

GREATER GALLATIN UNITED WAY, INC.

AUDITED FINANCIAL STATEMENTS

June 30, 2013 and 2012



Junkermier • Clark

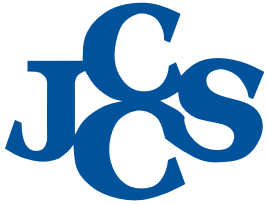
Campanella • Stevens • P.C.

Certified Public Accountants and Business Advisors

GREATER GALLATIN UNITED WAY, INC.

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT.....	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	2
Statements of Activities.....	3 - 4
Statements of Cash Flows.....	5
Statements of Functional Expenses.....	6 - 7
Notes to Financial Statements.....	8 - 17



INDEPENDENT AUDITORS' REPORT

Board of Directors
Greater Gallatin United Way, Inc.
Bozeman, Montana

We have audited the accompanying financial statements of Greater Gallatin United Way, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Gallatin United Way, Inc., as of June 30, 2013 and 2012, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As described in Note 11 to the financials statements, an error resulting in understated assets and net assets for prior periods was discovered by the Organization during the current year. Accordingly, the June 30, 2012 financial statements have been restated and an adjustment has been made to other assets and net assets to correct the error. Our opinion is not modified with respect to that matter.

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

Bozeman, Montana
November 27, 2013

**GREATER GALLATIN UNITED WAY, INC.
STATEMENTS OF FINANCIAL POSITION**

ASSETS

	June 30	
	2013	2012 (Restated)
CURRENT ASSETS		
Cash	\$ 192,209	\$ 144,510
Investments	358,916	415,210
Grants receivable	13,546	11,581
Pledges receivable, net of uncollectible allowance of \$22,000	165,739	171,548
	730,410	742,849
OTHER ASSETS		
Endowment investments	333,859	294,160
Beneficial interest in agency endowment	40,936	38,452
Rent deposit	1,354	1,354
	376,149	333,966
Totals	\$ 1,106,559	\$ 1,076,815

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accrued liabilities	\$ 22,771	\$ 21,298
Accrued compensated absences	11,943	11,516
Deferred revenue	7,011	-
Accrued allocations	382,500	424,663
Accrued designations	2,805	5,625
	427,030	463,102
NET ASSETS		
Unrestricted	204,845	168,562
Temporarily restricted	191,535	162,002
Permanently restricted	283,149	283,149
	679,529	613,713
Totals	\$ 1,106,559	\$ 1,076,815

See notes to financial statements.

GREATER GALLATIN UNITED WAY, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
SUPPORT REVENUE				
Contributions	\$ 573,654	\$ 214,600	\$ -	\$ 788,254
Grants	204,955	-	-	204,955
Less: Uncollected pledges	(12,637)	-	-	(12,637)
Less: Designations	<u>(2,805)</u>	<u>-</u>	<u>-</u>	<u>(2,805)</u>
Total support	<u>763,167</u>	<u>214,600</u>	<u>-</u>	<u>977,767</u>
REVENUE				
Interest and dividend income	10,166	5,689	-	15,855
KidsLINK parent fees	292,520	-	-	292,520
Other income	5,874	-	-	5,874
Proceeds from Montana Community Foundation	12,662	-	-	12,662
Change in FMV of beneficial interest in agency endowment	-	2,484	-	2,484
In-kind donations	53,195	-	-	53,195
Net investment income (loss)	<u>18,109</u>	<u>34,010</u>	<u>-</u>	<u>52,119</u>
Total revenue	<u>392,526</u>	<u>42,183</u>	<u>-</u>	<u>434,709</u>
SATISFACTION OF PROGRAM RESTRICTIONS	<u>227,250</u>	<u>(227,250)</u>	<u>-</u>	<u>-</u>
Total support, revenues, and satisfaction of program restrictions	<u>1,382,943</u>	<u>29,533</u>	<u>-</u>	<u>1,412,476</u>
EXPENSES				
Allocations	572,696	-	-	572,696
Functional expenses				
Program	581,073	-	-	581,073
Fundraising	99,847	-	-	99,847
Management	<u>93,044</u>	<u>-</u>	<u>-</u>	<u>93,044</u>
Total expenses	<u>1,346,660</u>	<u>-</u>	<u>-</u>	<u>1,346,660</u>
CHANGE IN NET ASSETS	36,283	29,533	-	65,816
Net assets, beginning of year	<u>168,562</u>	<u>162,002</u>	<u>283,149</u>	<u>613,713</u>
NET ASSETS, end of year	<u>\$ 204,845</u>	<u>\$ 191,535</u>	<u>\$ 283,149</u>	<u>\$ 679,529</u>

