way.

Labor

Included in the labor program are all the costs associated with the labor contract maintained with the labor community. The United Way recognizes that many donations are from the labor community; therefore, one of the positions at United Way provides a liaison with that group. This program area accounts for all costs associated with the maintenance of that liaison position.

Public relations

Public relations include expenses related to United Way public relations in general.

United Way projects

United Way includes in its project function all costs associated with the grant programs conducted under its auspices. The primary focus of these projects is to facilitate and promote community problem-solving by coordinating and developing all available resources for the betterment of the community and its people.

The principal support services of United Way, as reported on the functional expense statement are as follows:

Campaign

Campaign includes those costs associated with conducting the annual campaign.

Planned giving

Planned giving includes designated funds with the Community Foundation of the Ozarks, life insurance policies, and Central Trust and Investment Company. The purpose of the designated planned giving funds is to offer a planned giving program that will build designated funds for the financial stability of United Way. Income generated from the fund would benefit community agencies.

Management and general

Management and general includes all costs relating to maintaining the offices and support staff of United Way.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax-exempt status

United Way is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986. United Way is not a private foundation.

Uncertainty in income taxes

Generally Accepted Accounting Principles prescribe a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as the position United Way has taken that the organization is exempt from income taxes.

United Way's income tax filings are subject to audit by various taxing authorities. United Way's open tax audit periods are 2013 through 2016. In evaluating United Way's tax positions, interpretations and tax planning strategies are considered. United Way believes their estimates are appropriate based on current facts and circumstances.

Reclassifications

Certain accounts relating to the prior year have been reclassified to conform with the current year's presentation. Prior year report included the affiliate Community Partnership of the Ozarks. Those numbers were not included in the prior year due to the Board of Directors only wanting UWO presented.

Recent accounting pronouncements

In February 2016, the FASB issued *ASU 2016-02 Leases*. *ASU 2016-02* requires recognition of the assets and liabilities that arise from leases. The new standard is effective for fiscal years beginning after December 15, 2019. United Way is currently evaluating the effect that implementation of the new standard will have on its statement of financial position, statement of activities, and cash flows.

The FASB issued *ASU 2016-13, Measurement of Credit Losses on Financial Instruments*, in June 2016. Its implementation will result in a new Accounts Receivable loss accounting framework, also known as the current expected credit loss (CECL) model. CECL requires credit losses expected throughout the life of the asset to be recorded at the time of origination. Under the current incurred loss model, losses are recorded when it is probable that a loss event has occurred. The new standard will require significant operational changes, especially in data collection and analysis. The ASU is effective for interim and annual periods beginning January 1, 2021, and is expected to increase the allowance upon adoption. United Way is assessing the standard and is in the process of reviewing the capability of its systems and processes to support the data collection and retention required to implement the new standard.

In May 2014, the FASB issued *ASU No. 2014-09, Revenue from Contracts with Customers*, (*ASU 2014-09*) which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This guidance will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for UWO on September 30, 2019. Early application is not permitted. The standard permits the use of

either the retrospective or cumulative effect transition method. UWO is evaluating the effect that ASU 2014-09 will have on its financial statements.

The FASB issue ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, (ASU 2016-14) in August 2016. ASU 2016-14 improves the current net asset classification requirements and the information presented in the financial statements and notes about UWO's liquidity, financial performance, and cash flows. The new standard is effective for fiscal years beginning after December 15, 2017. UWO is currently evaluating the effect that implementation of the new standard will have on its financial statements.

2. Investments

Investments at December 31, 2016 and 2015 consist of the following:

Depository	December 31, 2016		
	Amount	Rate	Maturity
Certificates of Deposit			
Springfield First Community Bank	\$ 50,126	1.00%	08/24/17
Great Southern Bank	<u>100,637</u>	0.95%	04/21/17
Total Certificates of Deposit	150,763		
Community Foundation	87,062		
Central Trust and Investment Co.	<u>295,990</u>		
Total investments	<u>\$ 533,815</u>		
Depository	December 31, 2015		
	Amount	Rate	Maturity
Certificates of Deposit			
Bank of Missouri	\$ <u>50,502</u>	0.51%	05/31/16
Total Certificates of Deposit	50,502		
Community Foundation	184,601		
Central Trust and Investment Co.	<u>340,341</u>		
Total investments	<u>\$ 575,444</u>		

Cost basis for United Way investments held with Community Foundation was \$74,255 and \$175,278 at December 31, 2016 and 2015, respectively. A portion of the funds held by the Community

Foundation have been designated by the board as a quasi-endowment fund and is carried at market value based on information provided by Community Foundation

The investments in Central Trust and Investment Co. have been designated by the board as a quasi-endowment fund and is carried at market value based on information provided by Central Trust and Investment Co. The cost basis of this investment for the years ended December 31, 2016 and 2015 was \$276,499 and \$335,894, respectively.

