Provident, Inc.

Auditor’s Report and Financial Statements

December 31, 2013 and 2012

Provident, Inc.
December 31, 2013 and 2012

Contents

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Independent Auditor's Report

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, 2013 and 2012, 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, 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.

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 Schedule of 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 5, 2014

Provident, Inc.

Statements of Financial Position

December 31, 2013 and 2012

Assets

	2013	2012
Cash	$ 178,299	$ 3,080
Investments	3,393,451	3,521,642
Accounts receivable		
Clients, net of allowance; 2013 - $28,000, 2012 - $65,000	163,406	210,359
Pledges, net of allowance; 2013 - $46,000, 2012 - $44,000	10,183	30,778
Grants receivable	7,500	75,000
United Way	2,289,127	2,289,127
Prepaid expenses	67,430	62,443
Property and equipment, net	818,282	857,982
Total assets	$ 6,927,678	$ 7,050,411

Liabilities and Net Assets

	2013	2012
Notes payable to bank	$ 210,000	$ 350,000
Accounts payable	65,476	115,603
Accrued expenses	158,209	179,936
Deferred revenue	115,658	44,376
Long-term debt	441,458	473,958
Accrued pension liability	1,045,596	2,158,525
Total liabilities	2,036,397	3,322,398
Net Assets		
Unrestricted		
Undesignated	(808,980)	(2,188,534)
Designated	3,330,451	3,458,642
	2,521,471	1,270,108
Temporarily restricted	2,306,810	2,394,905
Permanently restricted	63,000	63,000
Total net assets	4,891,281	3,728,013
Total liabilities and net assets	$ 6,927,678	$ 7,050,411

Provident, Inc.
Statements of Activities
Years Ended December 31, 2013 and 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support								
Program services	$ 1,852,374	$ -	$ -	$ 1,852,374	$ 2,193,206	$ -	$ -	$ 2,193,206
Contributions								
United Way	-	2,289,127	-	2,289,127	1,711	2,289,127	-	2,290,838
Other	522,292	-	-	522,292	394,522	75,312	-	469,834
Investment income designated for current operations	100,001	-	-	100,001	228,644	-	-	228,644
	2,474,667	2,289,127	-	4,763,794	2,818,083	2,364,439	-	5,182,522
Net assets released from restrictions								
Satisfaction of time and program restrictions	2,377,222	(2,377,222)	-	-	2,367,917	(2,367,917)	-	-
Total revenues, gains and other support	4,851,889	(88,095)	-	4,763,794	5,186,000	(3,478)	-	5,182,522
Expenses								
Program services								
Counseling	2,195,298	-	-	2,195,298	2,660,180	-	-	2,660,180
Community services	918,279	-	-	918,279	859,477	-	-	859,477
Life crisis services	957,905	-	-	957,905	992,361	-	-	992,361
Total program services	4,071,482	-	-	4,071,482	4,512,018	-	-	4,512,018
Management and general	931,767	-	-	931,767	938,188	-	-	938,188
Fundraising	139,162	-	-	139,162	214,063	-	-	214,063
Total expenses	5,142,411	-	-	5,142,411	5,664,269	-	-	5,664,269
Other Changes								
Investment gain in excess of amounts designated for current operations	375,170	-	-	375,170	158,089	-	-	158,089
Pension related changes other than periodic pension cost	1,168,300	-	-	1,168,300	351,577	-	-	351,577
Loss on disposal of fixed assets	(1,585)	-	-	(1,585)	(4,830)	-	-	(4,830)
Net Increase (Decrease) in Net Assets	1,251,363	(88,095)	-	1,163,268	26,567	(3,478)	-	23,089
Net Assets, Beginning of Year	1,270,108	2,394,905	63,000	3,728,013	1,243,541	2,398,383	63,000	3,704,924
Net Assets, End of Year	$ 2,521,471	$ 2,306,810	$ 63,000	$ 4,891,281	$ 1,270,108	$ 2,394,905	$ 63,000	$ 3,728,013

