Provident, Inc.

Auditor's Reports and Financial Statements

December 31, 2012 and 2011

Provident, Inc.
December 31, 2012 and 2011

Contents

BKD LLP
CPAs & Advisors

One Metropolitan Square
211 N. Broadway, Suite 600
St. Louis, MO 63102-2733
314.231.5544 Fax 314.231.9731 www.bkd.com

Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Directors
Provident, Inc.
St. Louis, Missouri

We have audited the accompanying financial statements of Provident, Inc. ("Provident"), which comprise the statements of financial position as of December 31, 2012 and 2011, 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 Provident'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 Provident'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 Provident, Inc. as of December 31, 2012 and 2011, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenses Related to the Productive Living Board Contract and Unit Cost for Services Provided Under St. Louis County Children's Service Fund listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

BKD, LLP

St. Louis, Missouri
June 3, 2013

Provident, Inc.

Statements of Financial Position

December 31, 2012 and 2011

Assets

	2012	2011
Cash	$ 3,080	$ 3,301
Investments	3,521,642	4,203,997
Accounts receivable		
Clients, net of allowance; 2012 - $65,000, 2011 - $136,000	210,359	304,448
Pledges, net of allowance; 2012 - $44,000, 2011 - $47,000	30,778	67,031
Grants receivable	75,000	-
United Way	2,289,127	2,289,127
Prepaid expenses	62,443	36,192
Property and equipment, net	857,982	863,068
Total assets	$ 7,050,411	$ 7,767,164

Liabilities and Net Assets

	2012	2011
Notes payable to bank	$ 350,000	$ 1,014,385
Accounts payable	115,603	144,515
Accrued expenses	179,936	296,005
Deferred revenue	44,376	37,213
Long-term debt	473,958	-
Accrued pension liability	2,158,525	2,570,122
Total liabilities	3,322,398	4,062,240
Net Assets		
Unrestricted		
Undesignated	(2,188,534)	(2,897,456)
Designated	3,458,642	4,140,997
	1,270,108	1,243,541
Temporarily restricted	2,394,905	2,398,383
Permanently restricted	63,000	63,000
Total net assets	3,728,013	3,704,924
Total liabilities and net assets	$ 7,050,411	$ 7,767,164

Provident, Inc.

Statements of Activities

Years Ended December 31, 2012 and 2011

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Program services	$ 2,193,206	$ -	$ -	$ 2,193,206
Contributions				
United Way	1,711	2,289,127	-	2,290,838
Other	394,522	75,312	-	469,834
Investment income designated for current operations	228,644	-	-	228,644
	2,818,083	2,364,439	-	5,182,522
Net assets released from restrictions				
Satisfaction of time and program restrictions	2,367,917	(2,367,917)	-	-
Total revenues, gains and other support	5,186,000	(3,478)	-	5,182,522
Expenses				
Program services				
Counseling	2,660,180	-	-	2,660,180
Community services	859,477	-	-	859,477
Life crisis services	992,361	-	-	992,361
Total program services	4,512,018	-	-	4,512,018
Management and general	938,188	-	-	938,188
Fundraising	214,063	-	-	214,063
Total expenses	5,664,269	-	-	5,664,269
Other Changes				
Investment gain (loss) in excess of amounts designated for current operations	158,089	-	-	158,089
Pension related changes other than periodic pension cost	351,577	-	-	351,577
Loss on disposal of fixed assets	(4,830)	-	-	(4,830)
Net Increase (Decrease) in Net Assets	26,567	(3,478)	-	23,089
Net Assets, Beginning of Year	1,243,541	2,398,383	63,000	3,704,924
Net Assets, End of Year	$ 1,270,108	$ 2,394,905	$ 63,000	$ 3,728,013

