

AUDITED FINANCIAL STATEMENTS
HEART OF MISSOURI UNITED WAY, INC.
COLUMBIA, MISSOURI

DECEMBER 31, 2018

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BEARD-BOEHMER & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS
COLUMBIA, MISSOURI

**HEART OF MISSOURI UNITED WAY, INC.
COLUMBIA, MISSOURI
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October 14, 2019

INDEPENDENT AUDITORS' REPORT

Board of Directors
Heart of Missouri United Way, Inc.
Columbia, Missouri

We have audited the accompanying financial statements of Heart of Missouri United Way, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

**HEART OF MISSOURI UNITED WAY, INC.
INDEPENDENT AUDITORS' REPORT (CONTINUED)**

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heart of Missouri United Way, Inc. as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of allocations on page 17 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.

Beard-Boehmer & Associates, PC

Beard-Boehmer & Associates, PC
Columbia, MO

**HEART OF MISSOURI UNITED WAY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 700,557
Investments	987,524
Grant and accounts receivable	32,857
Accrued interest	1,036
Pledges receivable, current year campaign (net of allowance)	2,106,256
Pledges receivable, prior year campaign	72,547
Sponsorships receivable	5,000
Prepaid expenses	18,160
TOTAL CURRENT ASSETS	\$ <u>3,923,937</u>
FIXED ASSETS:	
Equipment	\$ 194,760
Leasehold improvements	101,013
Less: accumulated depreciation	(169,424)
NET FIXED ASSETS	\$ <u>126,349</u>
NON-CURRENT ASSETS:	
Sponsorships receivable	\$ 10,000
TOTAL NON-CURRENT ASSETS	\$ <u>10,000</u>
TOTAL ASSETS	\$ <u><u>4,060,286</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	\$ 2,083
Note payable	8,723
Allocations and designations payable	898,446
Payroll related accruals	6,859
TOTAL CURRENT LIABILITIES	\$ <u>916,111</u>
LONG-TERM LIABILITIES:	
Note payable	\$ 41,382
TOTAL LONG-TERM LIABILITIES	\$ <u>41,382</u>
TOTAL LIABILITIES	\$ 957,493
NET ASSETS:	
Without donor restrictions	\$ 2,529,767
With donor restrictions	<u>573,026</u>
TOTAL NET ASSETS	\$ <u>3,102,793</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>4,060,286</u></u>

**THE ACCOMPANYING NOTES TO THESE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT**

HEART OF MISSOURI UNITED WAY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES:			
Campaign income			
Campaign revenue received for next allocation period	\$ 2,238,948	\$ 434,326	\$ 2,673,274
Designations to partner and other agencies	(249,086)	-	(249,086)
Designations to other United Ways	(10,646)	-	(10,646)
Provision for uncollectible pledges	(133,715)	-	(133,715)
Prior campaign excess (deficit)	(4,353)	-	(4,353)
Net assets released from restrictions - time expirations	552,251	(552,251)	-
Total Campaign Income	<u>\$ 2,393,399</u>	<u>\$ (117,925)</u>	<u>\$ 2,275,474</u>
Other Income:			
Investment income	\$ 11,998	\$ (2,576)	\$ 9,422
Sponsorships and grants	187,015	-	187,015
In kind donations/services	29,087	-	29,087
Miscellaneous	6,279	-	6,279
Total Other Income	<u>\$ 234,379</u>	<u>\$ (2,576)</u>	<u>\$ 231,803</u>
TOTAL SUPPORT AND REVENUES	<u>\$ 2,627,778</u>	<u>\$ (120,501)</u>	<u>\$ 2,507,277</u>
EXPENSES:			
Allocations:			
Funds allocated to Member Agencies	\$ 1,494,398	\$ -	\$ 1,494,398
Other Community Initiatives Funding	39,426	-	39,426
Total Allocations	<u>\$ 1,533,824</u>	<u>\$ -</u>	<u>\$ 1,533,824</u>
Other Functional Expenses:			
Program	\$ 467,970	\$ -	\$ 467,970
Administration and management	264,491	-	264,491
Fundraising	315,602	-	315,602
Total Other Functional Expenses	<u>\$ 1,048,063</u>	<u>\$ -</u>	<u>\$ 1,048,063</u>
TOTAL EXPENSES	<u>\$ 2,581,887</u>	<u>\$ -</u>	<u>\$ 2,581,887</u>
CHANGE IN NET ASSETS.	\$ 45,891	\$ (120,501)	\$ (74,610)
NET ASSETS, BEGINNING	<u>\$ 2,483,876</u>	<u>\$ 693,527</u>	<u>\$ 3,177,403</u>
NET ASSETS, ENDING	<u>\$ 2,529,767</u>	<u>\$ 573,026</u>	<u>\$ 3,102,793</u>

