Provident, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2018 and 2017

Provident, Inc.
December 31, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2018, Provident adopted new accounting standard ASU 2016-14, *Not-For-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

St. Louis, Missouri
May 16, 2019

Provident, Inc.
Statements of Financial Position
December 31, 2018 and 2017

Assets

	2018	2017
Cash	$ 166,912	$ 57,663
Investments	2,287,019	2,536,957
Accounts receivable		
Clients, net of allowance; 2018 - $46,000, 2017 - $44,000	277,240	304,024
Pledges, net of allowance; 2018 - $0, 2017 - $0	12,100	5,000
Other grants receivable	96,209	87,433
United Way	1,679,557	1,722,867
Prepaid expenses	105,954	86,939
Interest in charitable remainder trust	66,333	77,558
Beneficial interest in perpetual trust	876,969	993,540
Property and equipment, net	1,674,327	1,749,769
Total assets	$ 7,242,620	$ 7,621,750

Liabilities and Net Assets

	2018	2017
Liabilities		
Notes payable to bank	$ -	$ 55,000
Accounts payable	83,534	138,359
Accrued expenses	173,915	138,024
Deferred revenue	91,923	69,701
Long-term debt	1,166,792	1,215,713
Accrued pension liability	2,266,742	1,969,128
Total liabilities	3,782,906	3,585,925
Net Assets		
Without donor restrictions		
Undesignated	(1,681,547)	(1,411,786)
Designated by the Board for endowment	2,224,019	2,473,957
	542,472	1,062,171
With donor restrictions	2,917,242	2,973,654
Total net assets	3,459,714	4,035,825
Total liabilities and net assets	$ 7,242,620	$ 7,621,750

Provident, Inc.
Statements of Activities
Years Ended December 31, 2018 and 2017

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Program services	$ 2,399,105	$ 411,734	$ 2,810,839
Contributions			
United Way	207	1,679,557	1,679,764
Other	531,096	330,611	861,707
	2,930,408	2,421,902	5,352,310
Investment return designated for current operations			
Endowment	-	-	-
Trust distributions	63,643	-	63,643
Net assets released from restrictions			
United Way	1,722,867	(1,722,867)	-
Other	627,651	(627,651)	-
Total revenues, gains and other support	5,344,569	71,384	5,415,953
Expenses			
Program services			
Counseling	2,030,616	-	2,030,616
Community services	728,225	-	728,225
Life crisis services	1,364,826	-	1,364,826
Total program services	4,123,667	-	4,123,667
Management and general	803,460	-	803,460
Fundraising	360,913	-	360,913
Total expenses	5,288,040	-	5,288,040
Change in Net Assets Before Other Changes	56,529	71,384	127,913
Other Changes			
Investment gain (loss) in excess of amounts designated for current operations	(175,354)	-	(175,354)
Change in beneficial interest in trusts	-	(127,796)	(127,796)
Pension related changes other than periodic pension cost	(399,035)	-	(399,035)
Loss on disposal of property and equipment	(1,839)	-	(1,839)
Net Increase (Decrease) in Net Assets	(519,699)	(56,412)	(576,111)
Net Assets, Beginning of Year	1,062,171	2,973,654	4,035,825
Net Assets, End of Year	$ 542,472	$ 2,917,242	$ 3,459,714

2017		
Without Donor Restrictions	With Donor Restrictions	Total
$ 2,419,179	$ 225,014	$ 2,644,193
165	1,722,867	1,723,032
754,503	33,200	787,703
3,173,847	1,981,081	5,154,928
150,000	-	150,000
58,868	-	58,868
1,722,867	(1,722,867)	-
268,369	(268,369)	-
5,373,951	(10,155)	5,363,796
2,283,221	-	2,283,221
750,006	-	750,006
1,205,308	-	1,205,308
4,238,535	-	4,238,535
786,153	-	786,153
325,052	-	325,052
5,349,740	-	5,349,740
24,211	(10,155)	14,056
227,738	-	227,738
-	118,942	118,942
(249,500)	-	(249,500)
(3,681)	-	(3,681)
(1,232)	108,787	107,555
1,063,403	2,864,867	3,928,270
$ 1,062,171	$ 2,973,654	$ 4,035,825

Provident, Inc.

Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	$ (576,111)	$ 107,555
Items not requiring (providing) operating activities cash flows		
Depreciation	99,491	96,204
Loss on disposal of property and equipment	1,839	3,681
Loss (gain) on beneficial interest in trusts	127,796	(118,942)
Net realized and unrealized (gains) losses on investments	226,334	(327,913)
Changes in		
Receivables	54,218	(63,942)
Prepaid expenses	(19,015)	(13,701)
Accounts payable, accrued expenses and deferred revenue	(3,989)	(45,652)
Accrued pension liability	297,614	132,619
Net cash provided by (used in) operating activities	208,177	(230,091)
Investing Activities		
Purchase of property and equipment	(18,611)	(91,324)
Purchase of investments	(290,820)	(315,817)
Proceeds from disposition of investments	314,424	577,059
Net cash provided by investing activities	4,993	169,918
Financing Activities		
Borrowings under line of credit agreement	75,000	340,000
Payment on line-of-credit agreement	(130,000)	(315,000)
Principal payments under capital lease obligation	(7,914)	(660)
Principal payments on long-term debt	(41,007)	(36,483)
Net cash used in financing activities	(103,921)	(12,143)
Increase (Decrease) in Cash	109,249	(72,316)
Cash, Beginning of Year	57,663	129,979
Cash, End of Year	$ 166,912	$ 57,663
Supplemental Cash Flows Information		
Interest paid	$ 59,418	$ 62,545
Accounts payable incurred for purchase of property and equipment	$ 7,277	$ 18,050
Long-term debt incurred for purchase of property and equipment	$ -	$ 23,743

Provident, Inc.

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services			Supporting Services		
	Counseling	Community Services	Life Crisis Services	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 1,294,488	$ 521,903	$ 1,065,601	$ 456,059	$ 196,468	$ 3,534,519
Employee benefits	133,182	20,761	46,597	17,272	17,389	235,201
Payroll taxes	101,611	40,614	55,517	31,126	14,462	243,330
Pension expense	6,448	392	278	2,353	108	9,579
Total salaries, wages and related expenses	1,535,729	583,670	1,167,993	506,810	228,427	4,022,629
Professional fees	24,120	37,914	69,967	100,300	51,609	283,910
Supplies	8,930	32,298	1,964	7,309	2,465	52,966
Telephone	38,484	5,147	12,121	2,388	-	58,140
Postage and shipping	240	-	-	2,868	867	3,975
Occupancy	128,097	9,696	9,990	10,050	37,809	195,642
Repairs and maintenance	31,402	17,709	15,621	27,597	-	92,329
Printing and publications	1,004	29	967	16,050	8,463	26,513
Travel	5,428	2,444	8,560	19,265	15,173	50,870
Staff training and development	11,445	1,329	536	1,529	75	14,914
Conference and meetings	-	275	2,883	1,397	25	4,580
Membership dues	-	-	-	62	-	62
Miscellaneous	129,179	4,928	13,780	25,594	10,691	184,172
Bad debts	23,228	-	-	-	1,156	24,384
Interest	14,532	-	16,330	30,235	-	61,097
Insurance - liability	5,021	4,529	9,478	14,050	-	33,078
Temporary help	44,472	-	-	-	-	44,472
Marketing and communications	451	-	5,522	9,413	4,153	19,539
Security	4,230	3,633	3,744	3,670	-	15,277
Depreciation	24,624	24,624	25,370	24,873	-	99,491
	$ 2,030,616	$ 728,225	$ 1,364,826	$ 803,460	$ 360,913	$ 5,288,040

Provident, Inc.