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	$ 1,889,357	$ -	$ -	$ 1,889,357
	14,499	2,289,127	-	2,303,626
	742,753	51,575	-	794,328
	208,644	-	-	208,644
	2,855,253	2,340,702	-	5,195,955
	2,329,920	(2,329,920)	-	-
	5,185,173	10,782	-	5,195,955
	1,946,487	-	-	1,946,487
	1,233,916	-	-	1,233,916
	1,062,984	-	-	1,062,984
	4,243,387	-	-	4,243,387
	848,738	-	-	848,738
	181,326	-	-	181,326
	5,273,451	-	-	5,273,451
	(266,780)	-	-	(266,780)
	(1,706,399)	-	-	(1,706,399)
	-	-	-	-
	(2,061,457)	10,782	-	(2,050,675)
	3,304,998	2,387,601	63,000	5,755,599
	$ 1,243,541	$ 2,398,383	$ 63,000	$ 3,704,924

Provident, Inc.
Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	2012	2011
Operating Activities		
Change in net assets	$ 23,089	$ (2,050,675)
Items not requiring (providing) operating activities cash flows		
Depreciation	51,200	54,165
Loss on disposal of fixed assets	4,830	-
Net realized and unrealized (gains) losses on investments	(317,877)	176,149
Changes in		
Receivables	55,342	16,195
Prepaid expenses	(26,251)	48,652
Accounts payable, accrued expenses and deferred revenue	(137,818)	(171,547)
Accrued pension liability	(411,597)	1,326,319
Net cash used in operating activities	(759,082)	(600,742)
Investing Activities		
Purchase of property and equipment	(50,944)	(28,943)
Purchase of investments	(1,124,800)	(1,666,443)
Proceeds from disposition of investments	2,125,032	2,202,475
Net cash provided by investing activities	949,288	507,089
Financing Activities		
Net borrowings under line-of-credit agreements	160,000	190,000
Principal payments on note payable to bank	(350,427)	(104,480)
Net cash provided by (used in) financing activities	(190,427)	85,520
Decrease in Cash	(221)	(8,133)
Cash, Beginning of Year	3,301	11,434
Cash, End of Year	$ 3,080	$ 3,301
Supplemental Cash Flows Information		
Interest paid	$ 22,326	$ 20,906

Provident, Inc.
Statement of Functional Expenses
Year Ended December 31, 2012

	Program Expenses		
	Counseling	Community Services	Life Crisis Services
Salaries and wages	$ 1,586,240	$ 566,468	$ 761,308
Employee benefits	139,482	27,023	42,324
Payroll taxes	129,570	56,759	42,726
Pension expense	265,552	14,568	83,474
Total salaries, wages and related expenses	2,120,844	664,818	929,832
Professional fees	24,786	15,885	4,446
Supplies	22,074	28,736	1,344
Telephone	58,747	13,998	6,448
Postage and shipping	3,440	26	32
Occupancy	195,105	28,464	2,165
Repairs and maintenance	48,643	30,703	5,754
Printing and publications	5,603	1,116	1,315
Travel	22,865	16,636	6,425
Staff training and development	6,221	3,449	2,777
Conference and meetings	2,917	2,303	1,428
Membership dues	10,190	3,530	2,226
Miscellaneous	57,029	24,517	5,060
Bad debts	6,425	-	-
Interest	756	87	12,520
Insurance - liability	19,721	9,129	3,298
Temporary help	9,848	-	-
Marketing and communications	14,747	2,440	2,610
Ads for job vacancies	-	-	-
Security	3,120	1,095	149
Depreciation	27,099	12,545	4,532
	$ 2,660,180	$ 859,477	$ 992,361

Supporting Services		
Management and General	Fundraising Expense	Total Expenses
$ 532,504	$ 126,875	$ 3,573,395
52,967	3,906	265,702
38,086	16,440	283,581
89,146	21,240	473,980
712,703	168,461	4,596,658
115,653	24	160,794
1,815	47	54,016
9,563	629	89,385
713	760	4,971
13,627	-	239,361
19,099	-	104,199
5,579	7,430	21,043
-	1,012	46,938
339	509	13,295
4,110	2,693	13,451
4,803	75	20,824
17,749	3,601	107,956
-	23,730	30,155
14,081	-	27,444
9,928	-	42,076
-	392	10,240
-	4,700	24,497
500	-	500
902	-	5,266
7,024	-	51,200
$ 938,188	$ 214,063	$ 5,664,269

Provident, Inc.

