

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION**  
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## Independent Auditor's Report

To the Board of Directors of  
United Way of Mid-Hudson Valley, Inc.  
d/b/a United Way of the Dutchess-Orange Region

We have audited the accompanying financial statements of United Way of Mid-Hudson Valley, Inc., d/b/a United Way of the Dutchess-Orange Region (a nonprofit organization) which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

The Organization's 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 risk 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 the entity'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 the entity'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 United Way of Mid-Hudson Valley, Inc., d/b/a United Way of the Dutchess-Orange Region as of June 30, 2013 and 2012, 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.

*D'Arcangelo & Co., LLP*

October 29, 2013  
Poughkeepsie, New York

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,736,349	\$ 2,783,049
Certificates of deposit	239,248	468,424
Pooled endowment investments	2,046,516	1,864,122
Investments	106,345	105,976
Pledges receivable, less provision for uncollectible pledges of \$105,403 and \$129,147, respectively	1,164,512	1,244,241
Other receivables	106,847	111,466
Prepaid expenses	31,348	26,591
Total current assets	<u>6,431,165</u>	<u>6,603,869</u>
<b>Property and equipment</b>		
Land	12,000	12,000
Building	80,000	80,000
Building improvements	587,273	587,273
Equipment and furniture	<u>256,631</u>	<u>250,126</u>
	935,904	929,399
Accumulated depreciation	<u>(605,517)</u>	<u>(563,458)</u>
Total property and equipment	<u>330,387</u>	<u>365,941</u>
<b>Other assets</b>		
Security deposit	<u>12,416</u>	<u>12,416</u>
Total assets	<u>\$ 6,773,968</u>	<u>\$ 6,982,226</u>

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION**  
**STATEMENTS OF FINANCIAL POSITION, continued**  
**June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 45,614	\$ 7,110
Accrued expenses	198,193	187,015
Grants payable	86,749	48,467
Donor designated organizations payable	529,559	606,470
Other payables	<u>94,642</u>	<u>131,758</u>
Total current liabilities	<u>954,757</u>	<u>980,820</u>
<b>Net assets</b>		
<i>Unrestricted</i>		
Operating	3,643,192	3,987,954
Board designated	<u>979,310</u>	<u>884,161</u>
Total unrestricted	4,622,502	4,872,115
<i>Temporarily restricted</i>	912,966	845,548
<i>Permanently restricted</i>	<u>283,743</u>	<u>283,743</u>
Total net assets	<u>5,819,211</u>	<u>6,001,406</u>
 Total liabilities and net assets	 <u>\$ 6,773,968</u>	 <u>\$ 6,982,226</u>

**UNITED WAY OF MID-HUDSON VALLEY, INC.**
**d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION**
**STATEMENTS OF ACTIVITIES**
**Years ended June 30, 2013 and 2012**