Provident, Inc.
Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Operating Activities		
Change in net assets	$ 1,163,268	$ 23,089
Items not requiring (providing) operating activities cash flows		
Depreciation	54,288	51,200
Loss on disposal of fixed assets	1,585	4,830
Net realized and unrealized gains on investments	(438,347)	(317,877)
Changes in		
Receivables	135,048	55,342
Prepaid expenses	(4,987)	(26,251)
Accounts payable, accrued expenses and deferred revenue	(572)	(137,818)
Accrued pension liability	(1,112,929)	(411,597)
Net cash used in operating activities	(202,646)	(759,082)
Investing Activities		
Purchase of property and equipment	(16,173)	(50,944)
Purchase of investments	(830,896)	(1,124,800)
Proceeds from disposition of investments	1,397,434	2,125,032
Net cash provided by investing activities	550,365	949,288
Financing Activities		
Net borrowings (payments) under line-of-credit agreements	(140,000)	160,000
Principal payments on note payable to bank and long-term debt	(32,500)	(350,427)
Net cash used in financing activities	(172,500)	(190,427)
Increase (Decrease) in Cash	175,219	(221)
Cash, Beginning of Year	3,080	3,301
Cash, End of Year	$ 178,299	$ 3,080
Supplemental Cash Flows Information		
Interest paid	$ 18,236	$ 22,326

Provident, Inc.
Statement of Functional Expenses
Year Ended December 31, 2013

	Program Expenses			Supporting Services		
	Counseling	Community Services	Life Crisis Services	Management and General	Fundraising Expense	Total Expenses
Salaries and wages	$ 1,424,652	$ 648,766	$ 779,237	$ 528,544	$ 88,470	$ 3,469,669
Employee benefits	121,479	40,904	49,126	42,906	3,510	257,925
Payroll taxes	124,975	53,590	39,588	40,396	9,458	268,007
Pension expense	69,896	3,002	23,202	25,931	4,340	126,371
Total salaries, wages and related expenses	1,741,002	746,262	891,153	637,777	105,778	4,121,972
Professional fees	12,320	17,766	8,609	155,111	5,858	199,664
Supplies	14,507	18,526	2,661	2,252	1,096	39,042
Telephone	54,402	15,883	4,825	8,435	1,130	84,675
Postage and shipping	3,253	17	-	644	601	4,515
Occupancy	185,578	26,008	5,035	19,674	1,150	237,445
Repairs and maintenance	43,482	16,785	6,191	15,814	-	82,272
Printing and publications	2,824	485	2,930	21,122	8,902	36,263
Travel	20,379	8,868	7,325	-	7,740	44,312
Staff training and development	4,265	3,312	2,281	863	475	11,196
Conference and meetings	358	358	461	1,251	1,576	4,004
Membership dues	2,519	1,079	1,181	3,376	-	8,155
Miscellaneous	43,621	26,653	8,567	25,517	3,482	107,840
Bad debts	(4,407)	1,543	644	-	1,099	(1,121)
Interest	16	-	-	19,857	-	19,873
Insurance - liability	21,965	12,758	5,232	4,717	-	44,672
Temporary help	10,041	-	-	575	-	10,616
Marketing and communications	11,447	6,133	4,271	7,515	275	29,641
Ads for job vacancies	-	-	-	25	-	25
Security	1,469	694	211	688	-	3,062
Depreciation	26,257	15,149	6,328	6,554	-	54,288
	$ 2,195,298	$ 918,279	$ 957,905	$ 931,767	$ 139,162	$ 5,142,411

Provident, Inc.

