Provident, Inc.

Independent Auditor’s Report and Financial Statements

December 31, 2016 and 2015

Provident, Inc.
December 31, 2016 and 2015

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 // bkd.com

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, 2016 and 2015, 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, 2016 and 2015, 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 24, 2017

Provident, Inc.

Statements of Financial Position

December 31, 2016 and 2015

Assets

	2016	2015
Cash	$ 129,979	$ 173,119
Investments	2,470,286	2,363,209
Accounts receivable		
Clients, net of allowance; 2016 - $32,000, 2015 - $57,000	232,379	271,195
Pledges, net of allowance; 2016 - $0, 2015 - $26,000	53,191	60,809
Other grants receivable	46,945	-
United Way	1,722,867	1,945,815
Prepaid expenses	73,238	120,962
Property and equipment, net	1,716,537	1,281,056
Total assets	$ 6,445,422	$ 6,216,165

Liabilities and Net Assets

	2016	2015
Liabilities		
Notes payable to bank	$ 30,000	$ -
Accounts payable	139,228	116,932
Accrued expenses	124,103	106,106
Deferred revenue	110,355	124,505
Long-term debt	1,229,113	828,321
Accrued pension liability	1,836,509	1,544,290
Total liabilities	3,469,308	2,720,154
Net Assets		
Unrestricted		
Undesignated	(1,343,883)	(873,822)
Designated	2,407,286	2,300,209
	1,063,403	1,426,387
Temporarily restricted	1,849,711	2,006,624
Permanently restricted	63,000	63,000
Total net assets	2,976,114	3,496,011
Total liabilities and net assets	$ 6,445,422	$ 6,216,165

Provident, Inc.

Statements of Activities

Years Ended December 31, 2016 and 2015

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Program services	$ 2,365,157	$ 120,750	$ -	$ 2,485,907
Contributions				
United Way	-	1,722,867	-	1,722,867
Other	793,240	30,950	-	824,190
	3,158,397	1,874,567	-	5,032,964
Investment return designated for current operations	40,000	-	-	40,000
Net assets released from restrictions				
Satisfaction of time and program restrictions	2,031,480	(2,031,480)	-	-
Total revenues, gains and other support	5,229,877	(156,913)	-	5,072,964
Expenses				
Program services				
Counseling	2,730,014	-	-	2,730,014
Community services	797,042	-	-	797,042
Life crisis services	1,134,669	-	-	1,134,669
Total program services	4,661,725	-	-	4,661,725
Management and general	499,509	-	-	499,509
Fundraising	242,740	-	-	242,740
Total expenses	5,403,974	-	-	5,403,974
Change in Net Assets Before Other Changes	(174,097)	(156,913)	-	(331,010)
Other Changes				
Investment gain (loss) in excess of amounts designated for current operations	118,229	-	-	118,229
Pension related changes other than periodic pension cost	(280,310)	-	-	(280,310)
Gain (loss) on disposal of fixed assets	(26,806)	-	-	(26,806)
Net Decrease in Net Assets	(362,984)	(156,913)	-	(519,897)
Net Assets, Beginning of Year	1,426,387	2,006,624	63,000	3,496,011
Net Assets, End of Year	$ 1,063,403	$ 1,849,711	$ 63,000	$ 2,976,114

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 2,501,305	$ -	$ -	$ 2,501,305
41,800	1,945,815	-	1,987,615
502,494	91,700	-	594,194
3,045,599	2,037,515	-	5,083,114
-	-	-	-
2,150,636	(2,150,636)	-	-
5,196,235	(113,121)	-	5,083,114
2,520,497	-	-	2,520,497
807,616	-	-	807,616
1,092,938	-	-	1,092,938
4,421,051	-	-	4,421,051
493,253	-	-	493,253
180,767	-	-	180,767
5,095,071	-	-	5,095,071
101,164	(113,121)	-	(11,957)
(76,410)	-	-	(76,410)
(530,042)	-	-	(530,042)
800	-	-	800
(504,488)	(113,121)	-	(617,609)
1,930,875	2,119,745	63,000	4,113,620
$ 1,426,387	$ 2,006,624	$ 63,000	$ 3,496,011

Provident, Inc.

