United Water of Greater Kansas City, Inc.

United Way of Greater Kansas City, Inc.
April 30, 2017 and 2016

Contents

Independent Auditor's Report **1**

Financial Statements

Statements of Financial Position 3

Statements of Activities 4

Statements of Functional Expenses 6

Statements of Cash Flows 8

Notes to Financial Statements 9

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Independent Auditor's Report

Board of Directors
United Way of Greater Kansas City, Inc.
Kansas City, Missouri

We have audited the accompanying financial statements of United Way of Greater Kansas City, Inc., which comprise the statements of financial position as of April 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 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 Greater Kansas City, Inc. as of April 30, 2017 and 2016, 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.

BKD, LLP

Kansas City, Missouri
October 23, 2017

United Way of Greater Kansas City, Inc.

Statements of Financial Position

April 30, 2017 and 2016

Assets

	2017	2016
Cash and cash equivalents	$ 4,271,323	$ 6,255,691
Contributions receivable, net of allowance; 2017 - $2,853,485 and 2016 - $3,020,006	12,627,635	13,581,991
Accounts and grants receivable	491,134	822,353
Investments	5,188,483	5,207,352
Beneficial interest in assets held by others - Quasi Endowment	6,605,539	5,981,558
Beneficial interest in assets held by others - Endowment	1,657,072	1,500,539
Beneficial interest in trusts	864,220	885,196
Property and equipment, net of accumulated depreciation; 2017 - $1,367,061 and 2016 - $1,177,011	979,084	1,183,792
Other	524,397	433,564
Total assets	$ 33,208,887	$ 35,852,036

Liabilities and Net Assets

	2017	2016
Liabilities		
Payables to agencies – Community Care funds	$ 10,920,888	$ 15,105,860
Designations to agencies and grants payable	4,009,238	3,953,326
Accounts payable	723,999	824,856
Accrued expenses	1,461,568	1,504,436
Accrued pension plan obligation	454,436	415,256
Deferred rent	560,695	610,825
Long-term debt	76,788	113,569
Total liabilities	18,207,612	22,528,128
Net Assets		
Unrestricted		
Unrestricted	2,682,111	1,103,863
Board-designated		
Quasi Endowment Fund	8,193,076	7,569,095
Temporarily restricted	2,330,630	2,830,690
Permanently restricted	1,795,458	1,820,260
Total net assets	15,001,275	13,323,908
Total liabilities and net assets	$ 33,208,887	$ 35,852,036

United Way of Greater Kansas City, Inc.

Statement of Activities

Year Ended April 30, 2017

	Unrestricted	Unrestricted Quasi Endowment	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support					
Campaign Revenue					
Gross campaign revenues	$ 30,298,771	$ -	$ 653,205	$ -	$ 30,951,976
Less					
Combined Federal Campaign	(2,970,765)	-	-	-	(2,970,765)
Donor designation	(6,514,244)	-	-	-	(6,514,244)
Provision for uncollectible pledges	(1,331,819)	-	-	-	(1,331,819)
Net campaign revenue	19,481,943	-	653,205	-	20,135,148
Grants	160,187	-	-	-	160,187
Other contribution income	181,155	-	587,722	-	768,877
Contributed services	58,000	-	-	-	58,000
Change in beneficial interest in trust	-	-	3,826	(24,802)	(20,976)
Investment income	70,922	639,619	167,112	-	877,653
United Way 211 income	133,274	-	-	-	133,274
Other	644,956	-	-	-	644,956
Beneficial interest released from restriction	15,638	(15,638)	-	-	-
Net assets released from restrictions	1,911,925	-	(1,911,925)	-	-
Total revenues, gains and other support	22,658,000	623,981	(500,060)	(24,802)	22,757,119
Allocations and Expenses					
Program services					
Agency allocations and grants	11,938,196	-	-	-	11,938,196
Community services	4,895,317	-	-	-	4,895,317
Support services					
Management and general	1,483,846	-	-	-	1,483,846
Financial resources development	3,017,925	-	-	-	3,017,925
Total allocations and expenses	21,335,284	-	-	-	21,335,284
Change in Net Assets Before Change in Defined Benefit Pension Plan Gain	1,322,716	623,981	(500,060)	(24,802)	1,421,835
Change in Defined Benefit Pension Plan Gain, net	255,532	-	-	-	255,532
Change in Net Assets	1,578,248	623,981	(500,060)	(24,802)	1,677,367
Net Assets, Beginning of Year	1,103,863	7,569,095	2,830,690	1,820,260	13,323,908
Net Assets, End of Year	$ 2,682,111	$ 8,193,076	$ 2,330,630	$ 1,795,458	$ 15,001,275

