Provident, Inc.

Independent Auditor’s Report and Financial Statements

December 31, 2015 and 2014

Provident, Inc.
December 31, 2015 and 2014

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, 2015 and 2014, 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

St. Louis, Missouri
May 5, 2016

Provident, Inc.
Statements of Financial Position
December 31, 2015 and 2014

Assets

	2015	2014
Cash	$ 173,119	$ 195,133
Investments	2,363,209	2,922,022
Accounts receivable		
Clients, net of allowance; 2015 - $57,000, 2014 - $57,000	271,195	307,969
Pledges, net of allowance; 2015 - $26,000, 2014 - $29,000	60,809	3,987
United Way	1,945,815	2,115,758
Prepaid expenses	120,962	74,976
Property and equipment, net	1,281,056	853,497
Total assets	$ 6,216,165	$ 6,473,342

Liabilities and Net Assets

	2015	2014
Liabilities		
Notes payable to bank	$ -	$ 115,000
Accounts payable	116,932	105,851
Accrued expenses	106,106	119,785
Deferred revenue	124,505	51,743
Long-term debt	828,321	408,958
Accrued pension liability	1,544,290	1,558,385
Total liabilities	2,720,154	2,359,722
Net Assets		
Unrestricted		
Undesignated	(873,822)	(928,147)
Designated	2,300,209	2,859,022
	1,426,387	1,930,875
Temporarily restricted	2,006,624	2,119,745
Permanently restricted	63,000	63,000
Total net assets	3,496,011	4,113,620
Total liabilities and net assets	$ 6,216,165	$ 6,473,342

Provident, Inc.
Statements of Activities
Years Ended December 31, 2015 and 2014

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Program services	$ 2,501,305	$ -	$ -	$ 2,501,305
Contributions				
United Way	41,800	1,945,815	-	1,987,615
Other	502,494	91,700	-	594,194
	3,045,599	2,037,515	-	5,083,114
Net assets released from restrictions				
Satisfaction of time and program restrictions	2,150,636	(2,150,636)	-	-
Total revenues, gains and other support	5,196,235	(113,121)	-	5,083,114
Expenses				
Program services				
Counseling	2,586,264	-	-	2,586,264
Community services	836,720	-	-	836,720
Life crisis services	1,124,572	-	-	1,124,572
Total program services	4,547,556	-	-	4,547,556
Management and general	366,748	-	-	366,748
Fundraising	180,767	-	-	180,767
Total expenses	5,095,071	-	-	5,095,071
Change in Net Assets Before Other Changes	101,164	(113,121)	-	(11,957)
Other Changes				
Investment gain (loss) in excess of amounts designated for current operations	(76,410)	-	-	(76,410)
Pension related changes other than periodic pension cost	(530,042)	-	-	(530,042)
Gain on disposal of fixed assets	800	-	-	800
Net Decrease in Net Assets	(504,488)	(113,121)	-	(617,609)
Net Assets, Beginning of Year	1,930,875	2,119,745	63,000	4,113,620
Net Assets, End of Year	$ 1,426,387	$ 2,006,624	$ 63,000	$ 3,496,011

2014			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 2,295,215	$ -	$ -	$ 2,295,215
-	2,115,758	-	2,115,758
824,006	5,000	-	829,006
3,119,221	2,120,758	-	5,239,979
2,307,823	(2,307,823)	-	-
5,427,044	(187,065)	-	5,239,979
2,172,726	-	-	2,172,726
820,742	-	-	820,742
1,249,353	-	-	1,249,353
4,242,821	-	-	4,242,821
528,152	-	-	528,152
223,230	-	-	223,230
4,994,203	-	-	4,994,203
432,841	(187,065)	-	245,776
21,787	-	-	21,787
(1,045,224)	-	-	(1,045,224)
-	-	-	-
(590,596)	(187,065)	-	(777,661)
2,521,471	2,306,810	63,000	4,891,281
$ 1,930,875	$ 2,119,745	$ 63,000	$ 4,113,620