	2013				2012			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<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	\$ 2,934,372	\$ 8,112	\$ -	\$ 2,942,484	\$ 3,152,167	\$ 7,932	\$ -	\$ 3,160,099
In kind contributions	27,678			27,678	17,999			17,999
Contract and grant income	437,066	-	-	437,066	426,093	-	-	426,093
Administrative income	52,467	-	-	52,467	45,011	-	-	45,011
Investment income, net of fees	9,927	-	-	9,927	9,823	-	-	9,823
Special events income	77,918	-	-	77,918	110,382	-	-	110,382
Gain on asset dispositions	-	-	-	-	5,563	-	-	5,563
Endowment appropriation to operations	52,523	-	-	52,523	50,977	-	-	50,977
Net assets released from restriction	<u>69,521</u>	<u>(69,521)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenue, gains and other support including donor designated amounts	3,661,472	(61,409)	-	3,600,063	3,818,015	7,932	-	3,825,947
Less: provision for uncollectible pledges	(113,282)	-	-	(113,282)	(102,839)	-	-	(102,839)
Less: donor designated amounts	<u>(465,990)</u>	<u>-</u>	<u>-</u>	<u>(465,990)</u>	<u>(593,474)</u>	<u>-</u>	<u>-</u>	<u>(593,474)</u>
Net operating revenue, gains and other support	<u>3,082,200</u>	<u>(61,409)</u>	<u>-</u>	<u>3,020,791</u>	<u>3,121,702</u>	<u>7,932</u>	<u>-</u>	<u>3,129,634</u>
Expenses and losses:								
<i>Grants and program services</i>								
Community fund grants	1,647,572	-	-	1,647,572	1,455,046	-	-	1,455,046
Community building services	<u>711,578</u>	<u>-</u>	<u>-</u>	<u>711,578</u>	<u>759,681</u>	<u>-</u>	<u>-</u>	<u>759,681</u>
Total grants and program services	<u>2,359,150</u>	<u>-</u>	<u>-</u>	<u>2,359,150</u>	<u>2,214,727</u>	<u>-</u>	<u>-</u>	<u>2,214,727</u>
<i>Supporting services</i>								
Management and general	448,237	-	-	448,237	517,310	-	-	517,310
Fundraising	<u>624,562</u>	<u>-</u>	<u>-</u>	<u>624,562</u>	<u>555,446</u>	<u>-</u>	<u>-</u>	<u>555,446</u>
Total supporting services	<u>1,072,799</u>	<u>-</u>	<u>-</u>	<u>1,072,799</u>	<u>1,072,756</u>	<u>-</u>	<u>-</u>	<u>1,072,756</u>
Total expenses and losses	<u>3,431,949</u>	<u>-</u>	<u>-</u>	<u>3,431,949</u>	<u>3,287,483</u>	<u>-</u>	<u>-</u>	<u>3,287,483</u>
Change in net assets from operations	<u>(349,749)</u>	<u>(61,409)</u>	<u>-</u>	<u>(411,158)</u>	<u>(165,781)</u>	<u>7,932</u>	<u>-</u>	<u>(157,849)</u>
<b>Non-operating activities</b>								
Endowment unrealized gains/(losses) on investments	114,855	147,763	-	262,618	(38,714)	(51,875)	-	(90,589)
Endowment investment returns, net of fees	8,252	10,616	-	18,868	16,243	15,290	-	31,533
Endowment appropriation to operations	<u>(22,971)</u>	<u>(29,552)</u>	<u>-</u>	<u>(52,523)</u>	<u>(22,289)</u>	<u>(28,688)</u>	<u>-</u>	<u>(50,977)</u>
Total non-operating activities	<u>100,136</u>	<u>128,827</u>	<u>-</u>	<u>228,963</u>	<u>(44,760)</u>	<u>(65,273)</u>	<u>-</u>	<u>(110,033)</u>
Change in net assets	(249,613)	67,418	-	(182,195)	(210,541)	(57,341)	-	(267,882)
<b>Net assets, beginning</b>	<u>4,872,115</u>	<u>845,548</u>	<u>283,743</u>	<u>6,001,406</u>	<u>5,082,656</u>	<u>902,889</u>	<u>283,743</u>	<u>6,269,288</u>
<b>Net assets, ending</b>	<u>\$ 4,622,502</u>	<u>\$ 912,966</u>	<u>\$ 283,743</u>	<u>\$ 5,819,211</u>	<u>\$ 4,872,115</u>	<u>\$ 845,548</u>	<u>\$ 283,743</u>	<u>\$ 6,001,406</u>

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

UNITED WAY OF MID-HUDSON VALLEY, INC.  
d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION  
STATEMENTS OF FUNCTIONAL EXPENSES  
Years ended June 30, 2013 and 2012