Statement of Functional Expenses

Year Ended December 31, 2017

	Program Services			Supporting Services		
	Counseling	Community Services	Life Crisis Services	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 1,425,042	$ 530,797	$ 944,549	$ 475,852	$ 170,439	$ 3,546,679
Employee benefits	156,112	18,383	42,196	28,925	18,770	264,386
Payroll taxes	110,033	44,456	48,116	34,115	13,274	249,994
Pension income	20,878	7,777	8,995	6,972	2,497	47,119
Total salaries, wages and related expenses	1,712,065	601,413	1,043,856	545,864	204,980	4,108,178
Professional fees	26,205	43,453	68,588	119,314	30,391	287,951
Supplies	12,199	34,624	2,555	695	2,720	52,793
Telephone	51,680	7,786	6,132	984	-	66,582
Postage and shipping	209	-	24	1,954	2,023	4,210
Occupancy	159,136	5,156	5,668	12,192	42,824	224,976
Repairs and maintenance	50,921	10,717	6,692	11,345	-	79,675
Printing and publications	1,127	63	2,162	16,850	11,885	32,087
Travel	7,546	3,211	9,228	14,123	3,896	38,004
Staff training and development	11,403	2,793	794	383	277	15,650
Conference and meetings	315	-	3,048	-	-	3,363
Membership dues	-	51	-	249	-	300
Miscellaneous	122,612	8,201	12,375	10,324	18,393	171,905
Bad debts	19,026	-	-	-	-	19,026
Interest	23,151	-	10,083	29,499	-	62,733
Insurance - liability	13,087	6,014	9,606	9,509	-	38,216
Temporary help	9,161	-	-	-	-	9,161
Marketing and communications	4,381	1,500	6,986	1,561	7,663	22,091
Security	6,895	2,128	2,461	5,151	-	16,635
Depreciation	52,102	22,896	15,050	6,156	-	96,204
	$ 2,283,221	$ 750,006	$ 1,205,308	$ 786,153	$ 325,052	$ 5,349,740

Provident, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

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, 2018, 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 Net 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. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets with donor restrictions and then released from restriction. Other investment return is reflected in the statements of activities with or without donor restrictions 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.

Long-Lived Asset Impairment

Provident evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2018 and 2017.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets for a board-designated endowment.

Net assets with donor restrictions are subject to donor- or certain grantor-imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions and Pledges Receivable

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. 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 revenue with donor restrictions 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.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional. Donor-restricted conditional gifts in which the condition and restriction is met in the period the gift is received are reported as revenue with donor restrictions and then released from restriction.

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, 2018 and 2017, is approximately $319,000 and $331,000, 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 2015.

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. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the time spent and other methods.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

In April 2019, Provident registered a fictitious name with the Missouri Secretary of State to do business as Provident Behavioral Health.

Subsequent events have been evaluated through May 16, 2019, which is the date the financial statements were available to be issued.

Note 2: Change in Accounting Principle

In 2018, Provident, adopted ASU 2016-14, *Not-For-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

Statements of Financial Position

- The statements of financial position distinguishes between two new classes of net assets – those without donor-imposed restrictions and those with. This is a change from the previously required three classes of net assets – unrestricted, temporarily and permanently restricted.

Statement of Functional Expenses

- Functional expenses in 2017 were modified after considering additional guidance included in ASU 2016-14. Similar modification was made to the 2017 statement of activities.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the Statement of Financial Position.

- Amounts and purposes of Governing Board designations and appropriations as of the end of the period are disclosed.

This change had no impact on previously reported total change in net assets.

Note 3: Investments and Net Investment Return

Investments at December 31 consisted of the following:

	2018	2017
Common stock	$ 13,719	$ 2,863
Cash equivalents	29,142	6,780
Mutual funds		
Large cap	418,334	482,898
Mid cap	192,085	208,480
International	721,701	871,503
Fixed income/bond funds	713,451	745,485
Other	198,587	218,948
	$ 2,287,019	$ 2,536,957

Total net investment return is comprised of the following:

	2018	2017
Interest and dividend income	$ 57,644	$ 115,171
Investment fees	(6,664)	(6,478)
Net realized and unrealized gains on investments	(226,334)	327,913
Total return on investments	$ (175,354)	$ 436,606

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

	2018	2017
Operating income	$ -	$ -
Other (nonoperating) income	(175,354)	227,738
	$ (175,354)	$ 227,738

Note 4: Pledges Receivable

Pledges receivable of $12,100 and $5,000, as of December 31, 2018 and 2017, respectively, are expected to be fully collected within one year therefore no unamortized discount has been recorded.