See notes to financial statements.

GREATER GALLATIN UNITED WAY, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012 (Restated)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
SUPPORT REVENUE				
Contributions	\$ 605,662	\$ 7,220	\$ -	\$ 612,882
Grants	141,657	227,319	-	368,976
Less: Uncollected pledges	(15,996)	-	-	(15,996)
Less: Designations	<u>(5,325)</u>	<u>-</u>	<u>-</u>	<u>(5,325)</u>
Total support	<u>725,998</u>	<u>234,539</u>	<u>-</u>	<u>960,537</u>
REVENUE				
Interest and dividend income	12,412	7,859	-	20,271
Tutoring fees	4,706	-	-	4,706
KidsLINK parent fees	180,273	-	-	180,273
Other income	8,367	-	-	8,367
Proceeds from Montana Community Foundation	12,150	-	-	12,150
Change in FMV of beneficial interest in agency endowment	-	(2,574)	-	(2,574)
Service fees	711	-	-	711
In-kind donations	58,396	-	-	58,396
Net investment income (loss)	<u>3,348</u>	<u>(8,492)</u>	<u>-</u>	<u>(5,144)</u>
Total revenue	<u>280,363</u>	<u>(3,207)</u>	<u>-</u>	<u>277,156</u>
SATISFACTION OF PROGRAM RESTRICTIONS	<u>230,867</u>	<u>(230,867)</u>	<u>-</u>	<u>-</u>
Total support, revenues, and satisfaction of program restrictions	<u>1,237,228</u>	<u>465</u>	<u>-</u>	<u>1,237,693</u>
EXPENSES				
Allocations	586,107	-	-	586,107
Functional expenses				
Program	459,843	-	-	459,843
Fundraising	94,605	-	-	94,605
Management	<u>82,251</u>	<u>-</u>	<u>-</u>	<u>82,251</u>
Total expenses	<u>1,222,806</u>	<u>-</u>	<u>-</u>	<u>1,222,806</u>
CHANGE IN NET ASSETS	<u>14,422</u>	<u>465</u>	<u>-</u>	<u>14,887</u>
Net assets, beginning of year, as previously stated	154,140	155,762	247,898	557,800
Adjustment for understatement of permanently restricted net assets	<u>-</u>	<u>5,775</u>	<u>35,251</u>	<u>41,026</u>
Net assets, beginning of year, as restated	<u>154,140</u>	<u>161,537</u>	<u>283,149</u>	<u>598,826</u>
NET ASSETS, end of year	<u>\$ 168,562</u>	<u>\$ 162,002</u>	<u>\$ 283,149</u>	<u>\$ 613,713</u>

See notes to financial statements.

**GREATER GALLATIN UNITED WAY, INC.
STATEMENTS OF CASH FLOWS**

	Years ended June 30	
	2013	2012 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 65,816	\$ 14,887
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Realized and unrealized loss/(gain) and investments income	(52,119)	5,144
Change in beneficial interest in agency endowment	(2,484)	2,574
(Increase) decrease in:		
Grants receivable	(1,965)	(11,581)
Pledges receivable	5,809	(22,857)
Increase (decrease) in:		
Accrued liabilities	1,473	1,590
Accrued compensated absences	427	2,652
Deferred revenue	7,011	-
Accrued allocations	(42,163)	(54,376)
Accrued designations	(2,820)	2,111
	(21,015)	(59,856)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments to cash	68,714	27,180
NET INCREASE (DECREASE) IN CASH	47,699	(32,676)
Cash at beginning of year	144,510	177,186
CASH AT END OF YEAR	\$ 192,209	\$ 144,510

See notes to financial statements.