United Way of Greater Kansas City, Inc.
Statement of Activities
Year Ended April 30, 2016

	Unrestricted	Unrestricted Quasi Endowment	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support					
Campaign Revenue					
Gross campaign revenues	$ 31,932,680	$ -	$ 1,027,205	$ -	$ 32,959,885
Less					
Combined Federal Campaign	(2,813,236)	-	-	-	(2,813,236)
Donor designation	(6,620,310)	-	-	-	(6,620,310)
Provision for uncollectible pledges	(1,445,362)	-	-	-	(1,445,362)
Net campaign revenue	21,053,772	-	1,027,205	-	22,080,977
Grants	93,656	-	-	-	93,656
Other contribution income	209,535	-	1,118,550	-	1,328,085
Change in beneficial interest in trust	-	-	(4,162)	715	(3,447)
Investment income	70,553	(23,097)	1,212	-	48,668
United Way 211 income	117,132	-	-	-	117,132
Other	620,181	-	-	-	620,181
Beneficial interest released from restriction	14,698	(14,698)	-	-	-
Net assets released from restrictions	1,297,418	-	(1,297,418)	-	-
Total revenues, gains and other support	23,476,945	(37,795)	845,387	715	24,285,252
Allocations and Expenses					
Program services					
Agency allocations and grants	16,088,276	-	-	-	16,088,276
Community services	4,906,202	-	-	-	4,906,202
Support services					
Management and general	1,293,502	-	-	-	1,293,502
Financial resources development	3,140,217	-	-	-	3,140,217
Total allocations and expenses	25,428,197	-	-	-	25,428,197
Change in Net Assets Before Change in Defined Benefit Pension Plan Loss	(1,951,252)	(37,795)	845,387	715	(1,142,945)
Change in Defined Benefit Pension Plan Loss, net	425,632	-	-	-	425,632
Change in Net Assets	(1,525,620)	(37,795)	845,387	715	(717,313)
Net Assets, Beginning of Year	2,629,483	7,606,890	1,985,303	1,819,545	14,041,221
Net Assets, End of Year	$ 1,103,863	$ 7,569,095	$ 2,830,690	$ 1,820,260	$ 13,323,908

United Way of Greater Kansas City, Inc.

Statement of Functional Expenses

Year Ended April 30, 2017

	Program Services		Support Services		
	Agency Allocations and Grants	Community Services	Management and General	Financial Resources Development	Total
Agency allocations	$ 10,819,498	$ -	$ -	$ -	$ 10,819,498
Community change strategy grant payments	1,060,698	-	-	-	1,060,698
Salaries	-	2,541,945	703,876	1,294,124	4,539,945
Employee benefits	-	345,057	112,885	177,813	635,755
Retirement expense	-	365,405	156,168	221,664	743,237
Payroll taxes	-	185,723	51,119	94,155	330,997
Contract and temporary services	-	63,239	22,959	112,717	198,915
Travel, training and conferences	-	101,170	43,263	76,498	220,931
Insurance	-	34,078	18,189	19,396	71,663
Printing, postage and supplies	-	35,330	18,316	55,440	109,086
Occupancy and maintenance	-	232,971	121,277	129,403	483,651
Events and donor communications	-	56,801	-	257,797	314,598
Professional fees	-	190,212	75,585	251,093	516,890
Campaign materials and expenses	-	8,134	-	90,946	99,080
Telecommunications and technology services	-	97,223	26,923	30,071	154,217
Program research and assistance	-	362,053	-	-	362,053
Interest and investment expense	-	12,186	4,178	9,034	25,398
Gifts In Kind	58,000	-	-	-	58,000
Miscellaneous expense	-	-	-	2,214	2,214
United Way of America dues	-	160,240	54,944	118,794	333,978
	11,938,196	4,791,767	1,409,682	2,941,159	21,080,804
Loss on disposals of long-lived assets	-	-	38,658	-	38,658
Depreciation	-	103,550	35,506	76,766	215,822
Total operating expense	$ 11,938,196	$ 4,895,317	$ 1,483,846	$ 3,017,925	$ 21,335,284

United Way of Greater Kansas City, Inc.

