

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**FINANCIAL STATEMENTS**  
**FROM INCEPTION (APRIL 6, 2011) TO JUNE 30, 2011**

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
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*Celebrating 60 Years*

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## Independent Auditor's Report

To the Board of Directors of  
United Way of Mid-Hudson Valley, Inc.

We have audited the accompanying statement of financial position of United Way of Mid-Hudson Valley, Inc. (a nonprofit organization) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows from inception (April 6, 2011) to June 30, 2011. These financial statements are the responsibility of United Way of Mid-Hudson Valley, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Mid-Hudson Valley, Inc. as of June 30, 2011 and the changes in its net assets and its cash flows from inception (April 6, 2011) to June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*D'Arcangelo & Co., LLP*

November 12, 2011  
Poughkeepsie, New York

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2011**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 2,844,284	
Certificates of deposit	585,934	
Pooled endowment investments	1,976,655	
Investments	100,221	
Pledges receivable, less provision for uncollectible pledges of \$189,128	1,365,166	
Other receivables	45,949	
Other assets	47,055	
Prepaid expenses	<u>11,769</u>	
Total current assets		\$ 6,977,033

**Property and equipment**

Land	12,000	
Building	80,000	
Building improvements	587,273	
Equipment and furniture	235,010	
Automobile	<u>16,711</u>	
	930,994	
Accumulated depreciation	<u>(510,911)</u>	
Total property and equipment		420,083

**Other assets**

Security deposit		<u>12,416</u>
Total assets		<u>\$ 7,409,532</u>

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**STATEMENT OF FINANCIAL POSITION, continued**  
**June 30, 2011**

**LIABILITIES AND NET ASSETS**

**Current liabilities**

Accounts payable	\$ 94,796	
Accrued expenses	73,515	
Grants payable	72,021	
Donor designated organizations payable	728,740	
Other payables	<u>171,172</u>	
Total current liabilities		\$ 1,140,244

**Net assets**

*Unrestricted*

Operating	4,155,283	
Board designated	<u>927,373</u>	
Total unrestricted	5,082,656	

*Temporarily restricted* 902,889

*Permanently restricted* 283,743

Total net assets 6,269,288

Total liabilities and net assets \$ 7,409,532

**UNITED WAY OF MID-HUDSON VALLEY, INC.**
**STATEMENT OF ACTIVITIES**

From inception (April 6, 2011) to June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Operating revenue, gains and other support</b>				
Annual campaign contributions including donor designated amounts	\$ 40,775	\$ -	\$ -	\$ 40,775
Other contributions	36,377	-	-	36,377
Contract income	86,689	-	-	86,689
Administrative income	9,365	-	-	9,365
Interest and dividends on cash and cash equivalents	3,946	-	-	3,946
Unrealized gains on investments	433	-	-	433
Grant income	50,000	-	-	50,000
Special events income	75,253	-	-	75,253
Board transfer to general operations	55,262	-	-	55,262
Net assets released from restriction	<u>63,585</u>	<u>(63,585)</u>	<u>-</u>	<u>-</u>
Total operating revenue, gains and other support including donor designated amounts	421,685	(63,585)	-	358,100
Less: provision for uncollectible pledges	(2,285)	-	-	(2,285)
Less: donor designated amounts	<u>(1,167)</u>	<u>-</u>	<u>-</u>	<u>(1,167)</u>
Net operating revenue, gains and other support	<u>418,233</u>	<u>(63,585)</u>	<u>-</u>	<u>354,648</u>
<b>Expenses and losses:</b>				
<i>Grants and program services</i>				
Community fund grants	146,327	-	-	146,327
Community building services	<u>160,968</u>	<u>-</u>	<u>-</u>	<u>160,968</u>
Total grants and program services	<u>307,295</u>	<u>-</u>	<u>-</u>	<u>307,295</u>
<i>Supporting services</i>				
Management and general	74,420	-	-	74,420
Fundraising	<u>225,746</u>	<u>-</u>	<u>-</u>	<u>225,746</u>
Total supporting services	<u>300,166</u>	<u>-</u>	<u>-</u>	<u>300,166</u>
Total expenses and losses	<u>607,461</u>	<u>-</u>	<u>-</u>	<u>607,461</u>
Change in net assets from operations	<u>(189,228)</u>	<u>(63,585)</u>	<u>-</u>	<u>(252,813)</u>
<b>Non-operating activities</b>				
Consultant expenses	(21,164)	-	-	(21,164)
Non-operating grant income	43,000	-	-	43,000
Endowment unrealized losses on investments	(5,366)	(6,782)	-	(12,148)
Endowment interest and dividends	1,850	2,579	-	4,429
Board transfer to general operations	<u>(55,262)</u>	<u>-</u>	<u>-</u>	<u>(55,262)</u>
Total non-operating activities	<u>(36,942)</u>	<u>(4,203)</u>	<u>-</u>	<u>(41,145)</u>
Change in net assets	(226,170)	(67,788)	-	(293,958)
Net assets, beginning	<u>5,308,826</u>	<u>970,677</u>	<u>283,743</u>	<u>6,563,246</u>
Net assets, ending	<u>\$ 5,082,656</u>	<u>\$ 902,889</u>	<u>\$ 283,743</u>	<u>\$ 6,269,288</u>