Statements of Cash Flows

Years Ended December 31, 2016 and 2015

	2016	2015
Operating Activities		
Change in net assets	$ (519,897)	$ (617,609)
Items not requiring (providing) operating activities cash flows		
Depreciation	82,955	72,341
(Gain) loss on disposal of fixed assets	26,806	(800)
Net realized and unrealized (gains) losses on investments	(119,585)	113,535
Changes in		
Receivables	222,437	149,895
Prepaid expenses	47,724	(45,986)
Accounts payable, accrued expenses and deferred revenue	(73,718)	70,164
Accrued pension liability	292,219	(14,095)
Net cash used in operating activities	(41,059)	(272,555)
Investing Activities		
Purchase of property and equipment	(28,681)	(190,537)
Proceeds from sale of equipment	-	800
Purchase of investments	(934,281)	(1,317,594)
Proceeds from disposition of investments	946,789	1,762,872
Net cash provided by (used in) investing activities	(16,173)	255,541
Financing Activities		
Borrowings under line of credit agreement	30,000	-
Principal payments on note payable to bank and long-term debt	(15,908)	(5,000)
Net cash provided by (used in) financing activities	14,092	(5,000)
Decrease in Cash	(43,140)	(22,014)
Cash, Beginning of Year	173,119	195,133
Cash, End of Year	$ 129,979	$ 173,119
Supplemental Cash Flows Information		
Interest paid	$ 48,814	$ 21,337
Accounts payable incurred for purchase of property and equipment	$ 99,861	$ -
Long-term debt incurred for purchase of property and equipment	$ 416,700	$ 309,363
Refinancing of prior debt	$ -	$ 523,958

Provident, Inc.
Statement of Functional Expenses
Year Ended December 31, 2016

	Program Expenses			Supporting Services		
	Counseling	Community Services	Life Crisis Services	Management and General	Fundraising Expense	Total Expenses
Salaries and wages	$ 1,720,220	$ 566,944	$ 932,439	$ 223,681	$ 120,058	$ 3,563,342
Employee benefits	211,129	26,635	64,254	12,254	19,282	333,554
Payroll taxes	125,049	44,415	45,324	16,651	8,953	240,392
Pension expense	6,315	2,082	2,249	822	441	11,909
Total salaries, wages and related expenses	2,062,713	640,076	1,044,266	253,408	148,734	4,149,197
Professional fees	27,641	43,425	10,661	135,974	8,432	226,133
Supplies	17,724	46,057	2,901	803	2,931	70,416
Telephone	48,683	8,349	3,811	1,111	-	61,954
Postage and shipping	204	4	-	3,228	1,702	5,138
Occupancy	166,878	5,606	5,292	10,206	42,675	230,657
Repairs and maintenance	77,417	5,582	5,095	7,705	-	95,799
Printing and publications	1,946	136	1,531	23,204	10,481	37,298
Travel	6,291	2,914	9,025	10,196	3,956	32,382
Staff training and development	7,515	4,490	2,135	1,318	-	15,458
Conference and meetings	403	235	2,965	1,523	35	5,161
Membership dues	-	122	-	368	-	490
Miscellaneous	220,455	7,841	12,338	12,563	13,944	267,141
Bad debts	(12,647)	-	-	-	4,200	(8,447)
Interest	20,883	-	7,437	20,799	-	49,119
Insurance - liability	13,896	6,144	8,383	8,656	-	37,079
Temporary help	4,515	-	-	-	-	4,515
Marketing and communications	11,665	4,493	7,969	100	5,650	29,877
Security	5,475	1,505	1,628	3,044	-	11,652
Depreciation	48,357	20,063	9,232	5,303	-	82,955
	$ 2,730,014	$ 797,042	$ 1,134,669	$ 499,509	$ 242,740	$ 5,403,974