Statement of Functional Expenses

Year Ended April 30, 2016

	Program Services		Support Services		
	Agency Allocations and Grants	Community Services	Management and General	Financial Resources Development	Total
Agency allocations	$ 15,085,635	$ -	$ -	$ -	$ 15,085,635
Community change strategy grant payments	1,002,641	-	-	-	1,002,641
Salaries	-	2,555,451	614,416	1,419,706	4,589,573
Employee benefits	-	308,778	73,913	169,958	552,649
Retirement expense	-	539,218	211,310	354,630	1,105,158
Payroll taxes	-	187,375	44,684	103,411	335,470
Contract and temporary services	-	49,091	20,914	86,972	156,977
Travel, training and conferences	-	100,868	29,733	74,383	204,984
Insurance	-	31,451	16,243	22,615	70,309
Printing, postage and supplies	-	40,566	16,920	54,538	112,024
Occupancy and maintenance	-	223,460	97,799	136,198	457,457
Events and donor communications	-	26,083	-	280,316	306,399
Professional fees	-	120,658	64,986	95,703	281,347
Campaign materials and expenses	-	-	-	105,224	105,224
Telecommunications and technology services	-	76,994	22,955	33,267	133,216
Program research and assistance	-	367,983	-	-	367,983
Interest and investment expense	-	12,829	3,674	9,922	26,425
Miscellaneous expense	-	(154)	(88)	(11,997)	(12,239)
United Way of America dues	-	153,447	43,941	118,672	316,060
	16,088,276	4,794,098	1,261,400	3,053,518	25,197,292
Depreciation	-	112,104	32,102	86,699	230,905
Total operating expense	$ 16,088,276	$ 4,906,202	$ 1,293,502	$ 3,140,217	$ 25,428,197

United Way of Greater Kansas City, Inc.

Statements of Cash Flows

Years Ended April 30, 2017 and 2016

	2017	2016
Operating Activities		
Change in net assets	$ 1,677,367	$ (717,313)
Items not requiring (providing) operating activities cash flows		
Depreciation	215,822	230,905
Net realized and unrealized losses on investments	7,601	6,508
Net realized and unrealized (gains)/losses on assets held by others	(622,290)	182,285
Loss on beneficial interests in trusts	20,976	3,447
Loss on disposal of property and equipment	38,658	-
Change in defined benefit pension plan gains	(255,532)	(425,632)
Changes in		
Campaign pledges receivable	954,356	789,815
Accounts and grants receivable	331,219	(490,326)
Other assets	(90,833)	(78,836)
Payable to agencies – community care funds	(4,184,972)	(60,673)
Designations to agencies and grants payable	55,912	(487,695)
Accounts payable and accrued expenses	(143,725)	812,776
Deferred rent	(50,130)	(45,180)
Accrued pension plan obligation	294,712	589,039
Net cash provided by (used in) operating activities	(1,750,859)	309,120
Investing Activities		
Proceeds from maturities of investments	2,296,284	2,285,192
Purchase of investments	(2,285,016)	(1,777,772)
Purchase of beneficial interest in assets held by others	(158,224)	(135,741)
Purchase of property and equipment	(49,772)	(21,116)
Net cash provided by (used in) investing activities	(196,728)	350,563
Financing Activities		
Principal payments under capital lease	(36,781)	(34,620)
Net cash used in financing activities	(36,781)	(34,620)
Increase (Decrease) in Cash and Cash Equivalents	(1,984,368)	625,063
Cash and Cash Equivalents, Beginning of Year	6,255,691	5,630,628
Cash and Cash Equivalents, End of Year	$ 4,271,323	$ 6,255,691
Supplemental Cash Flows Information		
Interest paid	$ 5,879	$ 8,039

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

United Way of Greater Kansas City, Inc. (the "Organization") is a not-for-profit organization focused on community impact, seeking to improve lives and strengthen communities. The Organization works collaboratively with a wide range of community partners to achieve lasting results through a combination of organization initiatives and funding of health and human service programs. The Organization's primary source of revenue is an annual fundraising campaign.

The Organization's revenues and other support are derived principally from contributions and federal and state grants and its activities are conducted principally in the Kansas City area.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At April 30, 2017 and 2016, cash equivalents consisted primarily of money market accounts with brokers.

At April 30, 2017, the Organization's cash accounts held at three banks cumulatively exceeded federally insured limits by approximately $3,609,000.

Investments and Investment Return

Investments in debt securities having a readily determinable fair value are carried at fair value. Investment return includes dividends, interest, realized and unrealized gains and losses on investments carried at fair value. The Organization is invested in various pooled investment funds managed by the Greater Kansas City Community Foundation (GKCCF). The pooled investment funds are valued at net asset value which estimates fair value. Investment return includes dividends, interest and realized and unrealized gains and losses.

The beneficial interest in trust assets are recorded at the Organization's percentage interest in the fair value of these trusts' assets, which approximates the present value of the estimated future cash receipts, in accordance with ASC 958, *Transfer of Assets to a Not-for-Profit Institute or Charitable Remainder Trust that Raises or Holds Contributions for Others*.