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF MID-HUDSON VALLEY, INC.**
**STATEMENT OF FUNCTIONAL EXPENSES**

From inception (April 6, 2011) to June 30, 2011

	Program	Administrative		
	Community Building Services	Management & General	Fund- Raising	Total
<b>Staff compensation</b>				
Salaries	\$ 67,229	\$ 19,512	\$ 70,905	\$ 157,646
Payroll taxes	6,088	1,608	6,240	13,936
Temporary staffing	14,671	4,599	49,161	68,431
Employee benefits	7,759	9,822	16,720	34,301
Total staff compensation	95,747	35,541	143,026	274,314
<b>Direct divisional expenses</b>				
Advertising and marketing	3,501	37	13,611	17,149
Supplies	5,715	10,273	1,761	17,749
Printing	124	-	1,724	1,848
Professional development	1,524	7,890	2,966	12,380
Meetings and dues	3,004	310	1,992	5,306
Transportation	559	-	2,209	2,768
Special events and projects	11,004	3,794	14,826	29,624
Postage	1,926	264	5,293	7,483
Total direct divisional expenses	27,357	22,568	44,382	94,307
<b>Central operating services</b>				
Service contracts	2,846	2,172	4,797	9,815
Telephone	1,767	1,126	2,185	5,078
Occupancy and depreciation	12,895	9,362	20,907	43,164
Consulting	13,649	-	-	13,649
Organizational dues	1,078	860	1,757	3,695
Insurance	1,449	1,046	2,578	5,073
Payroll, pension and bank fees	3,128	755	2,196	6,079
Professional fees	1,052	990	3,918	5,960
Total central operating services	37,864	16,311	38,338	92,513
	160,968	74,420	225,746	461,134
<b>Program grants</b>				
Community fund grants	146,327	-	-	146,327
Total operating expenses	307,295	74,420	225,746	607,461
<b>Non-operating expenditures</b>				
Consultant expenses	-	21,164	-	21,164
Total expenses	\$ 307,295	\$ 95,584	\$ 225,746	\$ 628,625

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**From inception (April 6, 2011) to June 30, 2011**

**Cash flows from operating activities**

Change in net assets \$ (293,958)

*Adjustments to reconcile change in net assets to net cash  
used in operating activities*

Depreciation \$ 16,303

Unrealized losses on investments 11,715

Provision for bad debts 2,285

*Decrease in*

Pledges receivable 569,905

Other receivables 3,964

Prepaid expenses 6,046

*Increase/(decrease) in*

Accounts payable 15,212

Accrued expenses (5,266)

Grants payable (258,775)

Donor designated organizations payable (92,746)

Other payables (15,392)

Deferred income (8,895) 244,356

Net cash used in operating activities (49,602)

**Cash flows from investing activities**

Purchases of property and equipment (73,126)

Proceeds from sale of endowment investments 55,262

Purchases of certificates of deposit (1,701)

Purchases of investments (5,591)

Net cash used in investing activities (25,156)

Net decrease in cash and cash equivalents (74,758)

**Cash and cash equivalents, beginning** 2,919,042

**Cash and cash equivalents, ending** \$ 2,844,284



**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**1. Summary of Significant Accounting Policies**

*Organization and merger*

The mission of United Way of Mid-Hudson Valley, Inc. ("United Way") is to build a stronger, healthier community by raising resources and developing partnerships that make a measurable difference in peoples' lives. United Way's support comes primarily from campaign contributions from individuals and corporations who reside in or conduct business in Orange and Dutchess Counties, in New York State.