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	$ 1,558,479	$ 604,634	$ 929,468	$ 213,092	$ 102,115	$ 3,407,788
Employee benefits	175,629	37,483	60,036	10,890	17,425	301,463
Payroll taxes	118,986	51,180	48,341	14,089	7,719	240,315
Pension income	(27,037)	(12,056)	(13,068)	(4,040)	(1,936)	(58,137)
Total salaries, wages and related expenses	1,826,057	681,241	1,024,777	234,031	125,323	3,891,429
Professional fees	27,535	45,076	1,846	152,457	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
	$ 2,520,497	$ 807,616	$ 1,092,938	$ 493,253	$ 180,767	$ 5,095,071

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, 2016, 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, 2016 and 2015, is approximately $320,000 and $274,000, 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 2013.

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 2015 financial statements to conform to the 2016 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:

	2016	2015
Common stock	$ -	$ 10,519
Cash equivalents	7,340	54,251
Mutual funds		
Large cap	515,281	539,072
Mid cap	251,309	152,592
International	725,688	694,068
Fixed income/bond funds	726,814	692,754
Other	243,854	219,953
	$ 2,470,286	$ 2,363,209

Total investment return is comprised of the following:

	2016	2015
Interest and dividend income	$ 46,279	$ 47,856
Investment fees	(7,635)	(10,731)
Net realized and unrealized gains (losses) on investments	119,585	(113,535)
Total return on investments	$ 158,229	$ (76,410)

Total investment return is reflected in the statements of activities as follows:

	2016	2015
Operating income	$ 40,000	$ -
Other (nonoperating) income	118,229	(76,410)
	$ 158,229	$ (76,410)

Note 3: Pledges Receivable

Pledges receivable consisted of the following:

	2016	2015
Due within one year	$ 54,250	$ 65,917
Due in one to five years	-	25,000
	54,250	90,917
Less		
Allowance for uncollectible contributions	-	(25,917)
Unamortized discount	(1,059)	(4,191)
	$ 53,191	$ 60,809

Discount rate was 1.99 percent for both 2016 and 2015.

Note 4: Property and Equipment

Property and equipment at December 31 consists of:

	2016	2015
Land	$ 88,667	$ 88,667
Buildings and improvements	2,298,814	2,051,715
Leasehold improvements	20,238	27,622
Furniture and equipment	514,940	957,409
Automobiles	7,353	7,353
	2,930,012	3,132,766
Less accumulated depreciation	1,213,475	1,851,710
	$ 1,716,537	$ 1,281,056

Note 5: Note Payable to Bank

During 2016, Provident opened a $200,000 revolving bank line of credit expiring in October 2017. At December 31, 2016, there was $30,000 borrowed against this line. The line is collateralized by all asset accounts held by or subject to the control of the lending institution. Interest varies and is calculated at 3.00 percent over the London Interbank Offered Rate (LIBOR), which was 3.73 percent on December 31, 2016, and is payable monthly.

Provident, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

Note 6: Long-Term Debt

	2016	2015
IFF promissory note A (A)	$ 499,113	$ 514,908
IFF promissory note B (B)	730,000	313,413
	$ 1,229,113	$ 828,321

(A) 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.

(B) 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); 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, 2016, are:

2017	$ 36,551
2018	40,280
2019	42,341
2020	44,507
2021	46,784
Thereafter	1,018,650
	$ 1,229,113

Note 7: Net Assets

Temporarily Restricted Net Assets

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

	2016	2015
United Way contribution - restricted for time	$ 1,722,867	$ 1,945,815
Temporarily restricted revenue - restricted for purpose	26,708	-
Pledges and grants receivable - restricted for time	100,136	60,809
	$ 1,849,711	$ 2,006,624

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.