Statement of Functional Expenses

Year Ended December 31, 2011

	Program Expenses		
	Counseling	Community Services	Life Crisis Services
Salaries and wages	$ 1,186,148	$ 792,224	$ 808,539
Employee benefits	108,023	62,312	42,041
Payroll taxes	87,686	70,377	34,583
Pension expense	26,632	6,067	10,699
Total salaries, wages and related expenses	1,408,489	930,980	895,862
Professional fees	51,683	30,334	23,524
Supplies	24,384	28,157	10,954
Telephone	32,119	9,787	19,205
Postage and shipping	2,244	900	1,519
Occupancy	172,810	28,693	8,007
Repairs and maintenance	40,157	25,341	20,036
Printing and publications	17,928	9,696	10,832
Travel	21,872	70,686	9,345
Staff training and development	7,233	3,522	2,510
Conference and meetings	8,409	11,838	4,984
Membership dues	2,312	1,443	889
Miscellaneous	60,946	54,843	15,405
Bad debts	10,050	240	-
Interest	-	-	7,532
Insurance - liability	15,297	8,705	9,564
Temporary help	15,340	1,934	2,124
Marketing and communications	16,146	9,499	10,287
Ads for job vacancies	962	548	601
Security	1,854	3,319	832
Depreciation	36,252	3,451	8,972
	$ 1,946,487	$ 1,233,916	$ 1,062,984

Supporting Services		
Management and General	Fundraising Expense	Total Expenses
$ 580,105	$ 58,343	$ 3,425,359
51,899	4,993	269,268
43,962	4,241	240,849
13,195	1,327	57,920
689,161	68,904	3,993,396
69,057	3,710	178,308
1,216	574	65,285
8,635	105	69,851
3,620	6,176	14,459
17,674	2,748	229,932
40	-	85,574
2,435	3,180	44,071
5,941	957	108,801
2,205	9,215	24,685
3,182	895	29,308
1,236	99	5,979
21,370	60,814	213,378
-	22,818	33,108
12,085	-	19,617
5,337	-	38,903
54	1,131	20,583
-	-	35,932
-	-	2,111
-	-	6,005
5,490	-	54,165
$ 848,738	$ 181,326	$ 5,273,451

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

Nature of Operations

Provident, Inc. (“Provident”) is a voluntary not-for-profit community service organization. The primary services offered by Provident are psycho-social, socio-economic, social work and crisis hotline services. Funding for these services is provided by client fees, United Way and other contributors and contracts with government and businesses. Provident maintains service offices throughout the St. Louis metropolitan 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

At December 31, 2012, Provident’s cash accounts did not exceeded federally insured limits.

Pursuant to legislation enacted in 2010, the FDIC fully insured all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions. This legislation expired on December 31, 2012. Beginning January 1, 2013, noninterest-bearing transaction accounts are subject to the $250,000 limit on FDIC insurance per covered institution.

Program Services Revenue

Program services revenue is generated by various counseling and community service programs. Fees for services vary according to the program. Since Provident receives United Way funding, fees may be adjusted based on an individual’s economic situation. Certain counseling and community services are provided through contracts with government, employers, or customers of local, regional and national corporations. Program service fees are recognized as revenue during the period in which Provident is obligated to provide services under these agreements.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are also carried at fair value. For those investments without readily determinable fair values, values used were those provided by the managers of the investment funds. These estimated values are subject to uncertainty and, therefore, may differ significantly from the value that would have been used has a market for such investments existed. Such difference could be material. Investment return includes dividend, interest; realized and unrealized gains and losses on investments carried at fair value.

Accounts Receivable

Accounts receivable are stated at the amount billed to customers. Provident provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation of buildings and expenses 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. Provident capitalizes any additions with a cost of $1,000 or more and a useful life greater than two years.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by Provident 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 Provident in perpetuity.

Contributions and Pledges Receivable

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique.