Provident, Inc.
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Operating Activities		
Change in net assets	$ (617,609)	$ (777,661)
Items not requiring (providing) operating activities cash flows		
Depreciation	72,341	58,029
Gain on disposal of fixed assets	(800)	-
Net realized and unrealized losses on investments	113,535	33,202
Changes in		
Receivables	149,895	42,502
Prepaid expenses	(45,986)	(7,546)
Accounts payable, accrued expenses and deferred revenue	70,164	(61,964)
Accrued pension liability	(14,095)	512,789
Net cash used in operating activities	(272,555)	(200,649)
Investing Activities		
Purchase of property and equipment	(190,537)	(93,244)
Proceeds from sale of equipment	800	-
Purchase of investments	(1,317,594)	(4,667,687)
Proceeds from disposition of investments	1,762,872	5,105,914
Net cash provided by investing activities	255,541	344,983
Financing Activities		
Payments on line of credit agreement	-	(750,000)
Borrowings under line of credit agreement	-	655,000
Principal payments on note payable to bank and long-term debt	(5,000)	(32,500)
Net cash used in financing activities	(5,000)	(127,500)
Increase (Decrease) in Cash	(22,014)	16,834
Cash, Beginning of Year	195,133	178,299
Cash, End of Year	$ 173,119	$ 195,133
Supplemental Cash Flows Information		
Interest paid	$ 21,337	$ 17,576
Long-term debt incurred for purchase of property and equipment	$ 309,363	$ -
Refinancing of prior debt	$ 523,958	$ -

Provident, Inc.
Statement of Functional Expenses
Year Ended December 31, 2015

	Program Expenses			Supporting Services		
	Counseling	Community Services	Life Crisis Services	Management and General	Fundraising Expense	Total Expenses
Salaries and wages	$ 1,629,226	$ 635,926	$ 963,481	$ 77,040	$ 102,115	$ 3,407,788
Employee benefits	174,097	36,806	59,300	13,835	17,425	301,463
Payroll taxes	115,569	49,669	46,698	20,660	7,719	240,315
Pension income	(27,037)	(12,056)	(13,068)	(4,040)	(1,936)	(58,137)
Total salaries, wages and related expenses	1,891,855	710,345	1,056,411	107,495	125,323	3,891,429
Professional fees	27,504	45,076	1,846	152,488	34,220	261,134
Supplies	27,190	24,306	3,121	1,151	453	56,221
Telephone	45,711	7,609	4,804	5,945	-	64,069
Postage and shipping	556	36	17	2,875	1,206	4,690
Occupancy	182,973	6,218	1,185	13,405	1,611	205,392
Repairs and maintenance	90,253	6,414	3,717	8,322	-	108,706
Printing and publications	980	101	1,547	20,406	7,596	30,630
Travel	15,652	5,393	9,679	1	2,454	33,179
Staff training and development	8,967	1,376	1,668	1,374	389	13,774
Conference and meetings	267	-	1,880	893	1,105	4,145
Membership dues	-	73	-	18	-	91
Miscellaneous	205,194	5,857	14,206	19,179	7,761	252,197
Bad debts	11,727	-	-	-	(1,603)	10,124
Interest	-	-	-	21,373	-	21,373
Insurance - liability	15,946	6,148	7,537	4,926	-	34,557
Temporary help	6,120	-	-	-	-	6,120
Marketing and communications	8,815	2,774	8,255	-	252	20,096
Security	3,243	543	86	931	-	4,803
Depreciation	43,311	14,451	8,613	5,966	-	72,341
	$ 2,586,264	$ 836,720	$ 1,124,572	$ 366,748	$ 180,767	$ 5,095,071

Provident, Inc.

