

**UNITED WAY OF THE DUTCHESS-ORANGE REGION, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.**  
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## **Independent Auditor's Report**

To the Board of Directors of  
United Way of the Dutchess - Orange Region, Inc.

We have audited the accompanying financial statements of United Way of the Dutchess - Orange Region, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 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 audits 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 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 the Dutchess - Orange Region, Inc. as of June 30, 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.

*D'Arcangelo & Co., LLP*

October 31, 2018  
Poughkeepsie, New

**UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 447,877	\$ 735,692
Pooled endowment investments	2,362,763	2,333,860
Investments, broker held	1,169,849	1,072,388
Pledges receivable, less provision for uncollectible pledges of \$83,361 and \$95,102, respectively	562,928	702,185
Grant receivable	134,256	195,783
Other receivables	44,595	75,347
Prepaid expenses	<u>28,318</u>	<u>19,289</u>
Total current assets	<u>4,750,586</u>	<u>5,134,544</u>
<b>Property and equipment</b>		
Land	12,000	12,000
Building	80,000	80,000
Building improvements	691,888	691,888
Equipment and furniture	<u>96,500</u>	<u>108,764</u>
	880,388	892,652
Accumulated depreciation	<u>(569,906)</u>	<u>(546,530)</u>
Total property and equipment	<u>310,482</u>	<u>346,122</u>
<b>Other assets</b>		
Security deposit	<u>12,416</u>	<u>12,416</u>
Total assets	<u>\$ 5,073,484</u>	<u>\$ 5,493,082</u>

**UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.**  
**STATEMENTS OF FINANCIAL POSITION, continued**  
**June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Capital lease obligations, current portion	\$ 6,464	\$ 6,089
Accounts payable	10,468	23,677
Accrued expenses	141,646	156,996
Grants payable	21,341	22,671
Donor designated organizations payable	154,818	248,329
Other payables	-	9,620
Deferred income	-	<u>1,120</u>
Total current liabilities	334,737	468,502
<b>Long-term liabilities</b>		
Capital lease obligations, net of current portion	<u>18,077</u>	<u>24,541</u>
Total liabilities	<u>352,814</u>	<u>493,043</u>
<b>Net assets</b>		
<i>Unrestricted</i>		
Operating	2,256,823	2,559,182
Board designated	<u>1,111,628</u>	<u>1,098,987</u>
Total unrestricted	3,368,451	3,658,169
<i>Temporarily restricted</i>		
	1,068,476	1,058,127
<i>Permanently restricted</i>		
	<u>283,743</u>	<u>283,743</u>
Total net assets	<u>4,720,670</u>	<u>5,000,039</u>
Total liabilities and net assets	<u>\$ 5,073,484</u>	<u>\$ 5,493,082</u>

**UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**Years ended June 30, 2018 and 2017**

	2018				2017			
	<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	\$ 1,672,419	\$ -	\$ -	\$ 1,672,419	\$ 1,968,065	\$ -	\$ -	\$ 1,968,065
In kind contributions	181,087	-	-	181,087	145,027	-	-	145,027
Contract and grant income	301,561	-	-	301,561	513,120	-	-	513,120
Administrative income	2,299	-	-	2,299	11,539	-	-	11,539
Investment income, net of fees	93,035	-	-	93,035	108,245	-	-	108,245
Special events income	199,691	-	-	199,691	195,066	-	-	195,066
Other income	14,161	-	-	14,161	3,810	-	-	3,810
Endowment appropriation to operations	120,000	-	-	120,000	58,371	-	-	58,371
Net assets released from restriction	5,913	(5,913)	-	-	(6,732)	6,732	-	-
Total operating revenue, gains and other support including donor designated amounts	2,590,166	(5,913)	-	2,584,253	2,996,511	6,732	-	3,003,243
Less: provision for uncollectible pledges	(83,361)	-	-	(83,361)	(97,526)	-	-	(97,526)
Less: donor designated amounts	(137,793)	-	-	(137,793)	(229,114)	-	-	(229,114)
Net operating revenue, gains and other support	<u>2,369,012</u>	<u>(5,913)</u>	<u>-</u>	<u>2,363,099</u>	<u>2,669,871</u>	<u>6,732</u>	<u>-</u>	<u>2,676,603</u>
Expenses and losses:								
<i>Grants and program services</i>								
Community fund grants	1,077,594	-	-	1,077,594	1,178,437	-	-	1,178,437
Community building services	881,345	-	-	881,345	853,930	-	-	853,930
Total grants and program services	<u>1,958,939</u>	<u>-</u>	<u>-</u>	<u>1,958,939</u>	<u>2,032,367</u>	<u>-</u>	<u>-</u>	<u>2,032,367</u>
<i>Supporting services</i>								
Management and general	191,495	-	-	191,495	236,635	-	-	236,635
Fundraising	520,937	-	-	520,937	627,333	-	-	627,333
Total supporting services	<u>712,432</u>	<u>-</u>	<u>-</u>	<u>712,432</u>	<u>863,968</u>	<u>-</u>	<u>-</u>	<u>863,968</u>
Total expenses and losses	<u>2,671,371</u>	<u>-</u>	<u>-</u>	<u>2,671,371</u>	<u>2,896,335</u>	<u>-</u>	<u>-</u>	<u>2,896,335</u>
Change in net assets from operations	<u>(302,359)</u>	<u>(5,913)</u>	<u>-</u>	<u>(308,272)</u>	<u>(226,464)</u>	<u>6,732</u>	<u>-</u>	<u>(219,732)</u>
<b>Non-operating activities</b>								
Endowment unrealized gains on investments	32,221	41,452	-	73,673	82,377	105,980	-	188,357
Endowment investment returns, net of fees	32,902	42,328	-	75,230	45,166	58,108	-	103,274
Endowment appropriation to operations	(52,482)	(67,518)	-	(120,000)	(25,528)	(32,843)	-	(58,371)
Total non-operating activities	<u>12,641</u>	<u>16,262</u>	<u>-</u>	<u>28,903</u>	<u>102,015</u>	<u>131,245</u>	<u>-</u>	<u>233,260</u>
Change in net assets	<u>(289,718)</u>	<u>10,349</u>	<u>-</u>	<u>(279,369)</u>	<u>(124,449)</u>	<u>137,977</u>	<u>-</u>	<u>13,528</u>
Net assets, beginning	<u>3,658,169</u>	<u>1,058,127</u>	<u>283,743</u>	<u>5,000,039</u>	<u>3,782,618</u>	<u>920,150</u>	<u>283,743</u>	<u>4,986,511</u>
Net assets, ending	<u>\$ 3,368,451</u>	<u>\$ 1,068,476</u>	<u>\$ 283,743</u>	<u>\$ 4,720,670</u>	<u>\$ 3,658,169</u>	<u>\$ 1,058,127</u>	<u>\$ 283,743</u>	<u>\$ 5,000,039</u>