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. Significant services are donated to Provident's Life Crisis Services program. These services meet the requirements for recognition and have been recorded in the accompanying financial statements. The value of contribution revenue recognized from contributed services for the years ended December 31, 2012 and 2011, is approximately $263,000 and $348,000, respectively.

Deferred Revenue

Certain counseling and community services are provided through contracts with government, employers, or customers of local, regional and national corporations. Program service fees are recognized as revenue during the period in which they are earned.

Income Taxes

Provident is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, Provident is subject to federal income tax on any unrelated business taxable income.

Provident files tax returns in the U.S. federal jurisdiction. With a few exceptions, Provident is no longer subject to U.S. federal examinations by tax authorities for years before 2009.

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 among the program, management and general and fundraising categories based on time spent.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 financial statement presentation. These reclassifications had no effect on the change in net assets.

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.

Note 2: Investments and Investment Return

Investments at December 31 consisted of the following:

	2012	2011
Common stock	$ 1,055	$ -
Cash equivalents	61,997	7,925
Mutual funds		
Large cap	687,929	886,353
Mid cap	137,018	154,169
International	941,590	936,281
Fixed income/bond funds	711,919	1,105,567
Other	161,448	178,693
Limited partnerships	818,686	935,009
	$ 3,521,642	$ 4,203,997

Alternative Investments

Alternative investments consist of limited partnerships who invest in hedge funds as follows at December 31:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds of funds - 2012	$ 818,686	$ -	Annual	Annual withdrawals 100 day notice
Hedge funds of funds - 2011	$ 935,009	$ -	Annual	Annual withdrawals 100 day notice

The hedge funds of funds include investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. At December 31, 2012, $700,471 of the total fair value is invested in two funds which Provident has requested to liquidate during 2013.

Provident designates only a portion of the cumulative investment return for support of current operations. The remainder is retained to support operations of future years and to offset potential market declines.

Total investment return is comprised of the following:

	2012	2011
Interest and dividend income	$ 83,671	$ 130,467
Mutual fund capital gains	114,389	165,784
Investment fees	(14,815)	(12,454)
Net realized and unrealized gains (losses) on investments	203,488	(341,933)
Total return on investments	386,733	(58,136)
Investment return designated for operations	(228,644)	(208,644)
Investment gain (loss) in excess of amounts designated for current operations	$ 158,089	$ (266,780)

Note 3: Pledges Receivable

Pledges receivable consisted of the following:

	2012	2011
Due within one year	$ 61,040	$ 72,945
Due in one to five years	15,042	42,864
	76,082	115,809
Less		
Allowance for uncollectible contributions	(44,458)	(46,532)
Unamortized discount	(846)	(2,246)
	$ 30,778	$ 67,031

Discount rate was 1.99% for both 2012 and 2011.

Note 4: Property and Equipment

Property and equipment at December 31 consists of:

	2012	2011
Land	$ 88,667	$ 88,667
Buildings and improvements	1,569,327	1,580,611
Leasehold improvements	243,005	350,910
Furniture and equipment	1,223,368	1,236,210
Automobiles	43,556	43,556
	3,167,923	3,299,954
Less accumulated depreciation	2,309,941	2,436,886
	$ 857,982	$ 863,068

At December 31, 2012 and 2011, a liability of approximately $70,000 and $149,000, respectively, has been included in accounts payable for unemployment taxes. As a result of that liability, a lien has been placed on the building and will be reduced as the liability is paid. On February 21, 2013, the lien on the building was released as the liability for unemployment taxes was satisfied.

Note 5: Notes Payable to Bank

Provident has a note payable to bank due September 29, 2012. Principal is payable in monthly installments of $6,544 with a balloon payment due upon maturity. Interest is paid as a variable rate equal to 3.05% over LIBOR. The effective rate was 3.35% on December 31, 2011. The outstanding balance on the loan was $320,635 as of December 31, 2011. The note is secured by investments. This note was paid off during 2012.

Provident has a $400,000 bank line of credit expiring September 27, 2013. Interest is payable monthly at a variable rate equal to 3.05% over LIBOR. The effective rate at December 31, 2012 and 2011, was 3.25% and 3.35%, respectively. At December 31, 2012 and 2011, there was $160,000 and $190,000, respectively, borrowed against this line. The line is secured by investments.