Statement of Functional Expenses

Year Ended December 31, 2012

	Program Expenses			Supporting Services		
	Counseling	Community Services	Life Crisis Services	Management and General	Fundraising Expense	Total Expenses
Salaries and wages	$ 1,586,240	$ 566,468	$ 761,308	$ 532,504	$ 126,875	$ 3,573,395
Employee benefits	139,482	27,023	42,324	52,967	3,906	265,702
Payroll taxes	129,570	56,759	42,726	38,086	16,440	283,581
Pension expense	265,552	14,568	83,474	89,146	21,240	473,980
Total salaries, wages and related expenses	2,120,844	664,818	929,832	712,703	168,461	4,596,658
Professional fees	24,786	15,885	4,446	115,653	24	160,794
Supplies	22,074	28,736	1,344	1,815	47	54,016
Telephone	58,747	13,998	6,448	9,563	629	89,385
Postage and shipping	3,440	26	32	713	760	4,971
Occupancy	195,105	28,464	2,165	13,627	-	239,361
Repairs and maintenance	48,643	30,703	5,754	19,099	-	104,199
Printing and publications	5,603	1,116	1,315	5,579	7,430	21,043
Travel	22,865	16,636	6,425	-	1,012	46,938
Staff training and development	6,221	3,449	2,777	339	509	13,295
Conference and meetings	2,917	2,303	1,428	4,110	2,693	13,451
Membership dues	10,190	3,530	2,226	4,803	75	20,824
Miscellaneous	57,029	24,517	5,060	17,749	3,601	107,956
Bad debts	6,425	-	-	-	23,730	30,155
Interest	756	87	12,520	14,081	-	27,444
Insurance - liability	19,721	9,129	3,298	9,928	-	42,076
Temporary help	9,848	-	-	-	392	10,240
Marketing and communications	14,747	2,440	2,610	-	4,700	24,497
Ads for job vacancies	-	-	-	500	-	500
Security	3,120	1,095	149	902	-	5,266
Depreciation	27,099	12,545	4,532	7,024	-	51,200
	$ 2,660,180	$ 859,477	$ 992,361	$ 938,188	$ 214,063	$ 5,664,269

Provident, Inc.
Notes to Financial Statements
December 31, 2013 and 2012

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, 2013, Provident’s cash accounts did not exceed federally insured limits.

Program Services Revenue

Program services revenue is generated by various counseling, community and life crisis 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.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in temporarily restricted net assets and then released from restriction. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

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, 2013 and 2012, is approximately $306,000 and $263,000, respectively.

Deferred Revenue

Certain counseling, community and life crisis 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 2010.

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.

Transfer Between Fair Value Hierarchy Levels

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

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:

	2013	2012
Common stock	$ 4,277	$ 1,055
Cash equivalents	141,783	61,997
Mutual funds		
Large cap	730,857	687,929
Mid cap	142,670	137,018
International	871,222	941,590
Fixed income/bond funds	711,361	711,919
Other	193,044	161,448
Limited partnerships	598,237	818,686
	$ 3,393,451	$ 3,521,642

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 - 2013	$ 598,237	$ -	Annual	Annual withdrawals 100 day notice
Hedge funds of funds - 2012	$ 818,686	$ -	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, 2013, $424,612 of the total fair value is invested in two funds which Provident has requested to liquidate during 2014.

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:

	2013	2012
Interest and dividend income	$ 47,811	$ 83,671
Investment fees	(10,987)	(14,815)
Net realized and unrealized gains on investments	438,347	317,877
Total return on investments	475,171	386,733
Investment return designated for operations	(100,001)	(228,644)
Investment gain in excess of amounts designated for current operations	$ 375,170	$ 158,089

Note 3: Pledges Receivable

Pledges receivable consisted of the following:

	2013	2012
Due within one year	$ 55,215	$ 61,040
Due in one to five years	742	15,042
	55,957	76,082
Less		
Allowance for uncollectible contributions	(45,557)	(44,458)
Unamortized discount	(217)	(846)
	$ 10,183	$ 30,778

Discount rate was 1.99 percent for both 2013 and 2012.