During the year ended December 31, 2016 and 2015, the unrealized gains (losses) on all investments totaled \$13,931 and \$(31,587), respectively.

During the years ended December 31, 2016 and 2015, interest and dividends on all investments listed above and the operating account totaled \$11,167 and \$18,715, respectively.

3. Pledge receivables

Pledges to the United Way campaign are due within one year as the campaign is conducted on an annual basis. United Way writes remaining pledge receivables off the books after two years. Pledge receivables from the prior year campaign are presented in the unrestricted fund since the time restrictions on the use of the funds have expired. Pledge receivables from the campaign conducted in the fall of 2016 (2015) are reported in the temporarily restricted class since the cash flows from those receivables are to be used in the following year - 2017 (2016). The amounts receivable for the two campaigns, as well as their related allowances for uncollectible pledges at December 31, 2016 and 2015, are as follows:

	<u>December 31, 2016</u>		
	<u>Unrestricted 2014 Campaign</u>	<u>Unrestricted 2015 Campaign</u>	<u>Temporarily Restricted 2016 Campaign</u>
Pledge receivables	\$ 189,702	\$ 389,312	\$ 2,346,784
Less: allowance for uncollectible pledges	<u>(189,702)</u>	<u>(175,837)</u>	<u>(176,221)</u>
Pledge receivables, net	<u>\$ -</u>	<u>\$ 213,475</u>	<u>\$ 2,170,563</u>
	<u>December 31, 2015</u>		
	<u>Unrestricted 2013 Campaign</u>	<u>Unrestricted 2014 Campaign</u>	<u>Temporarily Restricted 2015 Campaign</u>
Pledge receivables	\$ 259,356	\$ 443,956	\$ 2,360,918
Less: allowance for uncollectible pledges	<u>(251,006)</u>	<u>(187,263)</u>	<u>(176,647)</u>
Pledge receivables, net	<u>\$ 8,350</u>	<u>\$ 256,693</u>	<u>\$ 2,184,271</u>

4. Cash surrender value of life insurance policy

In December 2004, United Way received a donation of a life insurance policy in which the organization was the designated beneficiary. The United Way began paying the annual premiums in fiscal year 2004. The cash surrender value of the life insurance policy at December 31, 2016 and 2015 was \$33,026 and \$32,681 respectively.

5. Due to agencies

At year-end, United Way reports, as due to agencies, the amounts that were approved prior to year-end as agency allocations for the following year. The breakdown of due to agencies at December 31, is as follows:

	<u>2016</u>	<u>2015</u>
Due to agencies	\$ 866,924	\$ 1,863,760

6. Fixed assets

Buildings, furniture and equipment are stated at cost or fair market value, if donated, and are written off on a straight-line basis over a period as explained in Note 1. Gross value and accumulated depreciation at December 31, is as listed:

<u>Description</u>	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 84,531	\$ 88,122
Computer software	17,025	22,225
Leasehold improvements	<u>134,593</u>	<u>80,797</u>
Total fixed assets	236,149	191,144
Less accumulated depreciation	<u>(148,201)</u>	<u>(145,145)</u>
Total fixed assets, net	<u>\$ 87,948</u>	<u>\$ 45,999</u>

Additions to each asset class are described below:

<u>Description</u>	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 53,796	\$ 8,521
Furniture and equipment	-	2,172

Depreciation expense for the years ended December 31, 2016 and 2015 was \$11,847 and \$35,689 respectively.

7. Unrestricted net assets

Unrestricted board designated net assets are those assets which have been designated by the United Way board for use in specific projects. Unrestricted net assets are available for the following purposes at December 31:

<u>Designation</u>	<u>2016</u>	<u>2015</u>
Unrestricted, undesignated	\$ 363,314	\$ 261,771
Unrestricted, board designated	<u>383,052</u>	<u>423,404</u>
	<u>\$ 746,366</u>	<u>\$ 685,175</u>

8. Temporarily restricted net assets

Temporarily restricted net assets are those assets which have been provided by donors for use in specific projects and/or for use in a specific time period. Those funds are held in the temporarily restricted net asset class until expended.

The temporarily restricted net asset balance relates primarily to the United Way campaign. Moneys raised in the fall of each year are designated through the campaign to support the agencies and United Way administration during the coming year. Therefore at each year-end, the entire campaign, less the related allowance for doubtful accounts and less allocations to agencies for the coming year which were approved by the Board of Directors prior to year-end, resides in the temporarily restricted classification. That restriction will be lifted, and reclassification entries made to the unrestricted net asset class as receipts are collected and expenditures made during the following year.