Note 5: Property and Equipment

Property and equipment at December 31 consists of:

	2018	2017
Land	$ 88,667	$ 88,667
Buildings and improvements	2,329,651	2,327,031
Leasehold improvements	6,324	15,367
Furniture and equipment	481,408	573,166
Automobiles	7,353	7,353
	2,913,403	3,011,584
Less accumulated depreciation	1,239,076	1,261,815
	$ 1,674,327	$ 1,749,769

Note 6: Interest in Charitable Remainder Trust

Provident is the residual beneficiary in a charitable remainder trust (Trust). The Trust is required to make income distributions to income beneficiaries including Provident until 2019. In 2019, Provident will receive 20 percent of the Trust's assets. Provident does not control the assets of the Trust, which totaled $66,333 and $77,558 at December 31, 2018 and 2017, respectively.

Note 7: Beneficial Interest in Trust

Provident is an irrevocable beneficiary of a 5 percent share of a perpetual trust held and administered by an independent trustee. The perpetual trust provides for the distribution of the net income of the trust to Provident; however, Provident will never receive the assets of the trust. The beneficial interest in the trust is reported at the fair value of the trust's assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities. The estimated value of the expected future cash flows is $876,969 and $993,540, which represents the fair value of Provident's 5 percent share of the trust assets at December 31, 2018 and 2017, respectively. The income from this trust for 2018 and 2017 was $63,643 and $56,382, respectively.

Note 8: Note Payable to Bank

During 2018, Provident renewed the $200,000 revolving bank line of credit expiring in October 2019. At December 31, 2018, there were no borrowings 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). Interest was 5.52 percent on December 31, 2018, and is payable monthly.

Note 9: Long-Term Debt

	2018	2017
IFF promissory note A (A)	$ 465,059	$ 482,511
IFF promissory note B (B)	687,224	710,119
Capital lease obligations (C)	14,509	23,083
	$ 1,166,792	$ 1,215,713

(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 a deed of trust and other business assets; this note refinanced all previous Provident debt.

(B) Matures January 1, 2032; principal payable in monthly installments of $4,818 with a balloon payment due upon on 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 a deed of trust and other business assets; borrowings from note are intended for purchase and renovation of fixed assets.

(C) Capital leases include leases covering office furniture for three years expiring November 1, 2020.

Aggregate annual maturities of long-term debt at December 31, 2018, are:

2019	$ 50,255
2020	51,102
2021	46,784
2022	49,178
2023	51,694
Thereafter	917,779
	$ 1,166,792

Note 10: Net Assets with Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are available for the following purposes or periods:

	2018	2017
Subject to expenditure for specified purpose		
Program related grants	$ 219,283	$ 111,689
Subject to passage of time		
United Way contribution	1,679,557	1,722,867
Interest in charitable remainder trust	66,333	77,558
Pledges receivable	12,100	5,000
Endowment - subject to spending policy	63,000	63,000
Beneficial interest in perpetual trust - not subject to spending policy or appropriation	876,969	993,540
	$ 2,917,242	$ 2,973,654

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.