**THE ACCOMPANYING NOTES TO THESE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT**

**HEART OF MISSOURI UNITED WAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Community Investment and Engagement Program	Administration and Management	Fundraising	Totals
Employee compensation				
Salaries and wages	\$ 252,157	\$ 143,553	\$ 129,381	\$ 525,091
Employee health benefits	44,951	31,678	28,551	105,180
Pension contributions	6,358	4,954	4,465	15,777
Other employee expenses	806	628	566	2,000
Payroll taxes	18,731	10,757	9,695	39,183
Total Employee compensation	<u>323,003</u>	<u>191,570</u>	<u>172,658</u>	<u>687,231</u>
Other expenses				
Depreciation	\$ 8,858	\$ 6,902	\$ 6,221	\$ 21,981
Development expenses	-	-	77,221	77,221
Dues and subscriptions	1,155	900	811	2,866
Insurance	1,627	1,267	1,142	4,036
Interest	882	687	619	2,188
Miscellaneous	5,898	285	257	6,440
Occupancy	21,320	16,612	14,972	52,904
Office supplies	1,692	1,318	1,188	4,198
Postage	674	525	473	1,672
Professional fees	61,415	12,132	10,934	84,481
Rental and maintenance of equipment	17,111	13,332	12,016	42,459
Service fee support to United Way	12,723	9,913	8,935	31,571
Telephone	3,231	2,517	2,269	8,017
Travel, conferences and meetings	5,482	4,272	3,850	13,604
Utilities	2,899	2,259	2,036	7,194
Total Other expenses	<u>\$ 144,967</u>	<u>\$ 72,921</u>	<u>\$ 142,944</u>	<u>\$ 360,832</u>
Total Expenses	<u>\$ 467,970</u>	<u>\$ 264,491</u>	<u>\$ 315,602</u>	<u>\$ 1,048,063</u>

**THE ACCOMPANYING NOTES TO THESE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT**

**HEART OF MISSOURI UNITED WAY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ <u>(74,610)</u>
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation	\$ 21,981
Unrealized (gains) losses on investments	9,685
Realized (gains) losses on investments	(1,192)
Allowance for uncollectible pledges	133,715
Changes in assets and liabilities:	
(Increase) decrease in pledges receivable	(145,654)
(Increase) decrease in grants and receivable	(26,693)
(Increase) decrease in accrued interest	(1,036)
(Increase) decrease in sponsorships receivable	(7,867)
(Increase) decrease in prepaid expenses	(4,147)
Increase (decrease) in accounts payable	16,707
Increase (decrease) in accrued payroll	23,719
(Increase) decrease in allocations and designations payable	(27,325)
(Increase) decrease in deferred revenue	<u>73,511</u>
Total Adjustments	\$ <u>65,404</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>(9,206)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Reinvestment of earnings into investments	\$ (19,122)
Purchase of fixed assets	<u>(5,140)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ (24,262)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on note payable	\$ <u>(8,409)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	\$ <u>(8,409)</u>
CHANGE IN CASH	\$ (41,877)
CASH, BEGINNING OF YEAR	<u>742,434</u>
CASH, END OF YEAR.	\$ <u><u>700,557</u></u>
 Interest Paid:	 \$ <u><u>2,188</u></u>

**THE ACCOMPANYING NOTES TO THESE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT**

HEART OF MISSOURI UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Purpose of the Organization

Heart of Missouri United Way, Inc. (the "Organization") is a non-profit corporation which coordinates local volunteers and other resources for agency evaluations, needs assessment, funds distribution, community problem solving, communications, strategic planning and fundraising. Volunteers ensure money is efficiently allocated by distributing funds among local agencies located in the Missouri counties of Boone, Cooper, and Howard.