Investment return is reflected in the statement of activities as unrestricted and temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

Accounts and Grants Receivable

Accounts and grants receivable are stated at the amounts billed under the terms of the grants or agreements. If necessary, the Organization will record an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building and leasehold improvements	10-39 years
Equipment, furniture and fixtures	3-10 years

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended April 30, 2017 and 2016.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Board-Designated Quasi Endowment

The quasi endowment represents the beneficial interest in assets held by others and other general investments, which are designated by the governing body of the Organization to be used in a manner similar to an endowment.

Contributions

Revenues include contributions from the fundraising campaign conducted each fall. Direct contributions are considered available for unrestricted use unless they are specifically restricted by the donor. Contributions received are recorded in the year the related commitments are received as either unrestricted, temporarily restricted or permanently restricted revenue. As restrictions on temporarily restricted net assets are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restriction in the statements of activities. Contributions made (allocations) are recognized in the year when the related commitments are made.

Certain contributions/pledges received in fundraising campaigns are designated by individuals for specific agencies or for United Way organizations in areas other than the Greater Kansas City area. Accounting standards require that organizations who received contributions/pledges that are designated by donors for other organizations exclude such designated contributions/pledges from the amount recognized as contributions received and made. The Organization classifies and reports such designations in its statements of activities as a reduction of contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contribution revenue recognized from contributed services was $58,000 for the year ended April 30, 2017.

No amounts have been reflected in the financial statements for donated services related to campaign volunteers, since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers have donated significant amounts of their time in the Organization’s program services and financial resources development.

Deferred Rent

As further discussed in *Note 9*, the Organization records deferred rent associated with lease incentives and escalating lease payments in the accompanying statements of financial position. These incentives are amortized on a straight-line basis as a reduction to rental expense over the life of the related lease.

Government Grants

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Payable to Agencies and Other Organizations

Unconditional grants to participating agencies are recorded when approved by the Board of Directors. Conditional grants are recorded when the grantee has substantially met the conditions of the grant.

Amounts Raised on Behalf of Others

Contributions which are donor-designated for specific agencies or communities, other than those represented by the Organization, are considered amounts raised on behalf of others and are not considered income to the Organization. These amounts are included in designations to agencies and grants payable on the statements of financial position. Funds are distributed to designated agencies based on actual dollars collected.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated by management among the program, management and general and fundraising categories based on estimated usage and the accumulation of relevant, current and historical data.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Note 2: Investments and Investment Return

Investments and beneficial interests in assets held by others at April 30 consisted of the following:

	2017	2016
U.S. Government agency bonds		
Fannie Mae	$ 251,683	$ 1,505,601
Federal Home Loan Mortgage	997,780	249,885
Corporate Bonds	-	252,209
Certificates of deposit	3,925,000	3,185,000
Interest receivable	14,020	14,657
Total investments	5,188,483	5,207,352
Beneficial interest in assets held by others	8,262,611	7,482,097
Total investments and beneficial interests in assets held by others	$ 13,451,094	$ 12,689,449

Total investment return on investments and the beneficial interest in assets held by others is composed of the following:

	2017	2016
Interest and dividend income	$ 241,406	$ 216,906
Net realized and unrealized losses on investments	(7,601)	(6,508)
Net realized and unrealized gains (losses) on assets held by others (*Note 5*)	622,290	(182,285)
Income from beneficial interest in trusts	21,558	20,555
	$ 877,653	$ 48,668

Note 3: Commitment

During 2017, the Organization signed a capital commitment of $400,000 to obtain a 3 percent ownership of United Way Digital Holdings, LLC. The Organization will account for this investment on the cost method. Subsequent to year ended April 30, 2017, the Organization paid $400,000 to fulfill its capital commitment to the affiliate.

Note 4: Beneficial Interest in Trusts

The Organization is the beneficiary under two perpetual trusts administered by an outside party. Under the terms of the trust agreements, the Organization has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated fair value of the trust assets was $795,458 and $820,260 at April 30, 2017 and 2016, respectively. The income from these trusts for the years ended April 30, 2017 and 2016 was $18,386 and $17,519, respectively.

The Organization is the beneficiary under a charitable remainder trust administered by an outside party. Under the terms of the trust, the Organization has the irrevocable right to receive income earned on the trust assets and a portion of the corpus upon termination of the trust. The estimated value of the trust assets was $68,762 and $64,936 at April 30, 2017 and 2016, respectively. The income from this trust for the years ended April 30, 2017 and 2016 was $3,172 and $3,036, respectively.