In 2011, Provident had a revolving line of credit with interest payable monthly at a variable rate equal to 1.20% over LIBOR, which was 1.50% on December 31, 2011. The line of credit was closed out and replaced during 2012 with long-term debt. At December 31, 2011, there was $503,750 outstanding on the line of credit.

Note 6: Long-term Debt

During 2012, Provident entered into a note payable that matures on May 31, 2017. Principal is payable in monthly installments of $2,708 with a balloon payment due upon maturity. Interest is payable monthly at a variable rate equal to 3.05% over LIBOR, which was 3.25% on December 31, 2012. The note is collateralized by investments. At December 31, 2012, there was $473,958 due on this note.

Aggregate annual maturities of long-term debt at December 31, 2012, are:

2013	$ 32,500
2014	32,500
2015	32,500
2016	32,500
2017	343,958
	$ 473,958

Note 7: Net Assets

Temporarily Restricted Net Assets

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

	2012	2011
United Way contribution - restricted for time	$ 2,289,127	$ 2,289,127
Pledges receivable - restricted for time	30,778	65,331
Grants receivable - restricted for time	75,000	-
Other program support - purpose restricted	-	43,925
	$ 2,394,905	$ 2,398,383

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.

	2012	2011
Funds received satisfying time restriction		
United Way	$ 2,289,127	$ 2,289,127
Pledges receivable	78,790	40,793
	$ 2,367,917	$ 2,329,920

Note 8: Endowment

Provident's endowment consists of funds established for the purpose of funding Provident's operations. 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.

Provident'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, Provident 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 Provident in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, Provident 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 Provident 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 Provident
7. Investment policies of Provident

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

	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds - 2012	$ -	$ 63,000	$ 63,000
Board-designated endowment funds - 2012	3,458,642	-	3,458,642
Total endowment funds	$ 3,458,642	$ 63,000	$ 3,521,642
Donor-restricted endowment funds - 2011	$ -	$ 63,000	$ 63,000
Board-designated endowment funds - 2011	4,140,997	-	4,140,997
Total endowment funds	$ 4,140,997	$ 63,000	$ 4,203,997

Changes in endowment net assets for the years ended December 31, 2012 and 2011, were:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, January 1, 2011	$ 4,853,178	$ 63,000	$ 4,916,178
Investment return			
Investment income	130,467	-	130,467
Net depreciation	(176,349)	-	(176,349)
Total investment return	(45,882)	-	(45,882)
Appropriation of endowment assets for expenditure	(666,299)	-	(666,299)
Endowment net assets, December 31, 2011	4,140,997	63,000	4,203,997
Investment return			
Investment income	83,671	-	83,671
Net appreciation	317,877	-	317,877
Total investment return	401,548	-	401,548
Appropriation of endowment assets for expenditure	(1,083,903)	-	(1,083,903)
Endowment net assets, December 31, 2012	$ 3,458,642	$ 63,000	$ 3,521,642

Provident 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 Provident must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under Provident's policies, the endowment's objectives are enhancement of principal, competitive returns and appropriate investment risk. Provident expects its endowment funds to provide an average rate of return of approximately 5.6% annually over time adjusted for inflation. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, Provident 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). Provident 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.

Provident has a policy (the spending policy) of appropriating for expenditure each year of no more than 5.5% of its endowment fund's average fair value over the prior 20 quarters through the year-end preceding the year in which expenditure is planned. In establishing this policy, Provident considered the long-term expected return on its endowment. Accordingly, over the long term, Provident expects the current spending policy to allow its endowment to grow at an average of 5.6% annually. This is consistent with Provident's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 9: Operating Leases

Noncancellable operating leases for office space expire in various years through 2017. These leases generally contain renewal options for periods ranging from one to seven years and require Provident to pay all executory costs (property taxes, maintenance and insurance).

Future minimum lease payments under operating leases are:

2013	$ 176,499
2014	152,408
2015	147,731
2016	84,517
2017	45,604
	$ 606,759

Rental expense for all operating leases as of December 31, 2012 and 2011, were $209,407 and $195,207, respectively.