B. Basis of Accounting

Heart of Missouri United Way, Inc. presents its financial statements on the accrual basis of accounting with revenues recognized when earned and expenses recognized when incurred.

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand and cash held in checking and money market accounts. The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

D. Income Tax Status

Heart of Missouri United Way, Inc. qualifies as a tax exempt corporation under Section 501(c)(3) of the U.S. Internal Revenue Code, and is not a private foundation pursuant to section 509(a) of the code. The Organization's form 990, Return of Organization Exempt from Income Tax, for all open tax years are subject to examination by the IRS, generally for three years after they were filed.

E. Contributions

All contributions are considered to be available for the general program of the Organization unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donors are reported as an increase in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are received.

F. Pledges and Related Expenses

Annual campaigns generally begin in August to raise support for allocations to member agencies in the subsequent calendar year. Campaign production (pledges) are recognized as public support revenue in the year in which the pledges are received.

G. Allowance for Uncollected Accounts

Pledges receivable are stated net of an allowance for uncollected accounts. The Organization estimated the allowance based on its historical experience of the relationship between actual bad debts and net amount pledged. The allowance for uncollected accounts for pledges receivable is \$133,715 for the current year campaign.

HEART OF MISSOURI UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Property and Equipment

Donated equipment is recorded at appraised or estimated fair value. Purchased equipment is recorded at cost. Expenditures which significantly extend the useful lives of existing assets are capitalized. Repair and maintenance costs are charged to current operations.

Depreciation is provided by applying straight-line rates to the estimated useful lives of equipment from three to fifteen years.

I. Allocations Payable

The Organization annually allocates funds to its nonprofit partner agencies. The Board of Directors approves the total amount of allocations to be distributed for the next allocation period, provided the agencies are in compliance with agency agreements. Allocations are considered unconditional promises to give and are recognized in the fiscal year they are communicated to the agencies. Allocations payable recorded on the statement of financial position are for 2018 commitments payable in the first six months of 2019.

The Organization's promise to give period (period for which allocations are accrued) is a 12 month period beginning in July and ending in June. As a result at each December 31, the Organization only accrues a six month allocation commitment for the period of January to June of the following year. The allocations for the final six months of the following year are determined and promised in the spring of that year.

J. Designations Payable

The Organization honors designations to nonprofit partner agencies. In accordance with Generally Accepted Accounting Principles, these specified designations are not considered to be part of the allocations to member agencies and are deducted from the current campaign results to arrive at the net allocation expense in the financial statements. Designations payable recorded on the statement of financial position are for 2018 commitments payable in 2019.

K. Functional Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

L. Use of Estimates

Preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. The nature of those estimates, however, is such that variances in actual results are generally immaterial.

M. Net Assets

The Organization has followed the new Financial Accounting Standards Board (FASB) pronouncement No. 2016-14, released August 2016, and effective for fiscal years beginning after December 15, 2017. The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

**HEART OF MISSOURI UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Net Assets (continued)

Temporary restrictions are donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Permanent restrictions are donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Assets without donor-imposed restrictions, including assets designated for specific use by the Organization's board of directors, are included in net assets without donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted support is reported as an increase in net assets without donor restrictions if the restriction expires or condition is met in the reporting period in which the support is recognized.

NOTE 2: CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed of the following at December 31, 2018:

Checking accounts	\$	363,067
Savings and money market account		<u>337,490</u>
Total Cash and Cash Equivalents	\$	<u><u>700,557</u></u>

The bank accounts are interest bearing with an interest rate ranging from 0.01% to 2.415% at December 31, 2018.