	2013				2012			
	Program	Administrative			Program	Administrative		
	Community Building Services	Management & General	Fund-Raising	Total	Community Building Services	Management & General	Fund-Raising	Total
<b>Staff compensation</b>								
Salaries	\$ 334,791	\$ 198,601	\$ 254,210	\$ 787,602	\$ 284,084	\$ 191,734	\$ 201,239	\$ 677,057
Payroll taxes	32,589	19,034	24,134	75,757	27,923	19,231	20,978	68,132
Temporary staffing	24,842	63,298	31,874	120,014	18,951	135,368	40,293	194,612
Employee benefits	56,313	43,630	72,300	172,243	55,536	42,580	50,504	148,620
Total staff compensation	448,535	324,563	382,518	1,155,616	386,494	388,913	313,014	1,088,421
<b>Direct divisional expenses</b>								
Advertising and marketing	25,395	8,052	35,620	69,067	76,628	5,343	5,561	87,532
Supplies	8,427	6,603	3,706	18,736	15,333	2,279	1,000	18,612
Printing	4,728	1,507	19,697	25,932	8,030	1,387	15,023	24,440
Professional development	8,281	2,362	4,610	15,253	12,770	5,720	2,703	21,193
Meetings and dues	8,058	6,517	5,060	19,635	21,439	9,372	10,328	41,139
Transportation	12,823	3,579	6,264	22,666	18,469	5,674	4,614	28,757
Special events and projects	8,339	689	44,696	53,724	8,224	858	63,705	72,787
Postage	2,007	1,036	11,661	14,704	3,498	1,342	11,928	16,768
Total direct divisional expenses	78,058	30,345	131,314	239,717	164,391	31,975	114,862	311,228
<b>Central operating services</b>								
Service contracts	41,315	21,168	21,153	83,636	33,261	18,054	30,553	81,868
Telephone	10,821	9,475	8,981	29,277	12,592	8,973	6,439	28,004
Occupancy and depreciation	75,638	31,058	40,683	147,379	84,175	24,961	44,500	153,636
Organizational dues	15,082	9,042	11,079	35,203	13,154	7,507	9,370	30,031
Insurance	5,710	3,208	4,632	13,550	8,416	11,558	2,763	22,737
Payroll, pension and bank fees	12,303	7,167	8,866	28,336	11,642	6,331	7,511	25,484
Professional fees	24,116	12,211	15,336	51,663	45,556	19,038	26,434	91,028
Total central operating services	184,985	93,329	110,730	389,044	208,796	96,422	127,570	432,788
	711,578	448,237	624,562	1,784,377	759,681	517,310	555,446	1,832,437
<b>Program grants</b>								
Community fund grants	1,647,572	-	-	1,647,572	1,455,046	-	-	1,455,046
<b>Total operating expenses</b>	<u>\$ 2,359,150</u>	<u>\$ 448,237</u>	<u>\$ 624,562</u>	<u>\$ 3,431,949</u>	<u>\$ 2,214,727</u>	<u>\$ 517,310</u>	<u>\$ 555,446</u>	<u>\$ 3,287,483</u>

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



**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION**  
**STATEMENTS OF CASH FLOWS**  
**Years ended June 30, 2013 and 2012**

	<u><b>2013</b></u>	<u><b>2012</b></u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (182,195)	\$ (267,882)
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Depreciation	42,059	66,820
Unrealized (gain)/loss on investments	(263,903)	86,887
Realized (gain)/loss on investments	616	(10,367)
Donated investments	(11,262)	(120,610)
Gain on equipment dispositions	-	(5,563)
Provision for bad debts	113,282	102,839
<i>(Increase)/decrease in</i>		
Pledges receivable	(33,553)	18,086
Other receivables	4,619	(65,517)
Prepaid expenses	(4,757)	(14,822)
<i>Increase/(decrease) in</i>		
Accounts payable	38,504	(87,686)
Accrued expenses	11,178	113,500
Grants payable	38,282	(23,554)
Donor designated organizations payable	(76,911)	(122,270)
Other payables	<u>(37,116)</u>	<u>(39,414)</u>
Net cash used in operating activities	<u>(361,157)</u>	<u>(369,553)</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(6,505)	(15,115)
Proceeds from sale of property and equipment	-	8,000
Refund of deposit	-	47,055
Proceeds from sale of pooled endowment investments	99,092	53,477
Proceeds from sale of investments	10,646	118,579
Purchases of investments	(17,952)	(21,188)
Redemptions of certificates of deposit	<u>229,176</u>	<u>117,510</u>
Net cash provided by investing activities	<u>314,457</u>	<u>308,318</u>
Net decrease in cash and cash equivalents	(46,700)	(61,235)
<b>Cash and cash equivalents, beginning</b>	<u>2,783,049</u>	<u>2,844,284</u>
<b>Cash and cash equivalents, ending</b>	<u><u>\$ 2,736,349</u></u>	<u><u>\$ 2,783,049</u></u>

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

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013 and 2012**

**1. Summary of Significant Accounting Policies**

*Organization*

United Way of Mid-Hudson Valley, Inc., does business as United Way of the Dutchess-Orange Region (“United Way”). The mission of 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 Mid-Hudson Valley, Inc., d/b/a United Way of the Dutchess-Orange Region was formed April 5, 2011 when United Way of Dutchess County, Inc. merged with and into United Way of Orange County, Inc.

*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. Donor restricted contributions are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized.

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.**  
**d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2013 and 2012**

**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 Foundations 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 \$42,059 and \$66,820 for the years ended June 30, 2013 and 2012, respectively.

*Endowment classification, investment and spending policies*

United Way follows FASB Accounting Standards Codification 958-205 (ASC 958-205), "Presentation of Financial Statements" 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 statements of activities as net assets released from restrictions.

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2013 and 2012**

**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 Foundations 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 pledges are recorded as earned when pledged. The majority of pledges 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 statements 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 until appropriated for expenditure. 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 statements of activities.