United Way of Dutchess County, Inc. merged with and into United Way of Orange County, Inc. as of the close of business April 5, 2011 to form United Way of Mid-Hudson Valley, Inc. Under Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-805 this transaction was classified as a merger rather than an acquisition, thus as of the date of the merger a new entity was formed. These financial statements comprise all activity of the newly formed United Way of Mid-Hudson Valley, Inc. subsequent to the merger date.

*Net asset classification*

Net assets are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions and are available to support and fund United Way programs and other organizations through the granting of amounts raised during the annual campaigns.

Temporarily restricted net assets -- Net assets subject to donor-imposed stipulations that are available to fund programs and organizations in Dutchess and Orange Counties. Grant recipients and amounts are specified by the donor.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently. Generally, the donors of these assets permit the United Way to use all or part of the income earned on these investments for general or specific purposes.

*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 and expenses during the reporting periods. Actual results could differ from those estimates. Estimates that are particularly susceptible to change, relate to the determination of the allowance for pledges receivable, depreciation and the allocation of functional expenses, among others.

*Cash and cash equivalents*

United Way considers all investments in money market accounts absent of withdrawal restrictions and demand deposits at banks to be cash and cash equivalents.

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2011**

**1. Summary of Significant Accounting Policies, continued**

*Certificates of deposit*

Certificates of deposit are not considered debt securities and represent certificates with original maturities of less than one year but greater than 90 days.

*Investments*

The United Way's investments consist of investments in pooled mutual funds at the Community Foundation of the Hudson Valley and mutual funds held in the United Way's brokerage accounts. The United Way reports its investments at fair value based on quoted market prices.

*Property and equipment*

Property and equipment are recorded at acquisition cost if purchased and at estimated fair value if donated. United Way's policy is to expense the purchase of property and equipment under \$1,000. Buildings, furniture and equipment are being depreciated over estimated useful lives of five to thirty years using a straight-line method. Leasehold improvements are being amortized over the lesser of the life of the lease or life of the improvements using a straight-line method. Depreciation expense amounted to \$16,303 for the period ended June 30, 2011.

*Endowment classification, investment and spending policies*

United Way follows FASB Accounting Standards Codification 958-205 (ASC 958-205), "Presentation of Financial Statements" formerly Financial Accounting Standards Board Staff Position No. FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds". The standard provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The standard also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA. United Way is subject to the New York State enacted version of UPMIFA.

Under the terms of the directives, the Board of Directors can be given the ability to distribute so much of the corpus of any endowment or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

Temporarily restricted net assets consist of restricted contributions receivable, and the remaining portion of donor-restricted endowment funds that are not classified as permanently restricted net assets. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2011**

**1. Summary of Significant Accounting Policies, continued**

*Endowment classification, investment and spending policies, continued*

Permanently restricted net assets represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds.

United Way has adopted investment and spending policies for endowment assets that attempt to provide for long term growth. United Way's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to achieve a growth rate of 5% real growth per year over inflation. Actual returns in any given year may vary from this amount. The target payout rate is 5% of the prior three years moving average market value of the portfolio and will be available for expenditure consistent with the terms of the gifts. To achieve long term capital appreciation with a moderate level of risk, United Way has deposited its endowment funds with the Community Foundation of the Hudson Valley for investment management.

*Public support and revenue*

Annual campaign contributions are generally available for unrestricted use in the campaign year unless specifically restricted by the donor. Unconditional promises to give are recorded as earned when pledged. The majority of promises to give are received from a broad base of Dutchess and Orange County contributors as a result of the annual campaign. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable. Management uses various factors to determine the allowance including assessments of historical uncollectible rates and adjusting for current local economic conditions to arrive at the most likely loss rate.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowment funds are comprised of contributions and investments that are classified as permanently restricted net assets (donor stipulated), temporarily restricted (donor advised) and board designated unrestricted net assets (board advised). Investment earnings on the donor stipulated and the donor advised portion are classified as temporarily restricted. All other earnings are classified as unrestricted net assets.