GREATER GALLATIN UNITED WAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013

	<u>kidsLINK PROGRAM</u>	<u>COMMUNITY SUPPORT</u>	<u>TOTAL PROGRAMS</u>	<u>FUNDRAISING</u>	<u>MANAGEMENT</u>	<u>TOTALS</u>
Bank charges	\$ 658	\$ -	\$ 658	\$ 320	\$ 7,303	\$ 8,281
Contract services	3,500	395	3,895	-	10,247	14,142
Curriculum	2,299	28,158	30,457	16,070	-	46,527
Fair share	-	3,863	3,863	1,268	905	6,036
Insurance	867	1,433	2,300	587	651	3,538
Investment fees	-	-	-	-	4,142	4,142
KidsLINK program expense	302,890	-	302,890	-	-	302,890
Maintenance and repairs	4,294	5,505	9,799	2,999	1,840	14,638
Marketing	429	16,365	16,794	24,163	425	41,382
Meetings	381	7,649	8,030	102	1,966	10,098
Rent and utilities	8,396	10,352	18,748	4,977	5,503	29,228
Personnel costs	63,931	110,625	174,556	44,371	57,262	276,189
Postage	592	602	1,194	503	478	2,175
Supplies	2,587	2,354	4,941	3,900	1,522	10,363
Travel and training	<u>1,339</u>	<u>1,609</u>	<u>2,948</u>	<u>587</u>	<u>800</u>	<u>4,335</u>
	<u>\$ 392,163</u>	<u>\$ 188,910</u>	<u>\$ 581,073</u>	<u>\$ 99,847</u>	<u>\$ 93,044</u>	<u>\$ 773,964</u>

See notes to financial statements.

GREATER GALLATIN UNITED WAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

	<u>kidsLINK PROGRAM</u>	<u>COMMUNITY SUPPORT</u>	<u>TOTAL PROGRAMS</u>	<u>FUNDRAISING</u>	<u>MANAGEMENT</u>	<u>TOTALS</u>
Bank charges	\$ 2,913	\$ -	\$ 2,913	\$ 1,873	\$ 682	\$ 5,468
Contract services	3,500	4,118	7,618	-	7,500	15,118
Curriculum	1,392	3,374	4,766	9	-	4,775
Fair share	1,832	1,777	3,609	1,110	833	5,552
Insurance	783	1,443	2,226	539	1,093	3,858
Investment fees	-	-	-	-	15,063	15,063
KidsLINK program expense	180,273	-	180,273	-	-	180,273
Maintenance and repairs	2,641	5,580	8,221	2,057	1,016	11,294
Marketing	-	30,623	30,623	28,130	1,862	60,615
Meetings	343	3,880	4,223	566	438	5,227
Rent and utilities	9,675	8,289	17,964	5,596	4,161	27,721
Personnel costs	57,567	132,341	189,908	50,591	47,778	288,277
Postage	3	451	454	1,075	297	1,826
Supplies	542	3,573	4,115	1,376	1,491	6,982
Travel and training	1,867	1,063	2,930	1,683	37	4,650
	<u>\$ 263,331</u>	<u>\$ 196,512</u>	<u>\$ 459,843</u>	<u>\$ 94,605</u>	<u>\$ 82,251</u>	<u>\$ 636,699</u>

See notes to financial statements.

GREATER GALLATIN UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations:

Greater Gallatin United Way, Inc. (the Organization) is a nonprofit agency organized to identify and prioritize human service issues; to garner and distribute resources to make an impact on those issues. The Organization serves people in Park, Madison, Meagher and Gallatin County, Montana. The Agency was incorporated with the State of Montana on December 19, 1978. The governing board consists of an elected president, and elected members of the board of directors. The Organization is supported primarily through contributions from an annual campaign.