Note 5: Beneficial Interest in Assets Held by Others

The Organization has transferred assets to the Greater Kansas City Community Foundation (Foundation) and retained a beneficial interest in those assets. At the time of the transfer, the Organization granted variance power to the Foundation. That power gives the Foundation the right to make the final decision regarding distributions from the Fund. One of the funds held at the Foundation is permanently restricted. All other funds held at the Foundation are board-designated and, therefore, unrestricted. Under the terms of the agreement, the Organization can withdraw all or a portion of the original amount transferred, any appreciation on those transferred assets, or both, provided the governing board of the Organization and the Foundation approve of the withdrawal. At April 30, 2017 and 2016, the Fund had a fair value of $8,262,611 and $7,482,097, respectively, which is reported in the statements of financial position as beneficial interest in assets held by others. The assets of the quasi endowment fund consist of money market, short-term fixed income, intermediate fixed income and equity securities.

Note 6: Property and Equipment

Property and equipment at April 30 consisted of:

	2017	2016
Building	$ 459,710	$ 459,710
Equipment, furniture and fixtures	1,886,435	1,901,093
	2,346,145	2,360,803
Less accumulated depreciation and amortization	1,367,061	1,177,011
	$ 979,084	$ 1,183,792

Note 7: Line of Credit

The Organization has a $1,000,000 revolving bank line of credit and also a $300,000 line of credit that is maintained on behalf of the Combined Federal Campaign, both of which expire in October 2017. There were no outstanding borrowings on either line of credit at April 30, 2017 and 2016. Interest rates vary with the bank's prime rate, which was 1.5 percent and 2.75 percent for both lines of credit on April 30, 2017 and 2016, respectively. Interest on any outstanding borrowings is payable monthly.

Note 8: Long-term Debt

As of April 30, 2017 and 2016, the Organization maintained a capital lease for various copiers with an outstanding balance of $76,788 and $113,569, respectively. Interest expense on the copier leases amounted to $5,879 and $8,039 for the years ended April 30, 2017 and 2016, respectively.

Payments on capital lease obligations at April 30, 2017 are:

2018	$ 42,660
2019	38,077
	80,737
Less amounts representing interest	3,949
Present value of future minimum lease payments	$ 76,788

Note 9: Operating Leases

The Organization entered into a noncancellable operating lease for office space expiring in 2023. This lease requires the Organization to pay a portion of executor costs (property taxes, maintenance and insurance).

In accordance with ASC Topic 840, *Leases*, rental agreements with escalating lease payments and rental incentives are recognized in the statements of activities on a straight-line basis. The landlord paid for $506,651 in leasehold improvements for the leased office space. Additionally, the lease agreement includes annual escalation of rents based on a fixed schedule that range from $394,400 to $472,000, annually, through 2023. Overall deferred rent liability and deferred lease incentive totaled $560,695 and $610,825 as of April 30, 2017 and 2016, respectively, and is included in deferred rent on the statements of financial position. Rental expense for all operating leases amounted to $405,921 and $376,844 for the years ended April 30, 2017 and 2016, respectively.

Future minimum lease payments under operating leases at April 30, 2017 were:

2018	$ 490,189
2019	495,482
2020	509,370
2021	495,334
2022	472,098
Thereafter	629,464
Total minimum lease payments	$ 3,091,937

Note 10: Endowment

The Organization's endowment consists of multiple funds. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing body has interpreted the State of Missouri Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

The composition of net assets by type of endowment fund at April 30, 2017 and 2016 was:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 657,072	$ 1,000,000	$ 1,657,072
Board-designated endowment funds	8,193,076	-	-	8,193,076
Total endowment funds	$ 8,193,076	$ 657,072	$ 1,000,000	$ 9,850,148

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 500,539	$ 1,000,000	$ 1,500,539
Board-designated endowment funds	7,569,095	-	-	7,569,095
Total endowment funds	$ 7,569,095	$ 500,539	$ 1,000,000	$ 9,069,634

Changes in endowment net assets for the years ended April 30, 2017 and 2016, were:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 7,569,095	$ 500,539	$ 1,000,000	$ 9,069,634
Investment return				
Realized gains	217,911	54,666	-	272,577
Net appreciation	421,708	105,790	-	527,498
Total investment return	639,619	160,456	-	800,075
Appropriation of endowment assets for expenditure	(15,638)	(3,923)	-	(19,561)
Endowment net assets, end of year	$ 8,193,076	$ 657,072	$ 1,000,000	$ 9,850,148

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 7,606,890	$ 509,288	$ 1,000,000	$ 9,116,178
Investment return				
Realized gains	141,911	35,350	-	177,261
Net depreciation	(165,008)	(40,412)	-	(205,420)
Total investment return	(23,097)	(5,062)	-	(28,159)
Appropriation of endowment assets for expenditure	(14,698)	(3,687)	-	(18,385)
Endowment net assets, end of year	$ 7,569,095	$ 500,539	$ 1,000,000	$ 9,069,634

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at April 30, 2017 and 2016 consisted of:

	2017	2016
Permanently restricted net assets		
Portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	$ 1,000,000	$ 1,000,000
Temporarily restricted net assets		
Portion of perpetual endowment funds subject to a time restriction under SPMIFA	$ 657,072	$ 500,539

Total board designated endowment funds are reflected in the statements of financial position at April 30, 2017 and 2016 as follows:

	2017	2016
Investments	$ 1,587,537	$ 1,587,537
Beneficial interest in assets held by others - quasi endowment	6,605,539	5,981,558
Total board-designated endowment funds	$ 8,193,076	$ 7,569,095

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity, as well as those of board-designated endowment funds. During the years ended April 30, 2017 and 2016, endowment assets were invested in a ratio of 60 percent equity securities and 40 percent fixed income securities. The Organization expects its endowment funds to provide an average rate of return of approximately 5 percent annually based on the funds average balance over the previous three years. Any portion of investment returns that is not distributed for a particular calendar year will be reinvested. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Note 11: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at April 30 were available for the following purposes or periods:

	2017	2016
Aids Partnership	$ 38,500	$ 43,615
Income	93,586	305,794
Health	142,810	102,412
Education	193,029	264,925
United Way 211	14,735	13,573
Citizen Assist Program	4,244	3,215
African American Society for Leadership	165,915	179,025
Dolly Parton Imagination Library	182,493	193,661
Building improvements	-	100,000
Investment income	812,824	645,809
HCF Promise 1000	433,448	569,166
Other	249,046	409,495
	$ 2,330,630	$ 2,830,690

Permanently Restricted Net Assets

Permanently restricted net assets at April 30 were restricted to:

	2017	2016
Endowment net assets, subject to SPMIFA	$ 1,000,000	$ 1,000,000
Beneficial interest in perpetual trusts	795,458	820,260
	$ 1,795,458	$ 1,820,260

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2017	2016
Aids Partnership	$ 41,115	$ 107,865
Income	305,794	273,736
Health	102,412	106,436
Education	264,925	277,836
United Way 211	28,573	23,603
Citizen Assist Program	3,215	22,760
African American Society for Leadership	88,110	80,036
Dolly Parton Imagination Library	44,606	27,053
Building improvements	100,000	-
Investment income	3,923	3,687
HCF Promise 1000	144,166	11,190
Other	785,086	363,216
	$ 1,911,925	$ 1,297,418

Note 12: Related Party Transactions

Heartland Combined Federal Campaign

The Organization has an agreement with the Heartland Combined Federal Campaign ("HCFC") to collect pledges from federal employers on behalf of HCFC. In addition, the Organization pays certain campaign expenditures on a reimbursable basis on behalf of HCFC, and receives an allocation from and performs required accounting functions for HCFC. Contributions are recorded as agency transactions as the Organization acts as an intermediary.

Urban Neighborhood Initiative

The Organization has an agreement with the Urban Neighborhood Initiative ("UNI") which automatically renews for one year periods unless terminated by either party. Under the agreement, the Organization acts as a fiduciary agent and provides secretarial, clerical, development, accounting and payroll services without cost to UNI. The CEO of the Organization is a board member of UNI.

Note 13: Employee Benefit Plans

Defined Contribution Plan

The Organization sponsors a 403(b) defined contribution plan, where eligible employees may defer a percentage of their salary to such plan. This plan includes a 50 percent employer matching contribution for the first 8 percent of salary contributed by employees. The Organization's matching contributions amounted to $77,625 and $86,896 for the years ended April 30, 2017 and 2016, respectively.

The Organization froze benefits related to the Defined Benefit plan in 2008. To compensate for the loss of benefits for the frozen plan, the Board of Trustees authorized management to provide a discretionary contribution to the 403(b) plan, if financially feasible. During the years ended April 30, 2017 and 2016, the Organization made additional discretionary contributions to the 403(b) Plan of $369,252 and $429,224, respectively.

Deferred Compensation Plan

The Organization also sponsors a 457(b) deferred compensation plan for the executive management team. The plan includes an employer discretionary contribution on behalf of the participants and also participant contributions based on a chosen deferral amount documented in Salary Reduction Agreements. During the years ended April 30, 2017 and 2016, the Organization made a discretionary contribution to the 457(b) Plan of $12,427 and $23,000, respectively. An asset and corresponding liability are recorded in the statements of financial position for $399,282 and $327,424 as of April 30, 2017 and 2016, respectively, representing the amounts held in the plan which have been contributed by the employer or plan participants and the funds owed to the participants.

Defined Benefit Plan

The Organization has a noncontributory defined benefit pension plan covering employees who met eligibility requirements when the plan was active. The Organization froze the plan on January 31, 2008. The Organization's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Organization may determine to be appropriate from time to time. The Organization contributed $1,648 and $0 to the plan during the years ended April 30, 2017 and 2016, respectively, and does not expect to contribute to the plan during the year ended April 30, 2018.