Note 4: Property and Equipment

Property and equipment at December 31 consists of:

	2013	2012
Land	$ 88,667	$ 88,667
Buildings and improvements	1,574,331	1,569,327
Leasehold improvements	23,671	243,005
Furniture and equipment	849,222	1,223,368
Automobiles	7,353	43,556
	2,543,244	3,167,923
Less accumulated depreciation	1,724,962	2,309,941
	$ 818,282	$ 857,982

Note 5: Note Payable to Bank

Provident has a $400,000 bank line of credit expiring September 26, 2014. Interest is payable monthly at a variable rate equal to 3.05 percent over LIBOR. The effective rate at December 31, 2013 and 2012, was 3.21 percent and 3.25 percent, respectively. At December 31, 2013 and 2012, there was $210,000 and $350,000, respectively, borrowed against this line. The line is secured by investments.

Note 6: Long-term Debt

During 2012, Provident refinanced existing debt 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 percent over LIBOR, which was 3.22 percent and 3.25 percent, respectively, on December 31, 2013 and 2012. The note is collateralized by investments. At December 31, 2013 and 2012, there was $441,458 and $473,958, respectively, due on this note.

Aggregate annual maturities of long-term debt at December 31, 2013, are:

2014	$ 32,500
2015	32,500
2016	32,500
2017	343,958
	$ 441,458

Note 7: Net Assets

Temporarily Restricted Net Assets

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

	2013	2012
United Way contribution - restricted for time	$ 2,289,127	$ 2,289,127
Pledges receivable - restricted for time	10,183	30,778
Grants receivable - restricted for time	7,500	75,000
	$ 2,306,810	$ 2,394,905

Permanently Restricted Net Assets

Permanently restricted net assets at December 31 are restricted to invest in perpetuity with income available to support any program activity of Provident.

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.

	2013	2012
Funds received satisfying time restriction		
United Way	$ 2,289,127	$ 2,289,127
Pledges and grants receivable	88,095	78,790
	$ 2,377,222	$ 2,367,917

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 - 2013	$ -	$ 63,000	$ 63,000
Board-designated endowment funds - 2013	3,330,451	-	3,330,451
Total endowment funds	$ 3,330,451	$ 63,000	$ 3,393,451
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

Changes in endowment net assets for the years ended December 31, 2013 and 2012, were:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, January 1, 2012	$ 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
Investment return			
Investment income	47,723	-	47,723
Net appreciation	438,347	-	438,347
Total investment return	486,070	-	486,070
Appropriation of endowment assets for expenditure	(614,261)	-	(614,261)
Endowment net assets, December 31, 2013	$ 3,330,451	$ 63,000	$ 3,393,451

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 percent 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 no more than 5.5 percent 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 and its objective of maintaining 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:

2014	$ 164,408
2015	147,731
2016	84,517
2017	45,604
	$ 442,260

Rental expense for all operating leases as of December 31, 2013 and 2012, were $203,975 and $209,407, 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 $486,000 to the plan in 2014.

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

	2013	2012
Benefit obligation, both projected and accumulated	$ 7,484,699	$ 8,538,212
Fair value of plan assets	6,439,103	6,379,687
Funded status	$ (1,045,596)	$ (2,158,525)

Liabilities recognized in the statements of financial position:

	2013	2012
Accrued pension liability	$ 1,045,596	$ 2,158,525

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

	2013	2012
Net loss	$ 2,250,460	$ 3,485,896
Prior service cost	(98,016)	(165,152)
	$ 2,152,444	$ 3,320,744

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

	2013	2012
Projected benefit obligation	$ 7,484,699	$ 8,538,212
Accumulated benefit obligation	$ 7,484,699	$ 8,538,212
Fair value of plan assets	$ 6,439,103	$ 6,379,687

Other significant balances and costs are:

	2013	2012
Employer contributions	$ 71,000	$ 534,000
Benefits paid	$ 513,534	$ 799,318
Net periodic benefit costs	$ 126,371	$ 473,980

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 $378,000 and $(67,000), respectively.