Program Services:

The Organization is local, well-governed by volunteers, and focuses on improving lives in three areas: Health, Education, and Income. Organization resources and activities are invested utilizing a strategic plan that directs the Organization to listen to the community, to provide leadership when warranted, to convene key stakeholders, to assess human service needs, and to prioritize issues.

Funds raised are then invested in programs and initiatives that provide solutions to issues; outcomes are evaluated and results communicated. The community participates at all levels through giving, advocating, and volunteering.

Greater Gallatin United Way kidsLINK, in concert with school districts, created and sustains 26 quality out-of-school time programs for K-8th graders. With autonomy provided so that each school or district may use their community or neighborhood assets, the overall initiative objectives are to support working families, enhance children's emotional/social well-being, improve children's physical well-being, and supplement children's academic success.

Other program services include Volunteer Connections which connects people who want to volunteer with area nonprofits that need volunteers to fulfill their mission, using an online service; FamilyWize, a drug discount program for those without prescription plans; the Mammogram Project with partners Bozeman Deaconess and Advanced Medical Imaging that pays for diagnostic and screening mammograms for women who cannot afford them; and other projects that fulfill the Organization mission to improve lives through mobilizing the caring power of our local communities.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting. Contributions are recorded when received, unless susceptible to accrual, and expenses are recognized when incurred. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

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

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

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

GREATER GALLATIN UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates:

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

Income taxes:

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and therefore, has made no provision for income taxes. The Organization's tax returns are open for examination by taxing authorities, generally, for three years after the due date of the return or the date the return was filed, whichever is later.

Donated services, materials, and facilities:

The financial statements of the Organization reflect in-kind donations as revenues in the period received and as assets, expenses, or decreases of liabilities depending on the type of benefit received. Donations are measured at estimated fair market values. Donations received with donor restrictions for future periods are reported as an increase in temporarily restricted net assets.

Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Cash and cash equivalents:

For purposes of the cash flow statement, cash includes amounts held in checking and savings accounts as well as certificates of deposit with an original maturity of three months or less. Interest bearing account balances held in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank, per depositor.

Property and Equipment:

Property and equipment are recorded at their historical cost, or if donated, at the estimated fair market values at the date of donation based on independent appraisals. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. The Organization capitalizes assets purchased with a useful life of more than one year and purchase price greater than \$2,500. Property and equipment is depreciated using the straight-line method over their estimated useful lives.

Endowment Investments:

Investments with D.A. Davidson in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Pledges Receivable:

Pledges receivable are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization uses an allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

GREATER GALLATIN UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences:

The Organization accrues annual leave based upon the employees anniversary date. An employee which separates from the organization is paid for all granted and unused annual leave.

2. INVESTMENTS

The Organization follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures. ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs.

The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable, and the last unobservable, that may be used to measure fair value, which are the following:

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

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

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

	Cost	Gross Unrealized Gains (Losses)	Fair Value (Level 1)
June 30, 2013:			
Marketable securities:			
Bank insured deposit	\$ 26,890	\$ -	\$ 26,890
Mutual bond funds	193,246	(1,914)	191,332
Mutual large cap equity fund	7,926	2,966	10,892
Mutual growth funds	23,961	2,330	26,291
I shares - Treasury inflation protected securities	12,346	759	13,105
I shares index funds	60,282	14,982	75,264
Mutual large cap blend fund	-	-	-
Mutual equity income fund	9,210	5,932	15,142
	333,861	25,055	358,916