The Organization uses an April 30 measurement date for the plan. Information about the plan's funded status follows:

	2017	2016
Accumulated benefit obligation	$ 3,362,229	$ 4,016,086
Fair value of plan assets	2,907,793	3,600,830
Funded status	$ (454,436)	$ (415,256)

A liability recognized in the statements of financial position is equal to the funded status shown above. Amounts recognized in the change in net assets not yet recognized as components of net periodic benefit cost consisted of a net loss for $1,053,587 and $1,307,471 for the years ended April 30, 2017 and 2016, respectively.

Other significant balances and costs are:

	2017	2016
Benefits paid	$ 746,812	$ 1,731,917
Benefit costs	11,270	16,175
Net periodic benefit costs before recognizing settlement	(62,454)	(25,198)
Net periodic benefit costs after recognizing settlement	(296,360)	(589,039)

Other changes in plan assets and benefit obligations recognized in change in net assets:

	2017	2016
Amounts arising during the period		
Net gain	$ (165,307)	$ (320,365)
Amounts reclassified as components of net periodic benefit cost of the period		
Net loss	90,225	105,267

The estimated net loss for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is $76,706.

Significant assumptions include:

	2017	2016
Weighted-average assumptions used to determine benefit obligations		
Discount rate	3.40%	3.50%
Interest rate	5.50%	5.50%
Weighted-average assumptions used to determine benefit costs		
Discount rate	3.50%	4.00%
Expected return on plan assets	5.00%	5.50%
Pre-retirement mortality rate	Adjusted RP - 2014 Total Dataset Employee Table with Mortality Improvement Projective Scale MP - 2016, separate for males and females	Adjusted RP - 2014 Total Dataset Employee Table with Mortality Improvement Projective Scale MP - 2015, separate for males and females

The Organization has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available data. The Organization has no rate of compensation increase as the plan was frozen in 2008.

The Organization's overall investment strategy is the preservation of capital and reducing excessive volatility in the value of the plan assets. As such, the Organization has determined 34 percent of plan assets shall be allocated to the General Account and the remaining 66 percent shall be split between the bond fund and mid-term bond fund at a range of 28 - 38 percent.

During 2015, the plan was amended to provide a distribution to all terminated participants effective February 1, 2015, with vested account balances of $5,000 or less. A second amendment, effective April 1, 2015, provided participants who had not yet reached 55 and who were terminated on March 1, 2015 or prior to elect an immediate payment of their benefit. Furthermore, the Board of Directors approved a resolution indicating that it has the intention to terminate the defined benefit pension plan. As of the date of the Independent Auditor's Report, no formal plan termination has been communicated to the participants. In the event the plan terminates, the net assets of the plan will be allocated, as prescribed by ERISA and its related regulations, generally to provide the following benefits in the order indicated:

(A) Annuity benefits that former employees or their beneficiaries have been receiving for at least three years, or that employees eligible to retire for that three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the Plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under plan provisions in effect at any time during the five years preceding plan termination.

(B) Other vested benefits insured by the Pension Benefit Guaranty Corporation (PBGC) up to the applicable limitations discussed below.

(C) Vested benefits not insured by the PBGC.

(D) All nonvested benefits.

Certain benefits under the plan are insured by the PBGC if the plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits and certain disability and survivor’s pensions. However, the PBGC does not guarantee all types of benefits under the plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the plan are guaranteed at the level in effect on the date of the plan’s termination. However, there is a statutory ceiling, which is adjusted periodically, on the amount of an individual’s monthly benefit that the PBGC guarantees.

Whether all participants receive their benefits should the plan terminate at some future time will depend on the sufficiency, at that time, of the plan’s net assets to provide for accumulated benefit obligations and may also depend on the financial condition of the plan sponsor and the level of benefits guaranteed by the PBGC.

Pension Plan Assets

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include pooled separate accounts. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy and include a general investment account.