Significant assumptions include:

	2013	2012
Weighted-average assumptions used to determine benefit obligations		
Discount rate	5.00%	4.00%
Rate of compensation increase	N/A	N/A
Weighted-average assumptions used to determine benefit costs		
Discount rate	5.00%	4.00%
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 40 percent equity and 60 percent fixed income plus or minus 5 percent. 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:

	2013	2012
Cash and cash equivalents	1%	1%
Mutual funds		
Large cap	15%	14%
Mid cap	3%	3%
International	21%	20%
Fixed income/bond funds	56%	59%
Limited partnership	4%	3%
	100%	100%

Provident, Inc.
Notes to Financial Statements
December 31, 2013 and 2012

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. There were no Level 3 plan assets at December 31, 2013 and 2012.

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, 2013				
Money market funds	$ 62,802	$ 62,802	$ -	$ -
Mutual funds				
Large cap	954,503	954,503	-	-
Mid cap	205,959	205,959	-	-
International	1,374,458	1,374,458	-	-
Fixed income/bond funds	3,583,759	3,583,759	-	-
Limited partnership	257,622	-	257,622	-
Total	$ 6,439,103	$ 6,181,481	$ 257,622	$ -
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	$ -

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2013:

2014	$	500,000
2015	$	507,000
2016	$	325,000
2017	$	971,000
2018	$	727,000
2019-2023	$	3,074,000

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 $31,088 and $31,805 for 2013 and 2012, 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 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, 2013 and 2012:

	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, 2013				
Common stock	$ 4,277	$ 4,277	$ -	$ -
Cash equivalents	$ 141,783	$ 141,783	$ -	$ -
Mutual funds				
Large cap	$ 730,857	$ 730,857	$ -	$ -
Mid cap	$ 142,670	$ 142,670	$ -	$ -
International	$ 871,222	$ 871,222	$ -	$ -
Fixed income/bond funds	$ 711,361	$ 711,361	$ -	$ -
Other	$ 193,044	$ 193,044	$ -	$ -
Limited partnership	$ 598,237	$ -	$ 598,237	$ -
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

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, 2013. 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 Business Office. The Business Office contracts with a pricing specialist to generate fair value estimates on a monthly or quarterly basis. The Business 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:

Level 3 Reconciliation

Balance, January 1, 2012	$ 775,543
Total realized and unrealized gains included in change of net assets	(10,072)
Purchases, sales, issues and settlements (net)	(65,000)
Balance, December 31, 2012	700,471
Total realized and unrealized losses included in change of net assets	43,553
Transfer to Level 2	(424,612)
Purchases, sales, issues and settlements (net)	(319,412)
Balance, December 31, 2013	$ -

Unobservable (Level 3) Inputs

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

	Fair Value at December 31, 2012	Valuation Technique	Unobservable Inputs
Limited Partnership	$ 700,741	Net Asset Value	Net Asset Value

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 48 percent and 46 percent, respectively, of all unrestricted support and revenue excluding investment return from the United Way during 2013 and 2012.

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, 2013 and 2012

	2013	2012
Direct Expenses		
Salaries and benefits	$ 91,673	$ 59,932
Professional fees	1,287	1,219
Supplies	1,549	1,358
Occupancy	10,680	6,868
Printing and publication	292	188
	105,481	69,565
Indirect Expenses	19,112	15,355
	$ 124,593	$ 84,920
Units of Service	865	635
Unit Cost	$ 144.04	$ 133.64

Provident, Inc.

Schedule of Unit Cost for Services Provided Under
St. Louis County Children's Service Fund
December 31, 2013

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 2013:

		Cost per Unit
Individual Counseling (60 Minutes)	$	121.68
Assessment (90 Minutes)	$	182.52
Group Therapy (90 Minutes)	$	182.52
Clinical Case Management (60 Minutes)	$	64.41