GREATER GALLATIN UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

2. INVESTMENTS (Continued)

	<u>Cost</u>	<u>Gross Unrealized Gains (Losses)</u>	<u>Fair Value (Level 1)</u>
June 30, 2013 (continued):			
Marketable securities - endowment:			
Bank insured deposit	\$ 5,154	\$ -	\$ 5,154
Mutual bond funds	81,474	(1,088)	80,386
Mutual large cap equity fund	6,750	5,710	12,460
Mutual growth funds	49,234	8,186	57,420
I shares - Treasury inflation protected securities	9,623	682	10,305
I shares index funds	58,227	25,877	84,104
Mutual mid cap equity fund	11,136	(1)	11,135
Mutual equity income fund	16,966	22,264	39,230
Mutual small cap equity fund	9,657	1,076	10,733
Mutual small to mid-cap value fund	17,159	5,773	22,932
	<u>265,380</u>	<u>68,479</u>	<u>333,859</u>
Total Level 1 marketable equity securities	<u>\$ 599,241</u>	<u>\$ 93,534</u>	<u>\$ 692,775</u>
June 30, 2012:			
Marketable securities:			
Bank insured deposit	\$ 618	\$ -	\$ 618
Mutual bond funds	221,534	9,761	231,295
Mutual large cap equity fund	9,485	2,766	12,251
Mutual growth funds	42,888	(2,607)	40,281
I shares - Treasury inflation protected securities	53,495	6,355	59,850
I shares index funds	39,289	6,094	45,383
Mutual large cap blend fund	8,600	(474)	8,126
Mutual equity income fund	12,248	5,158	17,406
	<u>388,157</u>	<u>27,053</u>	<u>415,210</u>
Marketable securities - endowment:			
Bank insured deposit	4,708	-	4,708
Mutual bond funds	70,857	819	71,676
Mutual large cap equity fund	6,504	4,405	10,909
Mutual growth funds	54,075	318	54,393
I shares - Treasury inflation protected securities	21,074	2,986	24,060
I shares index funds	47,392	13,315	60,707
Mutual mid cap equity fund	5,514	4,187	9,701
Mutual equity income fund	16,966	15,393	32,359
Mutual small cap value fund	9,000	(483)	8,517
Mutual small to mid-cap value fund	16,146	984	17,130
	<u>252,236</u>	<u>41,924</u>	<u>294,160</u>
Total Level 1 marketable securities	<u>\$ 640,393</u>	<u>\$ 68,977</u>	<u>\$ 709,370</u>

GREATER GALLATIN UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

2. INVESTMENTS (Continued)

Components of investment and interest income for the year ended June 30, 2013 and 2012 consist of the following:

	2013	2012
Interest and dividends	\$ 15,855	\$ 20,271
Unrealized gains and (losses)	52,011	(15,538)
Realized gains	108	10,394
	\$ 67,974	\$ 15,127

3. ENDOWMENT

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. During the years ended June 30, 2013 and 2012, fees paid for management of endowment funds were \$4,143 and \$7,263, respectively.

Interpretation of Relevant Law

The Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classified 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) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Organization; and
- (7) The investment policies of the Organization.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of MUPMIFA requires the Organization to retain as a fund of perpetual direction. As of June 30, 2013 and 2012, the endowment fund had no such deficiency.

GREATER GALLATIN UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

3. ENDOWMENT (Continued)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to operations while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). The Organization expects its endowment funds, over time, to provide a reasonable level of current income to support the spending policy authorized by the Board of Directors and to grow equity assets. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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 capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation including cash equivalents, fixed income, and equity securities to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Endowment and Investment Committee shall review the fiscal year end account statements and returns of the endowment account and may transfer, to the general operating account, so much of the net income, but not more than five percent (5%) of the total portfolio balance of the account as valued on the last business day of the fiscal year, as they deem necessary and appropriate. Income shall be defined as dividends from stocks and interest from bond funds. In addition, the Board may set aside and transfer to the general operating account or can designate for a project so much of the net appreciation, realized and unrealized, in fair market value of the assets of the endowment funds over historic value. The historic value is the value of all gifts and transfer to the fund as of the date of such transfer. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization's objective to preserve the fair value of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of June 30, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Totals</u>
Donor-restricted endowment funds	\$ -	\$ 91,646	\$ 283,149	\$ 374,795