**UNITED WAY OF MID-HUDSON VALLEY, INC.**  
**d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2013 and 2012**

**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 statements 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 statements of financial position approximate fair values due to 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 statements 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.**  
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**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 "Income Taxes" 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, 2013 and is not aware of any violations of its tax-exempt status. United Way includes interest and penalties, if any, in the statements of activities under a separate caption. As of June 30, 2013, for United Way's and its predecessor entities the fiscal years ended 2010 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 \$69,067 and \$87,532 for the years ended June 30, 2013 and 2012.

**2. Cash and Cash Equivalents**

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

	<u>2013</u>	<u>2012</u>
Cash in banks	\$1,270,905	\$1,328,342
Money market accounts	<u>1,465,444</u>	<u>1,454,707</u>
Total cash and cash equivalents	<u>\$ 2,736,349</u>	<u>\$2,783,049</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 \$106,345 and \$105,976 at June 30, 2013 and 2012, respectively.

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**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 Foundations of the Hudson Valley. 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; these amounted to \$15,659 and \$15,317 for the years ended June 30, 2013 and 2012, respectively. These expenses are netted against investment revenues in the accompanying statements of activities.

The following represents the activity by net asset class in the endowment for the year ended June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends, net of investment expenses	\$ 8,252	\$ 10,616	\$ -	\$ 18,868
Unrealized gains on investments	114,855	147,763	-	262,618
Grants paid	-	(46,569)	-	(46,569)
Endowment appropriation to operations	<u>(22,971)</u>	<u>(29,552)</u>	<u>-</u>	<u>(52,523)</u>
Change in endowment net assets	100,136	82,258	-	182,394
Endowment assets, beginning	<u>794,901</u>	<u>785,478</u>	<u>283,743</u>	<u>1,864,122</u>
Endowment assets, ending	<u>\$ 895,037</u>	<u>\$ 867,736</u>	<u>\$283,743</u>	<u>\$2,046,516</u>

The following represents the net asset composition by type of fund as of June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<i>Donor designated endowment funds:</i>	\$ -	\$ 867,736	\$ 283,743	\$1,151,479
<i>Other endowment funds:</i>				
Board designated endowment funds	<u>895,037</u>	<u>-</u>	<u>-</u>	<u>895,037</u>
Endowment assets, ending	<u>\$ 895,037</u>	<u>\$ 867,736</u>	<u>\$ 283,743</u>	<u>\$2,046,516</u>

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**4. Pooled Investments and Endowment, continued**

The following represents the activity by net asset class in the endowment for the year ended June 30, 2012:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Interest and dividends, net of investment expenses	\$ 8,321	\$ 10,814	\$ -	\$ 19,135
Realized gains on investments	5,421	6,977	-	12,398
Unrealized losses on investments	(38,714)	(51,875)	-	(90,589)
Grants paid	-	(2,500)	-	(2,500)
Endowment appropriation to operations	<u>(22,289)</u>	<u>(28,688)</u>	<u>-</u>	<u>(50,977)</u>
Change in endowment net assets	(47,261)	(65,272)	-	(112,533)
Endowment assets, beginning	<u>842,162</u>	<u>850,750</u>	<u>283,743</u>	<u>1,976,655</u>
Endowment assets, ending	<u>\$ 794,901</u>	<u>\$ 785,478</u>	<u>\$283,743</u>	<u>\$1,864,122</u>

The following represents the net asset composition by type of fund as of June 30, 2012:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<i>Donor designated endowment funds:</i>	\$ -	\$ 738,909	\$ 283,743	\$1,022,652
<i>Other endowment funds:</i>				
Board designated endowment funds	794,901	-	-	794,901
Donor advised	<u>-</u>	<u>46,569</u>	<u>-</u>	<u>46,569</u>
Endowment assets, ending	<u>\$ 794,901</u>	<u>\$ 785,478</u>	<u>\$ 283,743</u>	<u>\$1,864,122</u>



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**5. Investment Return**

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

	<u>2013</u>	<u>2012</u>
<b>Operating investment return</b>		
Interest and dividends	\$ 9,306	\$ 8,479
Investment fees	(48)	(327)
Realized loss on brokerage investments	(616)	(2,031)
Unrealized gains on brokerage investments	<u>1,285</u>	<u>3,702</u>
Total operating investment return	<u>9,927</u>	<u>9,823</u>
<b>Non-operating investment return</b>		
Interest and dividends on endowment	\$ 34,527	\$ 34,453
Realized gains on endowment	-	12,398
Unrealized gains/(loss) on endowment	262,618	(90,589)
Investment fees on endowment	<u>(15,659)</u>	<u>(15,318)</u>
Total non-operating investment return	<u>281,486</u>	<u>(59,056)</u>
Total investment return	<u>\$ 291,413</u>	<u>\$ (49,233)</u>