Because United Way approved all agency allocations for the coming six months prior to each year-end, reclassification entries, expense entries, and corresponding liabilities for agency allocations for the coming year are entered at the time of board approval.

Temporarily restricted net assets are available for the following purposes at December 31:

Restriction type	<u>2016</u>	<u>2015</u>
Time restriction		
Campaign funds for use in 2016 (2015)	\$ 1,439,609	\$ 407,936
Purpose restriction		
UWO donor restricted	159,657	211,552
Entrepreneurial fund	<u>60,440</u>	<u>68,851</u>
Total temporary restricted net assets	<u>\$ 1,659,706</u>	<u>\$ 688,339</u>

9. Contributed services and materials

During the year ended December 31, 2016, there were no material contributed services meeting the requirements for recognition in the financial statements outlined in *FASB Codification Topic 958*. Often, materials are donated to United Way from various sources and then passed on to the member agencies. These amounts were booked as revenue and expense for the period. In addition, program materials in the amount of \$10 and \$5,696 were recorded as revenue and expense for United Way projects for the year ended December 31, 2016 and 2015, respectively.

10. Retirement plan

United Way participates in a defined contribution retirement plan covering all employees who have completed one year of service at United Way or another qualifying organization. This plan is in accordance with Internal Revenue Code Sec. 403(b). For employees meeting eligibility requirements, United Way contributes 10% of each employee's salary to a fund administered by Mutual of America. The employer contribution for the year ended December 31, 2016 and 2015 was \$73,458 and \$84,732, respectively.

11. Concentration of credit risk

United Way maintains cash balances in non-interest bearing transaction accounts at several financial institutions located in the Springfield, Missouri area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation and are subject to the \$250,000 limitation. The total bank balance of all accounts at Guaranty Bank was \$214,801 and \$619,429 at December 31, 2016 and 2015, respectively. The account balances are held in sweep accounts where funds are swept each night into accounts where funds are secured by government securities.

The pledge receivable balance constitutes credit risk to the extent that donors might choose not to complete their pledge payments. However, the United Way has a consistent collection record, and appropriate allowances for uncollected pledges are maintained as described in Note 3 to the financial statements.

12. Leases

On April 29, 1996, United Way entered into a lease agreement with the City of Springfield, Missouri for their current office facilities location.

The facilities were leased by United Way for a total value of one dollar for a 50-year period, ending on June 30, 2046. At the end of the lease term, United Way has an option to purchase the leased premises, which include the land and building structure, for the then appraised value of the land only.

On March 28, 2005, a portion of the premises described previously was sub-leased to Great Southern Community Development with the same expiration date of June 30, 2046. The sub-lease was for a total value of one dollar for a 41-year period.

The sub-lease will continue until terminated early by either party or terminated pursuant to the lease between City of Springfield, Missouri and United Way dated April 29, 1996. United Way has no responsibility to repair or maintain the premises during the sub-lease term.

Because the lease agreement with the City of Springfield is for a total value of one dollar, there are no future minimum lease payments. However, United Way does assume responsibility to keep, maintain,

repair and operate the entirety of the leased premises, and all improvements and facilities placed thereon will be at its sole cost and expense.

United Way also leases various office equipment through the normal course of business.

13. Fair value of financial instruments

Effective January 1, 2008, UWO adopted FASB *Codification Topic 820, Fair Value Measurements and Disclosures*. FASB *Codification Topic 820* defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements.

FASB *Codification Topic 820* defines fair value 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. FASB *Codification Topic 820* establishes a fair value hierarchy that prioritizes the inputs used in valuation techniques used to measure fair value into three levels, with Level 1 being the highest priority.

Level 1 inputs: Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 inputs: Level 2 inputs are from other than market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted market prices of similar assets or liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active.

Level 3 inputs: Level 3 inputs are unobservable and should be used to measure fair value to the extent that observable inputs are not available.

The following are major categories of assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2016 and 2015:

Investments - Fair values have been determined using quoted market prices.