GREATER GALLATIN UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

3. ENDOWMENT (Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Totals</u>
Endowment net assets, beginning of year	\$ -	\$ 49,463	\$ 283,149	\$ 332,612
Investment return:				
Change in FMV of beneficial interest in agency endowment	-	2,484	-	2,484
Investment income, net	-	5,689	-	5,689
Net investment appreciation	-	34,010	-	34,010
	<u>\$ -</u>	<u>\$ 91,646</u>	<u>\$ 283,149</u>	<u>\$ 374,795</u>

Endowment net asset composition by type of fund as of June 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Totals</u>
Donor-restricted endowment funds	\$ -	\$ 49,463	\$ 283,149	\$ 332,612

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Totals</u>
Endowment net assets, beginning of year	\$ -	\$ 52,670	\$ 283,149	\$ 335,819
Investment return:				
Change in FMV of beneficial interest in agency endowment	-	(2,574)	-	(2,574)
Investment income, net	-	7,859	-	7,859
Net investment depreciation	-	(8,492)	-	(8,492)
	<u>\$ -</u>	<u>\$ 49,463</u>	<u>\$ 283,149</u>	<u>\$ 332,612</u>

In addition to the endowment investment account, the Organization has endowments held by the Montana Community Foundation (the Foundation). These endowments are held in two separate funds, an Agency Fund and a Donor Advised Fund.

The Agency Fund is comprised of funds contributed by the Organization to the Foundation. This fund is reflected on the accompanying financial statements as an asset and related earnings are included in revenue. The amount held by the Montana Community Foundation in the Agency fund as of June 30, 2013 and 2012 was \$40,936 and \$38,452, respectively.

The Donor Advised Fund is comprised of contributions from third-party donors to the Foundation. This fund does not qualify to be recorded on the Organization's statement of financial position. However, earnings from this fund are reported on the statement of activities. The amount held by the Montana Community Foundation in the Donor Advised Fund as of June 30, 2013 and 2012 was 293,063 and 274,727, respectively.

GREATER GALLATIN UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

4. LEASES

The Organization entered into a five-year and one-month lease agreement to rent office space. The lease began on June 1, 2009 and will terminate on June 30, 2014. The monthly lease obligation for the fiscal year ending June 30, 2014 is \$1,805. The future lease payments due for the year ended June 30, 2014 are \$21,660.

5. RESTRICTIONS ON NET ASSETS

The Organization's board of directors may choose to place limitations on a portion of the unrestricted net assets. Temporarily restricted net assets is comprised of the following as of June 30:

	<u>2013</u>	<u>2012</u>
KidsLINK	\$ -	\$ 12,220
Gilhousen Family Foundation	99,889	100,319
Unreleased agency endowment earnings	5,685	3,201
Unreleased endowment investment earnings	<u>85,961</u>	<u>46,262</u>
Totals	<u>\$ 191,535</u>	<u>\$ 162,002</u>

6. DONATED SERVICES, MATERIALS, AND FACILITIES

The following in-kind donations were recognized as expenses for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Curriculum / Community Outreach	\$ 21,970	\$ -
Marketing	21,970	39,991
Investment fees	-	9,645
Meetings	2,234	2,300
Rent	1,805	3,610
Contract services	<u>5,216</u>	<u>2,850</u>
	<u>\$ 53,195</u>	<u>\$ 58,396</u>

7. CONCENTRATION OF CREDIT RISK

The Organization receives a significant portion of its annual revenue from several local entities. If the funds from those groups were not provided it would adversely affect the operations of the Organization. However, the Organization does not feel the support will be withheld based on the positive ongoing relationships.

GREATER GALLATIN UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

8. RETIREMENT PLAN

In January 2004, the Organization adopted a Savings Incentive Match Plan for Employees (SIMPLE). All employees who are 21 years old and have been employed with the Organization two out of the five previous years and earned at least \$5,000 are eligible to participate in the plan. According to the plan, the Organization will match each participant's elective salary deferrals, dollar for dollar, up to 3% of each participant's compensation. Participants may direct their investments among the funds offered by the plan. During the years ended June 30, 2013 and 2012, the Organization made a matching contribution of \$3,228 and \$2,585, respectively, to the SIMPLE plan.