Statement of Functional Expenses

Year Ended December 31, 2014

	Program Expenses			Supporting Services		
	Counseling	Community Services	Life Crisis Services	Management and General	Fundraising Expense	Total Expenses
Salaries and wages	$ 1,392,703	$ 588,538	$ 1,066,694	$ 246,067	$ 138,306	$ 3,432,308
Employee benefits	170,756	47,171	64,255	15,712	9,069	306,963
Payroll taxes	104,066	44,997	42,059	17,760	10,509	219,391
Pension income	(17,255)	(7,292)	(7,125)	(3,049)	(1,714)	(36,435)
Total salaries, wages and related expenses	1,650,270	673,414	1,165,883	276,490	156,170	3,922,227
Professional fees	16,922	20,304	5,162	127,758	4,644	174,790
Supplies	14,976	27,659	3,570	1,513	1,431	49,149
Telephone	52,299	10,244	8,345	5,313	210	76,411
Postage and shipping	995	20	22	2,751	1,519	5,307
Occupancy	167,724	6,372	6,191	11,772	1,125	193,184
Repairs and maintenance	60,693	12,864	10,339	12,757	-	96,653
Printing and publications	1,890	545	2,044	30,331	9,273	44,083
Travel	17,705	14,072	11,552	-	3,696	47,025
Staff training and development	3,347	12,615	2,466	349	64	18,841
Conference and meetings	1,534	-	2,374	2,400	480	6,788
Membership dues	-	385	-	138	-	523
Miscellaneous	65,726	20,825	10,239	28,213	23,529	148,532
Bad debts	38,281	-	-	-	9,950	48,231
Interest	89	-	-	18,368	-	18,457
Insurance - liability	28,313	4,839	2,907	4,498	-	40,557
Temporary help	7,701	127	76	1	-	7,905
Marketing and communications	8,818	3,185	10,113	400	11,139	33,655
Security	2,884	263	257	452	-	3,856
Depreciation	32,559	13,009	7,813	4,648	-	58,029
	$ 2,172,726	$ 820,742	$ 1,249,353	$ 528,152	$ 223,230	$ 4,994,203

Provident, Inc.
Notes to Financial Statements
December 31, 2015 and 2014

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, 2015, 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 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, 2015 and 2014, is approximately $274,000 and $492,000, 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 2012.

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.

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.

Provident, Inc.
Notes to Financial Statements
December 31, 2015 and 2014

Note 2: Investments and Investment Return

Investments at December 31 consisted of the following:

	2015	2014
Common stock	$ 10,519	$ 6,468
Cash equivalents	54,251	44,602
Mutual funds		
Large cap	539,072	739,174
Mid cap	152,592	166,959
International	694,068	752,013
Fixed income/bond funds	692,754	823,796
Other	219,953	379,354
Limited partnerships	-	9,656
	$ 2,363,209	$ 2,922,022

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:

	2015	2014
Interest and dividend income	$ 47,856	$ 65,918
Investment fees	(10,731)	(8,456)
Net realized and unrealized losses on investments	(113,535)	(35,675)
Total return on investments	$ (76,410)	$ 21,787

Note 3: Pledges Receivable

Pledges receivable consisted of the following:

	2015	2014
Due within one year	$ 65,917	$ 29,417
Due in one to five years	25,000	4,000
	90,917	33,417
Less		
Allowance for uncollectible contributions	(25,917)	(29,117)
Unamortized discount	(4,191)	(313)
	$ 60,809	$ 3,987

Discount rate was 1.99 percent for both 2015 and 2014.

Note 4: Property and Equipment

Property and equipment at December 31 consists of:

	2015	2014
Land	$ 88,667	$ 88,667
Buildings and improvements	2,051,715	1,592,825
Leasehold improvements	27,622	23,671
Furniture and equipment	957,409	923,972
Automobiles	7,353	7,353
	3,132,766	2,636,488
Less accumulated depreciation	1,851,710	1,782,991
	$ 1,281,056	$ 853,497

Note 5: Note Payable to Bank and Long-term Debt

	2015	2014
Note payable, bank (A)	$ -	$ 408,958
Line of credit (B)	-	115,000
IFF promissory note A (C)	514,908	-
IFF promissory note B (D)	313,413	-
	$ 828,321	$ 523,958

(A) Payable in monthly installments of $2,708; interest payable at a variable rate equal to 3.05 percent over London Interbank Offered Rate (LIBOR), which was 3.22 percent at December 31, 2014; collateralized by investments; refinanced during 2015 with the IFF promissory note A as described below.