Note 10: Pension and Other Postretirement Benefit Plans

Provident has a noncontributory defined benefit pension plan covering all employees who meet the eligibility requirements. Provident's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as Provident may determine to be appropriate from time to time. Effective March 31, 2008, the plan was amended such that no additional employees would become eligible and no additional benefits would accrue under the plan as of the effective date of the amendment. Provident expects to contribute $71,000 to the plan in 2013.

Provident uses a December 31 measurement date for the plans. Information about the plan's funded status follows:

	2012	2011
Benefit obligation, both projected and accumulated	$ 8,538,212	$ 8,404,778
Fair value of plan assets	6,379,687	5,834,656
Funded status	$ (2,158,525)	$ (2,570,122)

Liabilities recognized in the statements of financial position:

	2012	2011
Accrued pension liability	$ 2,158,525	$ 2,570,122

Amounts recognized in change in net assets not yet recognized as components of net periodic benefit cost consist of:

	2012	2011
Net loss	$ 3,485,896	$ 3,904,609
Prior service cost	(165,152)	(232,288)
	$ 3,320,744	$ 3,672,321

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	2012	2011
Projected benefit obligation	$ 8,538,212	$ 8,404,778
Accumulated benefit obligation	$ 8,538,212	$ 8,404,778
Fair value of plan assets	$ 6,379,687	$ 5,834,656

Other significant balances and costs are:

	2012	2011
Employer contributions	$ 534,000	$ 438,000
Benefits paid	$ 799,318	$ 472,049
Net periodic benefit costs	$ 473,980	$ 57,920

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized into net periodic benefit cost over the next fiscal year are $450,000 and $(67,000), respectively.

Significant assumptions include:

	2012	2011
Weighted-average assumptions used to determine benefit obligations		
Discount rate	4.00%	4.25%
Rate of compensation increase	N/A	N/A
Weighted-average assumptions used to determine benefit costs		
Discount rate	4.00%	4.25%
Expected return on plan assets	8.50%	8.50%
Rate of compensation increase	N/A	N/A

Provident 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 information.

Provident’s overall investment strategies are enhancement of principal, competitive investment returns and appropriate investment risk. The target allocation percentage is 55% equity, 20% hedge funds, 20% fixed income and 5% real assets. Provident expects to maintain appropriate diversification among complementary investment styles within the equity and fixed income allocations based on market conditions. The purpose is to moderate the overall investment risk.

Provident's pension plan weighted-average asset allocations by asset category are as follows as of December 31:

	2012	2011
Cash and cash equivalents	1%	3%
Mutual funds		
Large cap	14%	13%
Mid cap	3%	3%
International	20%	17%
Fixed income/bond funds	59%	61%
Limited partnership	3%	3%
	100%	100%

Pension Plan Assets

Following is a description of the valuation methodologies and inputs 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. Level 1 plan assets include money market and mutual funds. 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 an investment in a limited partnership. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy.

Provident, Inc.
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December 31, 2012 and 2011

The fair values of Provident's pension plan assets at December 31, by asset class are as follows:

		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)
As of December 31, 2012				
Money market funds	$ 59,879	$ 59,879	$ -	$ -
Mutual funds				
Large cap	888,760	888,760	-	-
Mid cap	195,154	195,154	-	-
International	1,302,486	1,302,486	-	-
Fixed income/bond funds	3,736,828	3,736,828	-	-
Limited partnership	196,617	-	196,617	-
Total	$ 6,379,724	$ 6,183,107	$ 196,617	$ -
As of December 31, 2011				
Money market funds	$ 154,729	$ 154,729	$ -	$ -
Mutual funds				
Large cap	782,568	782,568	-	-
Mid cap	179,028	179,028	-	-
International	1,006,736	1,006,736	-	-
Fixed income/bond funds	3,552,129	3,552,129	-	-
Limited partnership	159,466	-	159,466	-
Total	$ 5,834,656	$ 5,675,190	$ 159,466	$ -

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2012:

2013	$ 644,000
2014	$ 665,000
2015	$ 496,000
2016	$ 316,000
2017	$ 961,000
2018-2022	$ 3,560,000

Retirement Savings Plan

Provident has a 401(k) retirement savings plan covering substantially all employees. Provident's contributions to the plan are determined annually by the board of directors. Contributions to the plan were $31,805 and $28,951 for 2012 and 2011, respectively.