United Way follows Financial Accounting Standards Board Accounting Standards Codification 958-605-25 ("ASC 958-605-25"), "*Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*". ASC 958-605-25 establishes standards for accounting for certain transactions in which an entity (the donor) makes a contribution by transferring assets to a not-for-profit organization or charitable trust (the recipient organization) that accepts the assets from the donor and agrees to use those assets on behalf of, and/or transfer those assets, to an unaffiliated entity (the beneficiary) that is specified by the donor. These transfers shall not be considered contributions but instead as transactions to be reported as a separate line item in the statement of activities.

**1. Summary of Significant Accounting Policies, continued**

*Functional allocation of expenses*

The cost of providing the various programs and the supporting services has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and the supporting services in reasonable ratios determined by management.

*Fair value of financial instruments*

The carrying amounts of cash, cash equivalents, certificates of deposit and short-term pledges receivable reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

*Fair value measurements*

United Way follows Financial Accounting Standards Board Accounting Standards Codification 820 (ASC 820) "Fair Value Measurements". Under ASC 820, United Way determines the fair market value of its financial instruments based on the fair value hierarchy established in the standard. United Way is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A hierarchy was set by ASC 820, all financial instruments measured at fair value are required to be classified as Level 1, Level 2, or Level 3.

*Level 1*

Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market.

*Level 2*

Level 2 inputs are observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable.

*Level 3*

Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined by using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

*Measure of operations*

In its statement of activities United Way includes in its definition of operations all revenues and expenses that are an integral part of its program and supporting activities. All endowment activity and other items that management considers not an integral part of its program and supporting activities are recognized as non-operating activities. Non-operating investment income is generated from United Way's endowment; operating investment income is generated from interest and dividends on cash reserves and brokerage account investments.

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2011**

**1. Summary of Significant Accounting Policies, continued**

*Income taxes*

United Way is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. It is not classified as a private foundation under Section 170(b)(1)(A)(vi).

The United Way accounts for uncertainty in income taxes in accordance with ASC 740-10 which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The United Way is required to determine whether the benefits of its tax positions are more likely than not of being sustained upon audit based on the technical merits of the tax position. The provisions of ASC 740-10 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, and disclosure. The United Way did not have any material unrecognized tax benefits as of June 30, 2011 and is not aware of any violations of its tax-exempt status. United Way includes interest and penalties, if any, in the statement of activities under a separate caption. As of June 30, 2011, for United Way's predecessor entities the fiscal years ended 2008 and later are open to examination by the federal and state taxing authorities.

*Advertising and marketing costs*

Advertising and marketing costs are expensed when incurred. Amounts incurred for advertising and marketing were \$17,149 for the period ended June 30, 2011.

**2. Cash and Cash Equivalents**

Cash and cash equivalents consisted of the following as of June 30, 2011:

Cash in banks	\$1,508,624
Money market accounts	<u>1,335,660</u>
Total cash and cash equivalents	<u>\$2,844,284</u>

**3. Investments**

United Way holds a fixed income mutual fund in its brokerage account that is recorded at fair value in the amount of \$100,221 at June 30, 2011.

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2011**

**4. Pooled Investments and Endowment**

United Way owns investments within its endowment fund. These investments consist of pooled mutual funds managed and held by the Community Foundation of the Hudson Valley. The mutual funds consist of marketable debt and equity securities and bonds with readily determinable fair values. United Way records its investments at fair value under ASC 820, "*Fair Value Measurements*". A portion of these investments are permanently or temporary restricted by donor stipulation and the remainder represents unrestricted amounts. All unrestricted amounts have been designated by the board for unspecified purposes.

Expenses relating to investment revenues, include custodial fees and investment advisory fees which amounted to \$4,209 for the period ended June 30, 2011. These expenses are netted against investment revenues in the accompanying statement of activities.

The following represents the activity by net asset class in the endowment for the period ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends, net of investment expenses	\$ 1,850	\$ 2,579	\$ -	\$ 4,429
Unrealized losses on investments	(5,366)	(6,782)	-	(12,148)
Board transfer to general operations	<u>(55,262)</u>	<u>-</u>	<u>-</u>	<u>(55,262)</u>
Change in endowment net assets	(58,778)	(4,203)	-	(62,981)
Endowment assets, beginning	<u>900,940</u>	<u>854,953</u>	<u>283,743</u>	<u>2,039,636</u>
Endowment assets, ending	<u>\$ 842,162</u>	<u>\$ 850,750</u>	<u>\$283,743</u>	<u>\$1,976,655</u>