(B) Provides for borrowing up to $400,000; payable at a variable rate equal to 3.05 percent over LIBOR, the effective rate was 3.21 percent at December 31, 2014; secured by investments; refinanced during 2015 with the IFF promissory note A as described below.

(C) Matures August 1, 2030; principal payable in monthly installments of $3,432 with a balloon payment due upon maturity; interest payable monthly at a fixed rate of 5.00 percent for the first five years and then recalculated twice for each of the next five year periods; collateralized by deed of trust and other business assets; this note refinanced all previous Provident debt.

(D) Allows for borrowings up to $730,000; matures September 1, 2031; monthly interest only payments at a fixed rate of 5.00 percent for the first five years (and then recalculated twice for each of the next five year periods) will be made until October 2016 when it is expected that all amounts will be drawn from the promissory note; principal payments begin the earlier of one month after the note payable has been fully drawn on or when all renovations have been completed and is payable in monthly installments of $4,818 with balloon payment due upon maturity; collateralized by a deed of trust and other business assets; borrowings from note are intended for purchase and renovation of fixed assets.

Aggregate annual maturities of long-term debt at December 31, 2015, are:

2016	$ 15,795
2017	16,603
2018	17,452
2019	18,345
2020	19,283
Thereafter	427,430
	514,908
In-process note	313,413
	$ 828,321

As the second IFF promissory note has not fully been extended as of December 31, 2015, and the start date of principle payments is not known, the future maturities have not been included in the above table. Total available to borrow at December 31, 2015, was $416,587.

Note 6: Net Assets

Temporarily Restricted Net Assets

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

	2015	2014
United Way contribution - restricted for time	$ 1,945,815	$ 2,115,758
Pledges receivable - restricted for time	60,809	3,987
	$ 2,006,624	$ 2,119,745

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.

	2015	2014
Funds received satisfying time restriction		
United Way	$ 2,115,758	$ 2,289,127
Pledges and grants receivable	34,878	18,696
	$ 2,150,636	$ 2,307,823

Note 7: 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 - 2015	$ -	$ 63,000	$ 63,000
Board-designated endowment funds - 2015	2,300,209	-	2,300,209
Total endowment funds	$ 2,300,209	$ 63,000	$ 2,363,209
Donor-restricted endowment funds - 2014	$ -	$ 63,000	$ 63,000
Board-designated endowment funds - 2014	2,859,022	-	2,859,022
Total endowment funds	$ 2,859,022	$ 63,000	$ 2,922,022

Changes in endowment net assets for the years ended December 31, 2015 and 2014, were:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, January 1, 2014	$ 3,330,451	$ 63,000	$ 3,393,451
Investment return			
Investment income	65,918	-	65,918
Net depreciation	(35,675)	-	(35,675)
Total investment return	30,243	-	30,243
Appropriation of endowment assets for expenditure	(501,672)	-	(501,672)
Endowment net assets, December 31, 2014	2,859,022	63,000	2,922,022
Investment return			
Investment income	47,856	-	47,856
Net depreciation	(113,535)	-	(113,535)
Total investment return	(65,679)	-	(65,679)
Appropriation of endowment assets for expenditure	(493,134)	-	(493,134)
Endowment net assets, December 31, 2015	$ 2,300,209	$ 63,000	$ 2,363,209

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 of up to 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 8: Operating Leases

Noncancellable operating leases for office space expire in various years through 2021. 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:

2016	$ 166,781
2017	132,363
2018	73,855
2019	62,666
2020	38,730
2021	3,530
	$ 477,925

Rental expense for all operating leases as of December 31, 2015 and 2014, were $183,635 and $163,574, respectively.

Note 9: 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 $1,957,495 to the plan in 2016.