NOTE 3: INVESTMENTS

Investments are composed of certificates of deposit with an original maturity of more than one year at FDIC institutions and two endowment funds administered by the Community Foundation of Central Missouri (CFCM) that are not covered by Securities Investors Protection Corporation. Investments consist of the following at December 31, 2018:

Certificates of deposit	\$	714,507
Endowment funds administered by CFCM:		
Equity pool		50,661
Intermediate fixed income pool		61,612
Money market pool		68,856
Short term fixed income pool		<u>91,888</u>
Total Investments	\$	<u><u>987,524</u></u>

**HEART OF MISSOURI UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 3: INVESTMENTS (CONTINUED)

Investment income consists of the following at December 31, 2018:

Interest and dividend income	\$	20,685
Unrealized gains (losses) on investments		(9,685)
Realized gains (losses) on investments		1,192
Investment fees		<u>(2,770)</u>
Total Investment income	\$	<u>9,422</u>

NOTE 4: CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash and certificates of deposit in several financial institutions located in the central Missouri area. Each financial institution's balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization held funds in excess of FDIC limits in two institutions as of December 31, 2018. The combined cash and certificates of deposit balance in one financial institution was \$420,802 of which \$170,802 was uninsured by the FDIC, and a second financial institution the combined balance was \$287,132, of which \$37,132 was uninsured by the FDIC.

NOTE 5: GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable are considered fully collectible as of December 31, 2018. No allowance for uncollectible accounts has been recorded.

NOTE 6: NOTE PAYABLE AND LONG-TERM DEBT

The Organization has a note payable to Columbia Knipp Properties, LLC, totaling \$85,000, dated May 1, 2014, for Ash Street Office expansion/renovations, with equal monthly installments of \$883, through April 9, 2024. Interest is calculated at 4.00%.

Scheduled maturities of long-term debt for years subsequent to December 31, 2018, as follows:

2019	\$	8,723
2020		9,078
2021		9,448
2022		9,833
2023		10,234
2024		<u>2,789</u>
Total	\$	<u>50,105</u>

NOTE 7: LEASES

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

HEART OF MISSOURI UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 7: LEASES (CONTINUED)

The Organization entered into a lease agreement for a telephone system in 2014. The lease term is for 60 months beginning April 1, 2014, and terminating March 31, 2019, with monthly installment payments of \$305.

The Organization entered into a lease agreement for a copier machine in 2014. The lease term is for 5 years beginning April 1, 2014, and terminating March 31, 2019, with monthly installment payments of \$168.

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

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

2019	\$	48,023
2020		46,407
2021		45,816
2022		45,816
2023		45,816
2024		19,090
Total	\$	<u>250,968</u>

Lease expense for the year ended December 31, 2018, was \$52,280.

NOTE 8: VOLUNTARY SERVICE FEE SUPPORT

The Organization pays voluntary service fee support to the United Way of Worldwide. In return, it receives a variety of services including national coordination of pledges and advertising. Payment of service fees is subject to the discretion of the Missouri United Way's management and Board of Directors. Total fees paid to United Way of Worldwide were \$31,571 for the year ended December 31, 2018.

NOTE 9: SIMPLIFIED EMPLOYEE PENSION PLAN

The Organization sponsors a Simplified Employee Pension (SEP) – Individual Retirement Account (IRA) Plan (the Plan) for its employees. Employees that have reached age 21 are eligible to participate in the Plan. Employer contributions are discretionary and totaled \$15,777 for the year ended December 31, 2018.

**HEART OF MISSOURI UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 10: NET ASSETS

Net assets with donor restrictions are tracked in two separate categories based on the donors' stipulations.

Temporary Restricted:

Temporary restricted net assets represent donations for which donor stipulations that limit use for time period or purpose have not been met.

Campaign Pledges for Next Fiscal Year	\$ 434,326
Cumulative Earnings on Donor Restricted Endowment Fund	<u>38,400</u>
	<u>\$ 472,726</u>

Permanently Restricted:

Permanently restricted net assets represent donations that are to be held for investments in the endowment account. At December 31, 2018, permanently restricted net assets consists of the following.