	December 31, 2016			Carrying Amount
	Fair Value			
	Level 1	Level 2	Level 3	
<u>Financial Assets</u>				
<u>Investments</u>				
Community Foundation	\$ -	\$ 87,062	\$ -	\$ 87,062
Central Trust - Equities	162,615	-	-	162,615
Central Trust - Fixed income	-	92,915	-	92,915
Central Trust - Alternative	-	27,661	-	27,661
Central Trust - Cash and equivalents	12,799	-	-	12,799
Certificates of deposit	150,763	-	-	150,763
	<u>\$ 326,177</u>	<u>\$ 207,638</u>	<u>\$ -</u>	<u>\$ 533,815</u>

December 31, 2015				
Fair Value				Carrying Amount
Level 1	Level 2	Level 3		
<u>Financial Assets</u>				
<u>Investments</u>				
Community Foundation	\$ -	\$ 184,601	\$ -	\$ 184,601
Central Trust - Equities	175,250	-	-	175,250
Central Trust - Fixed income	-	87,710	-	87,710
Central Trust - Real assets	-	26,683	-	26,683
Central Trust - Alternatives	-	34,158	-	34,158
Central Trust - Cash and equivalents	16,540	-	-	16,540
Certificates of deposit	50,502	-	-	50,502
	<u>\$ 242,292</u>	<u>\$ 333,152</u>	<u>\$ -</u>	<u>\$ 575,444</u>

14. Subsequent events

In preparing these financial statements, United Way has evaluated events and transactions for potential recognition or disclosure through June 9, 2017, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

UNITED WAY OF THE OZARKS, INC.

SCHEDULE OF AGENCY ALLOCATIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

Agency allocations (approved for January 2017 through June 2017)

American Red Cross of Southern Missouri	\$ 94,354
Big Brothers/Big Sisters of the Ozarks	34,063
Boy Scouts of America, Ozark Trails Council	46,463
Boys & Girls Club of Springfield	136,840
Community Partnership of the Ozarks	43,099
Court Appointed Special Advocates (CASA)	14,378
Developmental Center of the Ozarks (DCO)	48,438
Girl Scouts of the Missouri Heartland	43,122
Great Circle - Boys & Girls Town of Missouri	17,632
Habitat for Humanity	7,893
Harmony House	26,570
Kids First	13,644
Lutheran Family & Children's Services	16,987
NAMI (National Alliance for Mental Illness)	16,867
OTC Middle College	9,355
Ozarks Counseling Center	36,997
Ozarks Literacy Council	12,684
Ozarks Regional YMCA	59,307
Retired and Senior Volunteer Program (RSVP)	12,871
Salvation Army	92,932
The Arc of the Ozarks	12,683
The Kitchen/Rare Breed	3,742
The Victim Center	52,500
Restricted payments to partner agencies	<u>1,029</u>
Total agency allocations	854,450
Less: Restricted by United Way donors	<u>(214,026)</u>
Net agency allocations	<u><u>\$ 640,424</u></u>

See Independent Auditor's Report.

UNITED WAY OF THE OZARKS, INC.

SCHEDULE OF SPECIAL ALLOCATIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

Backpack program allocations	
Ozarks Food Harvest	\$ 32,500
Imagination Library Initiative	47,234
United Way - Tri-Lakes grants	
Boys & Girls Club of Ozarks	2,500
Christian Action Ministires	2,500
Christian Associates of Table Rock Lake	5,500
Cox Medical Center - Branson	2,300
Family Community Health Center	3,000
Gift of Hope, Inc.	2,500
Jesus was Homeless, Inc.	3,500
The Salvation Army - Branson	2,500
TanTone Industries	1,200
United Way of the Ozarks grants	
Cox Foundation - Colorectal Cancer Awareness	1,500
UWO Cancer Fund	1,034
UWO Veteran's Emergency Assistance Fund	11,959
Women's Leadership Initiative	<u>3,265</u>
Total special allocations	<u><u>\$ 122,992</u></u>

See Independent Auditor's Report.

UNITED WAY OF THE OZARKS, INC.

**HISTORICAL INFORMATION
LOSS ON COLLECTIONS**

	<u>Fall 2015 Campaign</u>	<u>Fall 2014 Campaign</u>	<u>Fall 2013 Campaign *</u>	<u>Fall 2012 Campaign</u>	<u>Fall 2011 Campaign</u>	<u>Five-year average</u>
Total campaign	\$ 2,849,147	\$ 2,996,211	\$ 3,192,080	\$ 3,685,336	\$ 3,383,938	\$ 3,221,342
Total collections on campaign	\$ 2,647,760	\$ 2,806,758	\$ 2,941,074	\$ 3,484,678	\$ 3,186,520	\$ 3,013,358
Percent of campaign collected	92.93%	93.68%	92.14%	94.56%	94.17%	93.54%
Percent loss	7.07%	6.32%	7.86%	5.44%	5.83%	6.46%
Total campaign	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

* Reflects a change of \$579,825 due to a change in pledge processing of the O'Reilly national campaign.

See Independent Auditor's Report.