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

	2015	2014
Benefit obligation, both projected and accumulated	$ 8,261,559	$ 8,373,166
Fair value of plan assets	6,717,269	6,814,781
Funded status	$ (1,544,290)	$ (1,558,385)

Liabilities recognized in the statements of financial position:

	2015	2014
Accrued pension liability	$ 1,544,290	$ 1,558,385

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

	2015	2014
Net loss	$ 3,727,710	$ 3,228,548
Prior service cost	-	(30,880)
	$ 3,727,710	$ 3,197,668

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

	2015	2014
Projected benefit obligation	$ 8,261,559	$ 8,373,166
Accumulated benefit obligation	$ 8,261,559	$ 8,373,166
Fair value of plan assets	$ 6,717,269	$ 6,814,781

Other significant balances and costs are:

	2015	2014
Employer contributions	$ 486,000	$ 496,000
Benefits paid	$ 428,650	$ 509,028
Net periodic benefit costs	$ (58,137)	$ (36,435)

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 $110,000 and $0, respectively.

Significant assumptions include:

	2015	2014
Weighted-average assumptions used to determine benefit obligations		
Discount rate	4.50%	4.00%
Rate of compensation increase	N/A	N/A
Weighted-average assumptions used to determine benefit costs		
Discount rate	4.50%	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:

	2015	2014
Cash and cash equivalents	1%	1%
Mutual funds		
Large cap	14%	14%
Mid cap	6%	6%
International	20%	19%
Fixed income/bond funds	59%	60%
	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. There were no Level 3 plan assets at December 31, 2015 and 2014.

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Notes to Financial Statements
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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, 2015				
Cash equivalents	$ 92,932	$ 92,932	$ -	$ -
Mutual funds				
Large cap	929,172	929,172	-	-
Mid cap	394,390	394,390	-	-
International	1,330,198	1,330,198	-	-
Fixed income/bond funds	3,970,577	3,970,577	-	-
Total	$ 6,717,269	$ 6,717,269	$ -	$ -
As of December 31, 2014				
Cash equivalents	$ 36,940	$ 36,940	$ -	$ -
Mutual funds				
Large cap	980,188	980,188	-	-
Mid cap	404,634	404,634	-	-
International	1,302,062	1,302,062	-	-
Fixed income/bond funds	4,090,957	4,090,957	-	-
Total	$ 6,814,781	$ 6,814,781	$ -	$ -

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2015:

2016	$ 1,957,495
2017	$ 339,458
2018	$ 382,723
2019	$ 646,045
2020	$ 415,916
2021-2025	$ 2,395,368

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 $29,938 and $31,316 for 2015 and 2014, respectively.

Note 10: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset 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

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets; 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

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

Recurring Measurements

The following table presents the fair value measurements of assets 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, 2015 and 2014:

	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, 2015				
Common stock	$ 10,519	$ 10,519	$ -	$ -
Cash equivalents	$ 54,251	$ 54,251	$ -	$ -
Mutual funds				
Large cap	$ 539,072	$ 539,072	$ -	$ -
Mid cap	$ 152,592	$ 152,592	$ -	$ -
International	$ 694,068	$ 694,068	$ -	$ -
Fixed income/bond funds	$ 692,754	$ 692,754	$ -	$ -
Other	$ 219,953	$ 219,953	$ -	$ -
As of December 31, 2014				
Common stock	$ 6,468	$ 6,468	$ -	$ -
Cash equivalents	$ 44,602	$ 44,602	$ -	$ -
Mutual funds				
Large cap	$ 739,174	$ 739,174	$ -	$ -
Mid cap	$ 166,959	$ 166,959	$ -	$ -
International	$ 752,013	$ 752,013	$ -	$ -
Fixed income/bond funds	$ 823,796	$ 823,796	$ -	$ -
Other	$ 379,354	$ 379,354	$ -	$ -
Limited partnership	$ 9,656	$ -	$ 9,656	$ -

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, 2015.

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. There are no investments classified within Level 3 of the fair value hierarchy at December 31, 2015 or 2014.

Note 11: 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 41 percent and 42 percent, respectively, of all unrestricted support and revenue excluding investment return from the United Way during 2015 and 2014.

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.

Pension and Other Postretirement Benefit Obligations

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