The fair values of the Organization's pension plan assets at April 30, 2017 and 2016, by asset category are as follows:

		2017 Fair Value Measurements Using		
Asset Category	**Total Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
General investment account	$ 967,386	$ -	$ -	$ 967,386
Pooled separate accounts				
Pension Bond	965,013	-	965,013	-
Mid-term Bond	967,053	-	967,053	-
Other	8,341	-	8,341	-
Total	$ 2,907,793	$ -	$ 1,940,407	$ 967,386

		2016 Fair Value Measurements Using		
Asset Category	**Total Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
General investment account	$ 1,089,649	$ -	$ -	$ 1,089,649
Pooled separate accounts				
Pension Bond	1,253,874	-	1,253,874	-
Mid-term Bond	1,250,148	-	1,250,148	-
Other	7,159	-	7,159	-
Total	$ 3,600,830	$ -	$ 2,511,181	$ 1,089,649

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	General Investment Account
Balance at May 1, 2015	$ 1,771,672
Actual return on plan assets	10,000
Purchases	1,055,000
Sales	(1,747,023)
Balance at April 30, 2016	1,089,649
Actual return on plan assets	10,440
Purchases	625,000
Sales	(757,703)
Balance at April 30, 2017	$ 967,386

Plan assets are held in a group variable annuity issued through an insurance company, which invests the plan assets in accordance with the provisions of the plan agreement. The plan agreements permit investment in equity and fixed income alternatives.

The following benefit payments are expected to be paid as of April 30 assuming the plan is not terminated.

2018	$ 1,422,000
2019	99,000
2020	93,000
2021	74,000
2022	76,000
2023-2026	872,000

Note 14: Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

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

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

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall April 30, 2017 and 2016:

		2017 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
U.S. Government agency bonds				
Fannie Mae	$ 251,683	$ -	$ 251,683	$ -
Federal Home Loan Mortgage	997,780	-	997,780	-
Certificates of deposit at cost	3,925,000	-	-	-
Other assets				
Deferred compensation (457b) - pooled separate accounts	399,282	-	399,282	-
Beneficial interest in assets held by others	8,262,611	-	8,262,611	-
Beneficial interest in trusts	864,220	-	-	864,220
Accrued expenses				
Deferred compensation (457b) obligations	399,282	-	399,282	-

		2016 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
U.S. Government agency bonds				
Fannie Mae	$ 1,505,601	$ -	$ 1,505,601	$ -
Federal Home Loan Mortgage	249,885	-	249,885	-
Corporate debt securities	252,209	-	252,209	-
Certificates of deposit at cost	3,185,000	-	-	-
Other assets				
Deferred compensation (457b) - pooled separate accounts	327,424	-	327,424	-
Beneficial interest in assets held by others	7,482,097	-	7,482,097	-
Beneficial interest in trusts	885,196	-	-	885,196
Accrued expenses				
Deferred compensation (457b) obligations	327,424	-	327,424	-

Following is a description of valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended April 30, 2017. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. At April 30, 2017 and 2016, the Organization did not have any Level 1 securities. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. Level 2 securities include U.S. Government agency and corporate bonds.

Deferred Compensation (457b) Investment and Accrued Expenses

Fair value of the pooled separate accounts are valued at net asset value which approximates fair value. The carrying value of the accrued expense related to the deferred compensation liability is based on the present value of the future cash flows to settle the obligation, which approximates the fair value of the related assets.

Beneficial Interest in Trusts

Fair value is estimated based on the Organization's beneficial interest in the trust assets which represents the present value of the future distributions expected to be received over the term of the agreement. As the Organization does not expect to be able to redeem its beneficial interest in trusts with the investee within 12 months after the reporting date, the beneficial interest in trusts are categorized as Level 3.

Beneficial Interest in Assets Held by Others

The value of certain interest in assets held by others is determined using net asset value which estimates fair value. Investments for which the Organization expects to have the ability to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 2.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	Beneficial Interest in Trusts
Balance, May 1, 2015	$ 888,643
Change in beneficial interest	(3,447)
Balance, April 30, 2016	885,196
Change in beneficial interest	(20,976)
Balance, April 30, 2017	$ 864,220

Unobservable Level 3 Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements.

	Fair Value at 4/30/2017	Fair Value at 4/30/2016	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Beneficial interest in trusts	$ 864,220	$ 885,196	Estimated value of the expected future cash flows	Present value of estimated future cash flows	N/A

Note 15: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. These matters include the following:

Contributions Receivable Allowance

The Organization estimates the allowance for uncollectible contributions receivable based upon a review of outstanding receivables, historical collection information and existing economic conditions. It is at least reasonably possible that actual collection could differ materially from the contributions receivable currently reported in the accompanying statements of financial position.

Functional Allocation of Expenses

As discussed in *Note 1*, certain costs have been allocated among the program, management and general and fundraising categories based on management's estimate of usage and other methods.

Pension Benefit Obligations

The Organization has a noncontributory defined benefit pension plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit 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 change could materially affect the amounts reported in the accompanying statements of financial position.

Note 16: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

During 2017, the Organization was notified based on changes from Combined Federal Campaign (CFC) that it would no longer be the campaign processor for federal employees. This change will reduce gross campaign revenue from all federal employees that were raised in the federal workplace campaigns, but not impact the net campaign revenue as all CFC contributions are already deducted from the net campaign revenue.