	2018	2017
Expiration of time restrictions		
United Way	$ 1,722,867	$ 1,722,867
Pledges receivable	184,149	81,391
Satisfaction or purpose restrictions		
Program related grants and contributions	329,628	186,978
After school program contributions	113,874	-
	$ 2,350,518	$ 1,991,236

Note 11: 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 is subject to the State of Missouri Prudent Management of Institutional Funds Act (SPMIFA). As a result, Provident classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board appropriates such amounts for expenditure. Provident's governing board has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Provident considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Provident has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. In addition, 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 was:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds - 2018	$ 2,224,019	$ -	$ 2,224,019
Donor-restricted endowment funds - 2018			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	63,000	63,000
Total endowment funds - 2018	$ 2,224,019	$ 63,000	$ 2,287,019
Board-designated endowment funds - 2017	$ 2,473,957	$ -	$ 2,473,957
Donor-restricted endowment funds - 2017			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	63,000	63,000
Total endowment funds - 2017	$ 2,473,957	$ 63,000	$ 2,536,957

Changes in endowment net assets for the years ended December 31, 2018 and 2017, were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2017	$ 2,407,286	$ 63,000	$ 2,470,286
Investment return, net	384,216	-	384,216
Appropriation of endowment assets for expenditure			
Operations	(150,000)	-	(150,000)
Pension related charges	(167,545)	-	(167,545)
Endowment net assets, December 31, 2017	2,473,957	63,000	2,536,957
Investment return, net	(168,690)	-	(168,690)
Board designated contributions	25,000	-	25,000
Appropriation of endowment assets for expenditure for			
Pension related charges	(106,248)	-	(106,248)
Endowment net assets, December 31, 2018	$ 2,224,019	$ 63,000	$ 2,287,019

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 objective is to outperform the passive market benchmark return based on asset allocation policy weights over long term. 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.

The endowment is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, or an unanticipated loss in funding. The endowment may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development or investment in infrastructure. 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 12: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 and 2017, comprise the following:

	2018	2017
Financial assets		
Cash and cash equivalents	$ 166,912	$ 57,663
Investments	2,287,019	2,536,957
Accounts receivable		
Clients	277,240	304,024
Pledges	12,100	5,000
Other grants	96,209	87,433
United Way	1,679,557	1,722,867
Total financial assets	4,519,037	4,713,944
Less investments		
Restricted by donors for endowment	63,000	63,000
Board designated for endowment	2,224,019	2,473,957
Financial assets available to meet cash needs for general expenditures within one year	$ 2,232,018	$ 2,176,987

In addition to financial assets available to meet general expenditures over the next 12 months, Provident operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-imposed restrictions.

Provident receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

Provident's governing body has designated a portion of its unrestricted resources for endowment and other purposes. Those amounts are identified as board-designated in the table above. These funds are invested for long-term appreciation and although Provident does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

Provident manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Provident has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet 90 days of expected expenditures. To achieve these targets, Provident forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended December 31, 2018 and 2017, the level of liquidity and reserves was managed within the policy requirements. To help manage unanticipated liquidity needs, Provident has committed lines of credit in the amount of $200,000, which it could draw upon.

Note 13: Operating Leases

Noncancellable operating leases for office space expire in various years through 2023. 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:

2019	$ 101,686
2020	104,130
2021	71,330
2022	70,200
2023	54,000
	$ 401,346

Rental expense for all operating leases as of December 31, 2018 and 2017, were $142,984 and $165,229, respectively.

Note 14: 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 a $316,000 expected contribution to the Plan in 2019.

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

	2018	2017
Benefit obligation, both projected and accumulated	$ 8,229,967	$ 9,139,410
Fair value of plan assets	5,963,225	7,170,282
Funded status	$ (2,266,742)	$ (1,969,128)

Liabilities recognized in the statements of financial position:

	2018	2017
Accrued pension liability	$ 2,266,742	$ 1,969,128

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

	2018	2017
Net loss	$ 4,406,602	$ 4,257,520
Prior service cost	-	-
	$ 4,406,602	$ 4,257,520

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

	2018	2017
Projected benefit obligation	$ 8,229,967	$ 9,139,410
Accumulated benefit obligation	$ 8,229,967	$ 9,139,410
Fair value of plan assets	$ 5,963,225	$ 7,170,282

Other significant balances and costs are:

	2018	2017
Employer contributions	$ 111,000	$ 164,000
Benefits paid	$ 354,139	$ 409,350
Settlements (lump sums)	$ 476,443	$ -
Net periodic benefit costs	$ 9,579	$ 47,119

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 $147,000 and $0, respectively.