	2016	2015
Funds received satisfying time restriction		
United Way	$ 1,945,815	$ 2,115,758
Pledges and grants receivable	85,665	34,878
	$ 2,031,480	$ 2,150,636

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 - 2016	$ -	$ 63,000	$ 63,000
Board-designated endowment funds - 2016	2,407,286	-	2,407,286
Total endowment funds	$ 2,407,286	$ 63,000	$ 2,470,286
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

Changes in endowment net assets for the years ended December 31, 2016 and 2015, were:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, January 1, 2015	$ 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
Investment return			
Investment income	46,279	-	46,279
Net appreciation	119,585	-	119,585
Total investment return	165,864	-	165,864
Appropriation of endowment assets for expenditure	(58,787)	-	(58,787)
Endowment net assets, December 31, 2016	$ 2,407,286	$ 63,000	$ 2,470,286

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 9: 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:

2017	$ 132,284
2018	75,755
2019	62,666
2020	38,730
2021	3,530
	$ 312,965

Rental expense for all operating leases as of December 31, 2016 and 2015, were $170,965 and $183,635, 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. There is no expected contribution to the Plan in 2017.

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

	2016	2015
Benefit obligation, both projected and accumulated	$ 8,528,967	$ 8,261,559
Fair value of plan assets	6,692,458	6,717,269
Funded status	$ (1,836,509)	$ (1,544,290)

Liabilities recognized in the statements of financial position:

	2016	2015
Accrued pension liability	$ 1,836,509	$ 1,544,290

Provident, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

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

	2016	2015
Net loss	$ 4,008,020	$ 3,727,710
Prior service cost	-	-
	$ 4,008,020	$ 3,727,710

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

	2016	2015
Projected benefit obligation	$ 8,528,967	$ 8,261,559
Accumulated benefit obligation	$ 8,528,967	$ 8,261,559
Fair value of plan assets	$ 6,692,458	$ 6,717,269

Other significant balances and costs are:

	2016	2015
Employer contributions	$ -	$ 486,000
Benefits paid	$ 302,298	$ 428,650
Net periodic benefit costs	$ 11,909	$ (58,137)

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 $120,000 and $110,000, respectively.

Significant assumptions include:

	2016	2015
Weighted-average assumptions used to determine benefit obligations		
Discount rate	4.10%	4.50%
Rate of compensation increase	N/A	N/A
Weighted-average assumptions used to determine benefit costs		
Discount rate	4.10%	4.50%
Expected return on plan assets	7.00%	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:

	2016	**2015**
Cash and cash equivalents	2%	1%
Mutual funds		
Large cap	13%	14%
Mid cap	9%	6%
International	21%	20%
Fixed income/bond funds	55%	59%
	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, 2016 and 2015.

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, 2016				
Cash equivalents	$ 141,910	$ 141,910	$ -	$ -
Mutual funds	6,550,548	6,550,548	-	-
Total	$ 6,692,458	$ 6,692,458	$ -	$ -
As of December 31, 2015				
Cash equivalents	$ 92,932	$ 92,932	$ -	$ -
Mutual funds	6,624,337	6,624,337	-	-
Total	$ 6,717,269	$ 6,717,269	$ -	$ -

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2016:

2017	$ 2,028,849
2018	$ 669,913
2019	$ 425,580
2020	$ 501,366
2021	$ 493,448
2022-2026	$ 2,274,896

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 $27,257 and $29,938 for 2016 and 2015, respectively.

Note 11: 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 tables present 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, 2016 and 2015:

		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, 2016				
Cash equivalents	$ 7,340	$ 7,340	$ -	$ -
Mutual funds				
Large cap	$ 515,281	$ 515,281	$ -	$ -
Mid cap	$ 251,309	$ 251,309	$ -	$ -
International	$ 725,688	$ 725,688	$ -	$ -
Fixed income/bond funds	$ 726,814	$ 726,814	$ -	$ -
Other	$ 243,854	$ 243,854	$ -	$ -

		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				
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	$ -	$ -

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, 2016.

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, 2016 or 2015.

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 37 percent and 41 percent, respectively, of all unrestricted support and revenue excluding investment return from the United Way during 2016 and 2015.

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.

Claims and Others Matters

Provident is subject to claims and other matters that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims will not have a material adverse effect on the financial position, change in net assets and cash flows of Provident. Events could occur that would change this estimate materially in the near term.

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.