The following represents the net asset composition by type of fund as of June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<i>Donor designated endowment funds:</i>	\$ -	\$ 800,509	\$ 283,743	\$1,084,252
<i>Other endowment funds:</i>				
Board designated endowment funds	842,162	-	-	842,162
Donor advised	<u>-</u>	<u>50,241</u>	<u>-</u>	<u>50,241</u>
Endowment assets, ending	<u>\$ 842,162</u>	<u>\$ 850,750</u>	<u>\$ 283,743</u>	<u>\$1,976,655</u>

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2011**

**5. Investment Return**

The following is a detail of United Way's investment return for the period ended June 30, 2011:

**Operating investment return**

Interest and dividends on cash and equivalents	\$ 3,946	
Unrealized gains on brokerage investments	<u>433</u>	
Total operating investment return		\$ 4,379

**Non-operating investment return**

Interest and dividends on endowment	8,638	
Unrealized losses on endowment	(12,148)	
Investment fees on endowment	<u>(4,209)</u>	
Total non-operating investment return		<u>(7,719)</u>
Total investment return		<u><u>\$(3,340)</u></u>

**6. Fair Value Measurements**

Fair value of assets measured on a recurring basis as of June 30, 2011 measured in accordance with FASB ASC 820 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Investments</b>				
<i>Pooled mutual funds</i>				
U.S. equity mutual funds	\$ 931,631	\$ -	\$ -	\$ 931,631
International equity mutual funds	405,722	-	-	405,722
Fixed income mutual funds	638,603	-	-	638,603
Money market mutual funds	<u>699</u>	<u>-</u>	<u>-</u>	<u>699</u>
Total pooled mutual funds	1,976,655	-	-	1,976,655
<i>Broker held mutual fund</i>				
Fixed income mutual fund	<u>100,211</u>	<u>-</u>	<u>-</u>	<u>100,211</u>
Total	<u><u>\$2,076,866</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$2,076,866</u></u>

Financial assets based on Level 1 inputs are based on unadjusted quoted market prices within active markets.

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2011**

**7. Endowment Funds Held by Other Organization**

The Community Foundation of Orange County ("Community Foundation") holds the Marion S. Murphy Endowment Fund amounting to \$20,754 at June 30, 2011. Under the terms of the agreement, when the endowment fund reaches \$25,000 it will generate annual income back to the United Way to reduce its operating and administrative expenses.

**8. Pension Plan**

United Way has a defined contribution pension plan covering substantially all employees. Employees who are age 21 or older and have completed one year of service are eligible to participate in the plan. United Way's contributions to the plan are equal to 7% or 8% of compensation. The amounts are included in staff compensation expense under the employee benefits in the statement of functional expenses and totaled \$11,879 for the period ended June 30, 2011.

**9. Operating Leases**

The United Way leases office space from an unrelated party under a ten year lease that expires July, 2017. The lease calls for monthly base rent and common area charges with specified increases in year three and year six and for escalations in real estate taxes and building and operating costs. The United Way has the option to renew the lease for two additional five year periods. Rent expense amounted to \$7,541 for the period ended June 30, 2011.

Postage equipment is leased under a 60 month operating lease that began in 2009 and a copier is leased under a 48 month operating lease beginning in 2008. Combined minimum monthly payments are \$597. Lease expense for this equipment amounted to \$1,791 for the period ended June 30, 2011.

Future minimum rental payments under long-term operating lease agreements are as follows:

		<u>Equipment</u>	<u>Office</u>	<u>Total</u>
Year ending:	June 30, 2012	\$ 4,294	\$ 46,024	\$ 50,318
	June 30, 2013	3,720	48,613	52,333
	June 30, 2014	2,170	48,848	51,018
	June 30, 2015	-	48,848	48,848
	June 30, 2016	-	48,848	48,848
	Thereafter	-	52,919	52,919
	Total	<u>\$ 10,184</u>	<u>\$294,100</u>	<u>\$304,284</u>



**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2011**

**10. Donated Goods and Services**

United Way receives a significant amount of donated clothing from retail outlets which is recognized in the financial statements at its fair market value as determined by the donor and is offset with a corresponding expense for the distribution of the donated clothing. There is no effect on change in net assets.

United Way receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under ASC 958-605-25, "*Accounting for Contributions Received*", have not been satisfied.