Donor Contributions to Endowment Fund	\$ <u>100,300</u>
Total net assets with donor restrictions	<u>\$ 573,026</u>

NOTE 11: FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fair Value Measurements topic of the FASB Accounting Standards Codification establishes a framework for measuring value. This framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in active markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlations or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**HEART OF MISSOURI UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 11: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Endowment Funds: Fund share prices are computed daily and are based upon the market value of the underlying securities owned by the fund.

Stocks: The fair value is based on quoted market prices for publicly traded securities and internal valuations for privately held companies.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets that are required to be carried at fair value in the financial statements as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable securities within endowment fund	\$ -	\$ 273,017	\$ -	\$ 273,017
Total Assets at Fair Value	<u>\$ -</u>	<u>\$ 273,017</u>	<u>\$ -</u>	<u>\$ 273,017</u>

Valuation of Other Financial Instruments

Additionally, the Fair Value Measurements topic of the FASB Accounting Standards require disclosure of fair value information about financial instruments whether or not recognized in the statement of financial position. The carrying amounts reflected in the statement of financial position for cash, cash equivalents, pledges receivable, accounts payable and payroll liabilities approximate the respective fair values due to the short maturities of those instruments.

NOTE 12: ENDOWMENT FUNDS

In 2004, the Board of Directors approved the establishment of the Endowment Fund. The Fund has two components (funds): 1) a donor-restricted fund, and 2) a board-restricted fund (Quasi-Endowment Fund) containing monies directed by the Board. The Board-designated endowment and earnings are reported as a component of net assets without donor restrictions. Donor-designated endowment contributions are reported as permanently restricted net assets with donor restrictions and earnings are reported as temporarily restricted net assets with donor restrictions.

HMUW Endowment Fund:

All gifts restricted by the donor to the endowment will be placed in the HMUW Endowment Fund. The HMUW Endowment Fund income is designated to support and sustain the mission of HMUW, but shall not be used for administrative costs or capital expenditures.

The Board of Directors of the Organization has interpreted the State Prudent Management of Industrial Funds Act (SPMIFA) as requiring the presentation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary.

**HEART OF MISSOURI UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 12: ENDOWMENT FUNDS (CONTINUED)

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 temporary restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purpose of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies:

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that will attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds distributions with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. Endowment fund investment performance will be evaluated regularly and reports made to the Board on a scheduled basis. The Fund's investment decisions should be made with a long-term perspective.

Spending Policy:

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

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

Income from the Endowment Fund may be used for any or all of the following:

- Stabilize HMUW against campaign fluctuations or downturns in the economy
- Fund special projects, initiatives, or community emergencies
- Increase annual funding of agency services beyond the annual campaign

Funding Deficiencies

From time to time, the fair value of assets associated with the endowment fund may fall below the level that the Organization is required to retain in the fund. In accordance with GAAP, deficiencies of this nature are reported in net assets without donor restrictions. There were no funding deficiencies as of December 31, 2018.

**HEART OF MISSOURI UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 12: ENDOWMENT FUNDS (CONTINUED)

HMUW Quasi Endowment Fund:

These are funds which the Board, rather than the donor, has determined are to be retained and invested as endowments. As a general rule, unrestricted outright gifts, unrestricted bequests, distributions from charitable trusts, and other deferred gifts, where the donor has not restricted the use, may be placed in the HMUW Quasi Endowment Fund. The uses for HMUW Quasi Endowment Fund income are subject to the same policies that govern the HMUW Endowment Fund, with the exception that the income may be used for administrative costs or capital expenditures.

Distributions:

Income from the Quasi-Endowment Fund may be used for any or all of the following:

- Stabilize HMUW against campaign fluctuations or downturns in the economy
- Fund special projects, initiatives, or community emergencies
- Increase annual funding of agency services beyond the annual campaign
- Fund capital expenditures

Income available for distribution on a calendar year basis is defined as 5% of a three-year rolling average of fund market value. (In the case of a new fund, 5% of market value in year one; 5% of the two-year average market value in year two).

Any investment income, which is not distributed in a particular calendar year, will be reinvested in the principal of the fund.