Significant assumptions include:

	2018	2017
Weighted-average assumptions used to determine benefit obligations		
Discount rate	4.30%	3.75%
Rate of compensation increase	N/A	N/A
Weighted-average assumptions used to determine benefit costs		
Discount rate	3.75%	4.10%
Expected return on plan assets	7.00%	7.00%
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:

	2018	2017
Cash and cash equivalents	2%	2%
Mutual funds		
Large cap	12%	12%
Mid cap	7%	7%
International	20%	24%
Fixed income/bond funds	59%	55%
	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. 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, 2018 and 2017.

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, 2018				
Cash equivalents	$ 114,567	$ 114,567	$ -	$ -
Mutual funds	5,848,658	5,848,658	-	-
Total	$ 5,963,225	$ 5,963,225	$ -	$ -
As of December 31, 2017				
Cash equivalents	$ 166,185	$ 166,185	$ -	$ -
Mutual funds	7,004,097	7,004,097	-	-
Total	$ 7,170,282	$ 7,170,282	$ -	$ -

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2018:

2019	$ 1,472,850
2020	$ 794,917
2021	$ 648,207
2022	$ 459,777
2023	$ 594,003
2024-2028	$ 2,240,058

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 $24,223 and $23,327 for 2018 and 2017, respectively.

Note 15: Fair Value Measurement and Disclosures

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, 2018 and 2017:

		Fair Value Measurements Using		
	Total	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, 2018				
Common stock	$ 13,719	$ 13,719	$ -	$ -
Cash equivalents	$ 29,142	$ 29,142	$ -	$ -
Mutual funds				
Large cap	$ 418,334	$ 418,334	$ -	$ -
Mid cap	$ 192,085	$ 192,085	$ -	$ -
International	$ 721,701	$ 721,701	$ -	$ -
Fixed income/bond funds	$ 713,451	$ 713,451	$ -	$ -
Other	$ 198,587	$ 198,587	$ -	$ -
Interest in charitable remainder trust	$ 66,333	$ -	$ -	$ 66,333
Beneficial interest in perpetual trust	$ 876,969	$ -	$ -	$ 876,969
As of December 31, 2017				
Common stock	$ 2,863	$ 2,863	$ -	$ -
Cash equivalents	$ 6,780	$ 6,780	$ -	$ -
Mutual funds				
Large cap	$ 482,898	$ 482,898	$ -	$ -
Mid cap	$ 208,480	$ 208,480	$ -	$ -
International	$ 871,503	$ 871,503	$ -	$ -
Fixed income/bond funds	$ 745,485	$ 745,485	$ -	$ -
Other	$ 218,948	$ 218,948	$ -	$ -
Interest in charitable remainder trust	$ 77,558	$ -	$ -	$ 77,558
Beneficial interest in perpetual trust	$ 993,540	$ -	$ -	$ 993,540

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, 2018. 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. There are no investments classified within Level 3 of the fair value hierarchy at December 31, 2018 or 2017.

Beneficial Interest in Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Level 3 Reconciliation

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

	Interest in Charitable Remainder Trust	Beneficial Interest in Perpetual Trust
Balance, January 1, 2017	$ 68,933	$ 883,223
Gain on beneficial interest in perpetual trust	8,625	110,317
Balance, December 31, 2017	77,558	993,540
Loss on beneficial interest in perpetual trust	(11,225)	(116,571)
Balance, December 31, 2018	$ 66,333	$ 876,969

Note 16: 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:

Client Receivables

Estimates of allowances for adjustments included in program services are described in Note 1.

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 31 percent and 33 percent, respectively, of all unrestricted support and revenue excluding investment return from the United Way during 2018 and 2017.

In addition, Provident received 11 percent and 9 percent of total contribution revenue in 2018 and 2017, respectively, from their annual Spirit of Provident Gala.

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.

Litigation, Claims and Others Matters

Provident is subject to litigation, 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.