**11. Current Vulnerability Due to Certain Concentrations**

United Way receives a substantial amount of donations from public support concentrated in Dutchess and Orange Counties in New York State. If significant reduction in the level of this support were to occur, it may have a significant effect on the programs and activities of United Way.

**12. Temporarily Restricted Net Assets**

Expenditures made to satisfy donor stipulations:

Building improvements	\$ 32,084
Women's Leadership Fund	16,715
Not One More Fund	<u>14,786</u>
Total	<u>\$ 63,585</u>

Temporarily restricted net assets were made up of the following purpose restrictions as of June 30, 2011:

Distributions to non-profit organizations	\$ 50,241
Un-appropriated endowment earnings	800,509
Women's Leadership Fund	<u>52,139</u>
Total	<u>\$902,889</u>

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2011**

**13. Merger**

As disclosed in Note 1, United Way of Dutchess County, Inc. merged with and into United Way of Orange County Inc. on April 5, 2011. Subsequent to the merger, the combined organization changed its name to United Way of Mid-Hudson Valley, Inc. The purpose of the merger was to more effectively raise and allocate resources to further the mission of the United Way.

The following schedule list the statements of financial position as of the merger date which also represents the opening statement of financial position for United Way of Mid-Hudson Valley, Inc.

	<u>United Way of Dutchess County, Inc.</u>	<u>United Way of Orange County, Inc.</u>	<u>United Way of Mid- Hudson Valley, Inc.</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$2,164,868	\$ 754,174	\$2,919,042
Certificates of deposit	-	584,233	584,233
Pooled endowment investments	2,039,636	-	2,039,636
Investments	98,626	-	98,626
Pledges receivable, less provision for uncollectible pledges of \$185,942	1,165,878	771,478	1,937,356
Other receivables	-	49,913	49,913
Other assets	47,055	-	47,055
Prepaid expenses	<u>7,447</u>	<u>10,368</u>	<u>17,815</u>
Total current assets	<u>5,523,510</u>	<u>2,170,166</u>	<u>7,693,676</u>
<b>Property and Equipment</b>			
Land	12,000	-	12,000
Building	80,000	-	80,000
Building improvements	514,148	-	514,148
Office furniture and equipment	186,199	48,811	235,010
Automobile	<u>-</u>	<u>16,711</u>	<u>16,711</u>
	792,347	65,522	857,869
Accumulated depreciation	<u>(433,642)</u>	<u>(60,968)</u>	<u>(494,610)</u>
Total property and equipment	<u>358,705</u>	<u>4,554</u>	<u>363,259</u>
<b>Other assets, security deposit</b>	<u>12,416</u>	<u>-</u>	<u>12,416</u>
<b>Total assets</b>	<u>\$5,894,631</u>	<u>\$2,174,720</u>	<u>\$8,069,351</u>

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2011**

**13. Merger, continued**

	<u>United Way of Dutchess County, Inc.</u>	<u>United Way of Orange County, Inc.</u>	<u>United Way of Mid- Hudson Valley, Inc.</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 71,725	\$ 7,858	\$ 79,583
Accrued expenses	46,832	31,949	78,781
Grants payable	330,796	-	330,796
Donor designated organizations payable	391,661	429,825	821,486
Other payables	-	186,564	186,564
Deferred income	-	8,895	8,895
Total current liabilities	<u>841,014</u>	<u>665,091</u>	<u>1,506,105</u>
<b>Net assets</b>			
<i>Unrestricted</i>			
Operating	2,981,897	1,340,779	4,322,676
Board	<u>900,940</u>	<u>85,210</u>	<u>986,150</u>
Total unrestricted	3,882,837	1,425,989	5,308,826
<i>Temporarily restricted</i>	887,037	83,640	970,677
<i>Permanently restricted</i>	<u>283,743</u>	<u>-</u>	<u>283,743</u>
Total net assets	<u>5,053,617</u>	<u>1,509,629</u>	<u>6,563,246</u>
Total liabilities and net assets	<u>\$5,894,631</u>	<u>\$2,174,720</u>	<u>\$8,069,351</u>

**14. Board Designated Unrestricted Net Assets**

Board designated unrestricted net assets consisted of the following as of June 30, 2011:

CASH Program	\$ 8,111
Military Family Support	5,672
Critical Issues	15,875
Disaster Support	5,553
Board Strategic Plan	50,000
Unspecified- endowment	<u>842,162</u>
Total board designated unrestricted net assets	<u>\$ 927,373</u>

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2011**

**15. Concentration of Credit Risk**

United Way maintains its bank and money market accounts with high credit worthy financial institutions with funds, at times, in excess of limits set and insured by the FDIC and coverage provided by the SIPC. United Way's endowment accounts are pooled and maintained with other financial institutions with funds that are in excess of limits set and insured by FDIC and coverage provided by the SIPC. United Way has not experienced any losses on such accounts. Management believes that the United Way is not exposed to any significant credit risk related to those accounts.

**16. Related Party Transactions**

United Way conducts business with various vendors in Dutchess and Orange Counties. Several of these vendors have principals or employees serving on United Way's board of directors. Payments for these goods or services may not represent the amounts that would have been paid under an arms-length-transaction. Each member of the board of directors is required to sign a conflict of interest statement and all purchases go through the United Way's regular purchasing processes. The United Way has determined that none of these expenditures were material during the period ended June 30, 2011. United Way also solicits and receives contributions from its employees, members of its board of directors and their employers.

**17. Subsequent Events**

Management has evaluated subsequent events through the date of the independent auditor's report, November 12, 2011, which is the date the financial statements were available for issuance.

## **SUPPLEMENTARY INFORMATION**

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**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**SCHEDULE 1 PROFORMA STATEMENT OF ACTIVITIES**  
**June 30, 2011**

The United Way of Mid-Hudson Valley, Inc.'s statement of activities for the year ended June 30, 2011, as if the merger had occurred on July 1, 2010 is as follows:

	<u>Dutchess County</u>	<u>Orange County</u>	<u>Total</u>
<b>Operating revenue, gains and other support</b>			
Annual campaign contributions including donor designated amounts	\$ 2,000,859	\$ 1,344,865	\$ 3,345,724
Other contributions	87,992	299,702	387,694
Contract income	-	394,837	394,837
Administrative income	-	56,521	56,521
Interest and dividends on cash and cash equivalents	8,719	4,898	13,617
Net realized losses on investments	(1,231)	-	(1,231)
Net unrealized gains/(losses) on investments	(6,475)	335	(6,140)
Grant income	76,930	1,500	78,430
Special events income	13,292	106,445	119,737
Board transfer to general operations	<u>55,262</u>	<u>-</u>	<u>55,262</u>
Total operating revenue, gains and other support including donor designated amounts	2,235,348	2,209,103	4,444,451
Less: provision for uncollectible pledges	(79,868)	(65,838)	(145,706)
Less: donor designated amounts	<u>(346,724)</u>	<u>(471,828)</u>	<u>(818,552)</u>
Net operating revenue, gains and other support	<u>1,808,756</u>	<u>1,671,437</u>	<u>3,480,193</u>
<b>Expenses and losses:</b>			
<i>Grants and program services</i>			
Community fund grants	982,932	551,360	1,534,292
Community building services	<u>248,058</u>	<u>398,477</u>	<u>646,535</u>
Total grants and program services	<u>1,230,990</u>	<u>949,837</u>	<u>2,180,827</u>
<i>Supporting services</i>			
Management and general	200,481	104,258	304,739
Fundraising	<u>610,685</u>	<u>376,072</u>	<u>986,757</u>
Total supporting services	<u>811,166</u>	<u>480,330</u>	<u>1,291,496</u>
Total expenses and losses	<u>2,042,156</u>	<u>1,430,167</u>	<u>3,472,323</u>
Change in net assets from operations	<u>(233,400)</u>	<u>241,270</u>	<u>7,870</u>
<b>Non-operating activities</b>			
Consultant expenses	(82,732)	(28,183)	(110,915)
Non-operating grant income	43,000	-	43,000
Endowment net unrealized gains on investments	328,916	-	328,916
Endowment net realized gains on investments	16,807	-	16,807
Endowment interest and dividends, net	18,371	-	18,371
Board transfer to general operations	<u>(55,262)</u>	<u>-</u>	<u>(55,262)</u>
Total non-operating activities	<u>269,100</u>	<u>(28,183)</u>	<u>240,917</u>
Change in net assets	<u>\$ 35,700</u>	<u>\$ 213,087</u>	<u>\$ 248,787</u>