**6. Fair Value Measurements**

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

	<u>2013</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Pooled mutual funds</b>				
U.S. equity mutual funds	\$ 971,385	\$ -	\$ -	\$ 971,385
International equity mutual funds	417,568	-	-	417,568
Fixed income mutual funds	652,102	-	-	652,102
Money market mutual funds	<u>5,461</u>	<u>-</u>	<u>-</u>	<u>5,461</u>
Total pooled mutual funds	2,046,516	-	-	2,046,516
<b>Broker held mutual fund</b>				
Fixed income mutual fund	<u>106,345</u>	<u>-</u>	<u>-</u>	<u>106,345</u>
Total	<u>\$2,152,861</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,152,861</u>

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**6. Fair Value Measurements, continued**

	<b>2012</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Pooled mutual funds</b>				
U.S. equity mutual funds	\$ 954,815	\$ -	\$ -	\$ 954,815
International equity mutual funds	331,964	-	-	331,964
Fixed income mutual funds	569,363	-	-	569,363
Money market mutual funds	<u>7,980</u>	<u>-</u>	<u>-</u>	<u>7,980</u>
Total pooled mutual funds	1,864,122	-	-	1,864,122
<b>Broker held mutual fund</b>				
Fixed income mutual fund	<u>105,976</u>	<u>-</u>	<u>-</u>	<u>105,976</u>
Total	<u>\$1,970,098</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,970,098</u>

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

**7. Funds Held by Other Organization**

The Community Foundation of Orange County (“Community Foundation”) holds the Marion S. Murphy (Quasi) Endowment Fund amounting to \$23,389 and \$20,985 at June 30, 2013 and 2012, respectively. 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 8% of compensation. The amounts are included in staff compensation expense as employee benefits in the statements of functional expenses and totaled \$51,801 and \$42,370 for the years ended June 30, 2013 and 2012, respectively.

**9. Operating Leases**

The United Way leases office space in Orange County, New York 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 \$56,370 and \$54,694 for the years ended June 30, 2013 and 2012, respectively.

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**9. Operating Leases, continued**

Equipment is leased under various operating leases that begin to expire in 2014. Combined minimum monthly payments are \$1,391. Lease expense for this equipment amounted to \$16,690 and \$12,380 for the years ended June 30, 2013 and 2012, respectively.

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, 2014	\$ 15,140	\$ 48,848	\$ 63,988
	June 30, 2015	11,699	48,848	60,547
	June 30, 2016	10,790	48,848	59,638
	June 30, 2017	4,496	48,848	53,344
	June 30, 2018	<u>-</u>	<u>4,071</u>	<u>4,071</u>
	Total	<u>\$ 42,125</u>	<u>\$199,463</u>	<u>\$241,588</u>

**10. Donated Goods and Services**

United Way receives donated clothing from retail outlets which is recognized in the financial statements at its fair market value which 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 statements of activities because the criteria for recognition under ASC 958-605-25, "*Accounting for Contributions Received*", has 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 the United Way.

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**12. Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following purpose restrictions as of June 30:

	<u>2013</u>	<u>2012</u>
Donor advised endowment distributions to non-profits	\$ -	\$ 46,569
Un-appropriated endowment earnings	867,736	738,909
Long-Term Recovery	-	4,000
CASH Program	646	-
Not One More	7,466	-
Women's Leadership Fund	<u>37,118</u>	<u>56,070</u>
Total	<u>\$912,966</u>	<u>\$845,548</u>

**13. Board Designated Unrestricted Net Assets**

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

	<u>2013</u>	<u>2012</u>
CASH Program	\$ 2,160	\$ 2,160
Military Family Support	5,672	5,672
Critical Issues	15,875	15,875
Disaster Support	5,553	5,553
Board Strategic Plan	50,000	50,000
Long-Term Recovery	5,013	10,000
Unspecified-endowment	<u>895,037</u>	<u>794,901</u>
Total board designated unrestricted net assets	<u>\$979,310</u>	<u>\$884,161</u>

**14. Concentration of Credit Risk**

United Way maintains its bank and money market accounts with high credit worthy financial institutions, with funds 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.

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**15. 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 years presented. United Way also solicits and receives contributions from its employees, members of its board of directors and their employers.

**16. Subsequent Events**

Management has evaluated subsequent events through the date of the independent auditor's report, October 29, 2013 which is the date the financial statements were available for issuance.