Additional Endowment Disclosures:

Donors may place additional restrictions on their endowment gifts, or allow the income from their endowment gift to be used for administrative and capital expenses, providing:

- The restrictions are comparable and supportive of HMUW's mission
- A minimum gift of \$25,000 is required
- The additional restrictions have been approved by a committee by the Board of Directors.
- The language used in creating such a gift should be leave enough leeway to apply the gift to some other purposes if the designated purpose is no longer feasible. Such action would require a simple majority vote of the Board. In such cases, the Board will make an effort to identify and respect the donor's wishes as closely as is feasible.

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

**HEART OF MISSOURI UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 12: ENDOWMENT FUNDS (CONTINUED)

The composition of net assets by type of endowment fund at December 31, 2018, were:

	Without donor restrictions	With donor restrictions		
		Temporary Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Fund	\$ -	\$ 38,401	\$ 100,300	\$ 138,701
Board-Designated Endowment Fund	134,316	-	-	134,316
Total Endowment Funds	<u>\$ 134,316</u>	<u>\$ 38,401</u>	<u>\$ 100,300</u>	<u>\$ 273,017</u>

Changes in endowment net assets for the years ended December 31, 2018, were:

	Without donor restrictions	With donor restrictions		
		Temporary Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ 136,810	\$ 40,977	\$ 100,300	\$ 278,087
Investment Return:				
Investment Income	3,013	3,181	-	6,194
Realized Gains (Losses)	621	570	-	1,191
Unrealized Gains (Losses)	(4,765)	(4,920)	-	(9,685)
Administrative Fees	(1,363)	(1,407)	-	(2,770)
Total Endowment Funds	<u>\$ 134,316</u>	<u>\$ 38,401</u>	<u>\$ 100,300</u>	<u>\$ 273,017</u>

NOTE 13: ALLOCATION OF JOINT ACTIVITIES

During 2018, the Organization tracked all costs not immediately allocable to program, fundraising, or management expenses separately. Such costs were then allocated across the three functions based on time studies. Those allocations for the year ended December 31, 2018 were:

Program costs	40.3%
Management and General costs	31.4%
Fundraising costs	28.2%
Total	<u>100.0%</u>

NOTE 14: SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 14, 2019 the date on which the financial statements were available to be issued.

**HEART OF MISSOURI UNITED WAY, INC.
SCHEDULE OF ALLOCATIONS
FOR THE YEARS ENDED DECEMBER 31, 2018**

PARTNER AGENCY ALLOCATIONS:

Big Brothers/Big Sisters	\$	60,144
Boonslick Heartland YMCA		9,220
Boys & Girls Club		71,050
Central MO Foster Care & Adoption - Transitions		11,504
City of Refuge		58,364
Columbia Housing Authority		21,953
Columbia Center for Urban Agriculture		90,969
Cradle to Career		7,000
Family Counseling Center		120,000
Family Health Center		64,532
First Chance for Children		44,490
Fun City - Summer Academy & Fun City - Saturday Academy		13,500
Grade A Plus (for His Glory, Inc.)		52,221
Great Circle		24,300
Harrisburg Early Learning Center		66,599
Harvest House		9,167
Heart of Missouri CASA		14,670
Jabberwocky Studios - Youth Arts Program & Jabberwocky Studios - STEAM		11,365
Job Point		91,000
Love in the Name of Christ of Columbia		95,600
Lutheran Family & Children's Services		55,960
Mary Lee Johnson Early Learning Center		112,060
Mid-Missouri Legal Services Corporation		35,000
Nora Stewart Nursery School		60,000
Phoenix Programs, Inc.		87,000
Rainbow House		9,800
Services for Independent Living		71,144
The Food Bank for Central & Northeast Missouri		108,000
The Salvation Army		28,420
True North		25,000
Turning Point		51,318
United Community Builders		67,403
Unlimited Opportunities		20,308
Voluntary Action Center		74,423
TOTAL PARTNER AGENCY ALLOCATIONS:		<u>1,743,484</u>
Less Designated Agency Contributions		<u>(249,086)</u>
NET PARTNER AGENCY ALLOCATIONS		<u><u>1,494,398</u></u>