Note 11: 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 that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents 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 at December 31, 2012 and 2011:

Provident, Inc.
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December 31, 2012 and 2011

	Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2012				
Common stock	$ 1,055	$ 1,055		
Cash equivalents	$ 61,997	$ 61,997	$ -	$ -
Mutual funds				
Large cap	$ 687,929	$ 687,929	$ -	$ -
Mid cap	$ 137,018	$ 137,018	$ -	$ -
International	$ 941,590	$ 941,590	$ -	$ -
Fixed income/bond funds	$ 711,919	$ 711,919	$ -	$ -
Other	$ 161,448	$ 161,448	$ -	$ -
Limited partnership	$ 818,686	$ -	$ 118,215	$ 700,471
As of December 31, 2011				
Cash equivalents	$ 7,925	$ 7,925	$ -	$ -
Mutual funds				
Large cap	$ 886,353	$ 886,353	$ -	$ -
Mid cap	$ 154,169	$ 154,169	$ -	$ -
International	$ 936,281	$ 936,281	$ -	$ -
Fixed income/bond funds	$ 1,105,567	$ 1,105,567	$ -	$ -
Other	$ 178,693	$ 178,693	$ -	$ -
Limited partnership	$ 935,009	$ -	$ 159,466	$ 775,543

Following is a description of the valuation methodologies and inputs used for 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 such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2012. 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, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments 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 investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 investments.

The value of certain investments, classified as alternative investments, is determined using net asset value (or its equivalent) as a practical expedient. Investments for which Provident expects to have the ability to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 2. Investments for which Provident does not expect to be able to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 3.

Fair value determinations for Level 3 measurements of securities are the responsibility of the Controller's office. The Controller's office contracts with a pricing specialist to generate fair value estimates on a monthly or quarterly basis. The Controller's office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

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

Balance, January 1, 2011	$ 989,958
Total realized and unrealized gains included in change of net assets	25,585
Purchases, sales, issues and settlements (net)	(240,000)
Balance, December 31, 2011	775,543
Total realized and unrealized losses included in change of net assets	(10,072)
Purchases, sales, issues and settlements (net)	(65,000)
Balance, December 31, 2012	$ 700,471

Note 12: 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. Those matters include the following:

Contributions

Provident receives significant funding from the United Way on an annual basis. In accordance with generally accepted accounting principles, Provident recognizes the funding amount awarded by United Way in its financial statements in the period notification of the award is received. Provident received approximately 47% and 46%, respectively, of all unrestricted support and revenue excluding investment return from the United Way during 2012 and 2011.

Investments

Provident 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.

Supplementary Information

Provident, Inc.

Schedule of Expenses Related to the Productive Living Board Contract

December 31, 2012 and 2011

	2012	2011
Direct Expenses		
Salaries and benefits	$ 59,932	$ 62,054
Professional fees	1,219	3,337
Supplies	1,358	1,247
Occupancy	6,868	8,446
Printing and publication	188	1,004
	69,565	76,088
Indirect Expenses	15,355	16,706
	$ 84,920	$ 92,794
Units of Service	635	654
Unit Cost	$ 133.64	$ 142.00

Provident, Inc.

Schedule of Unit Cost for Services Provided Under
St. Louis County Children's Service Fund
December 31, 2012 and 2011

Provident receives funding from the St. Louis County Children's Service Fund and is required to report unit cost for services provided under the contract. The following are costs per unit of service for 2012:

	Cost per Unit
Individual Counseling (60 Minutes)	$ 126.51
Assessment (90 Minutes)	$ 189.76
Group Therapy (90 Minutes)	$ 189.76
Clinical Case Management (60 Minutes)	$ 64.13