9. OVERHEAD RATIO

The following overhead (fundraising) ratio is equal to fundraising, management, and general expenses divided by total campaign support and all other revenue sources. The ratio is calculated below using the net method recommended in functional expenses and overhead reporting guidelines for United Ways, United Way of America, 2003.

	2013	2012
Numerator: Fundraising and management expense, and payments to affiliates	\$ 192,891	\$ 176,856
Denominator: Total support and revenue, excluding in-kind donations and unrealized gains (losses) on investments	\$ 1,307,270	\$ 1,194,835
Add: Designations	2,805	5,325
	\$ 1,310,075	\$ 1,200,160
Numerator/denominator expressed as a percent	14.7 %	14.7 %

10. GRANTS

Gilhousen Family Foundation

During the year ending June 30, 2013 and 2012 the Organization received grants of \$45,000 and \$30,000 respectively, from the Gilhousen Family Foundation for kidsLINK Afterschool, the afterschool program initiative. The funds were expended in accordance with the grant each year.

During the year ending June 30, 2013, the Organization received a grant for \$100,000 with a stated purpose to use the funds to cover the administrative overhead expenses for the 2013-2014 fiscal year so the majority of other donor contributions could support the program services of Greater Gallatin United Way. During the year ended June 30, 2012 Klein and Karen Gilhousen contributed Qualcomm stock, sold for \$100,319 to support administrative overhead costs for the 2012-2013 fiscal year; those funds were expended in accordance with the contribution.

21st Century Community Learning Centers Grant

During the years ended June 30, 2013 and 2012, the Organization received a grant of \$85,300 and \$91,000 respectively, from the Montana Office of Public Instruction to fund staff and support for kidsLINK Afterschool, in partnership with Bozeman School District. The awards are expense reimbursement grants and all funds were claimed.

GREATER GALLATIN UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

10. GRANTS (Continued)

Mountain Sky Guest Ranch Fund (affiliate of the Arthur M. Blank Family Foundation)

During the year ended June 30, 2013 the Organization, in its role as host of the Early Childhood Community Council, applied for and received a one-time grant of \$11,500 with matching gift requirements, for the purpose of upgrading service to the area Women, Infants, and Children (WIC) program at the Gallatin City-County Health Department. Match funds were secured through the Gallatin City-County Health Department, the requirements of the grant award were met, and funds were expended accordingly.

During the year ended June 30, 2012, the Organization received 2 grant awards totaling \$25,000, to support kidsLINK Afterschool during the 2011-12 and 2012-13 school years. The funds for both years were expended in accordance with the grant award.

Dennis & Phyllis Washington Foundation

During the year ended June 30, 2013, the Organization received a one-time grant from the Dennis & Phyllis Washington Foundation for kidsLINK Afterschool. The funds were expended in accordance with the grant award.

Yellowstone Club Community Foundation

During the year ended June 30, 2013, the Organization received a grant award of \$8,000 from the Yellowstone Club Community Foundation for kidsLINK Afterschool, restricted for Ophir School in Big Sky, which had been expended in accordance with the grant.

Montana Department of Public Health and Human Services

During the year ended June 30, 2013, a Best Beginnings grant award of \$135,000 over two years was awarded beginning September 1, 2011, for the purpose of convening early childhood key stakeholders, conducting a comprehensive early childhood system needs assessment, and identifying community strategies to prioritize and address identified issues. The grant is an expense reimbursement grant with funds claimed on budget for this fiscal year.

11. RESTATEMENT OF PREVIOUSLY REPORTED NET ASSETS

The balances for the fiscal year 2012 have been restated to properly report the agency endowment fund held by the Montana Community Foundation. The effect of the restatement on the fiscal year 2012 balances was an increase to other assets of \$38,452, a decrease to revenue of \$2,574, and an overall increase to beginning net assets of \$41,026, consisting of an increase in permanently restricted net assets of \$35,251 and an increase in temporarily restricted net assets of \$5,775.

12. SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through November 27, 2013, the date on which the financial statements were available to be issued.