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30, 2018 and 2017

	2018				2017			
	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	\$ 457,839	\$ 123,324	\$ 248,031	\$ 829,194	\$ 450,481	\$ 149,938	\$ 303,793	\$ 904,212
Payroll taxes	41,410	11,742	23,815	76,967	41,318	13,923	27,983	83,224
Temporary staffing	25,523	20	-	25,543	-	-	-	-
Employee benefits	88,711	21,062	50,400	160,173	77,186	26,273	49,187	152,646
Total staff compensation	<u>613,483</u>	<u>156,148</u>	<u>322,246</u>	<u>1,091,877</u>	<u>568,985</u>	<u>190,134</u>	<u>380,963</u>	<u>1,140,082</u>
<b>Direct divisional expenses</b>								
Advertising and marketing	19,080	438	7,967	27,485	10,727	14	13,691	24,432
Supplies	4,095	530	2,351	6,976	9,368	1,944	2,963	14,275
Printing	546	-	13,856	14,402	4,937	966	14,608	20,511
Professional development	2,445	390	1,400	4,235	4,613	1,033	1,963	7,609
Meetings and dues	6,958	648	6,571	14,177	12,105	975	9,407	22,487
Transportation	7,363	630	4,681	12,674	7,516	611	5,908	14,035
Special events and projects	6,661	1,226	66,621	74,508	-	76	73,326	73,402
Postage	2,453	323	5,082	7,858	701	307	4,644	5,652
Listening session incentives	-	-	-	-	9,136	-	-	9,136
Contracted services	-	-	-	-	56,937	-	-	56,937
Other program costs	44,205	-	-	44,205	8,020	14	346	8,380
Campaign administrative fees	-	-	14,741	14,741	-	-	14,095	14,095
Total direct divisional expenses	<u>93,806</u>	<u>4,185</u>	<u>123,270</u>	<u>221,261</u>	<u>124,060</u>	<u>5,940</u>	<u>140,951</u>	<u>270,951</u>
<b>Central operating services</b>								
Service contracts	27,894	2,171	15,477	45,542	21,439	2,653	18,206	42,298
Telephone	11,891	2,215	5,136	19,242	13,107	3,889	8,406	25,402
Occupancy and depreciation	65,735	12,186	24,576	102,497	67,874	17,770	41,215	126,859
Organizational dues	17,018	3,642	7,353	28,013	15,010	4,206	9,789	29,005
Insurance	10,872	2,326	4,697	17,895	8,558	3,106	5,582	17,246
Interest	1,014	217	438	1,669	202	56	132	390
Payroll, pension and bank fees	12,662	2,709	6,242	21,613	11,742	3,289	9,073	24,104
Professional fees	26,970	5,696	11,502	44,168	22,953	5,592	13,016	41,561
Total central operating services	<u>174,056</u>	<u>31,162</u>	<u>75,421</u>	<u>280,639</u>	<u>160,885</u>	<u>40,561</u>	<u>105,419</u>	<u>306,865</u>
Subtotal	881,345	191,495	520,937	1,593,777	853,930	236,635	627,333	1,717,898
<b>Program grants</b>								
Community fund grants	1,077,594	-	-	1,077,594	1,178,437	-	-	1,178,437
Total operating expenses	<u>\$ 1,958,939</u>	<u>\$ 191,495</u>	<u>\$ 520,937</u>	<u>\$ 2,671,371</u>	<u>\$ 2,032,367</u>	<u>\$ 236,635</u>	<u>\$ 627,333</u>	<u>\$ 2,896,335</u>

The accompanying notes are an integral part of these financial statements



**UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (279,369)	\$ 13,528
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Depreciation	35,640	34,377
Unrealized gains on investments	(80,267)	(279,998)
Realized gains on investments	(120,199)	(84,295)
Donated investments	(6,331)	(16,273)
Proceeds from sale of donated investments	6,377	16,527
Provision for bad debts	83,361	97,526
<i>(Increase)/decrease in</i>		
Pledges receivable	55,896	(21,915)
Grant receivable	61,527	(120,783)
Other receivables	32,371	63,982
Prepaid expenses	(9,029)	3,683
<i>Increase/(decrease) in</i>		
Accounts payable	(13,209)	12,442
Accrued expenses	(15,350)	15,727
Grants payable	(1,330)	22,671
Donor designated organizations payable	(93,511)	(44,734)
Other payables	(9,620)	(58,570)
Deferred income	(1,120)	(73,880)
Net cash used in operating activities	<u>(354,163)</u>	<u>(419,985)</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	-	(3,579)
Proceeds from sale of pooled endowment investments	120,000	58,371
Proceeds from sale of investments	792,944	329,048
Purchases of investments	(840,507)	(348,281)
Redemption of certificates of deposit	-	61,204
Net cash provided by investing activities	<u>72,437</u>	<u>96,763</u>

**UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.**  
**STATEMENTS OF CASH FLOWS, continued**  
**Years ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash flows from financing activities</b>		
Repayments on capital lease obligations	\$ (6,089)	\$ (1,340)
Net decrease in cash and cash equivalents	(287,815)	(324,562)
<b>Cash and cash equivalents, beginning</b>	<u>735,692</u>	<u>1,060,254</u>
<b>Cash and cash equivalents, ending</b>	<u>\$ 447,877</u>	<u>\$ 735,692</u>
 <b>Supplemental disclosure of cash flows information</b>		
Cash paid during the years for interest	<u>\$ 1,669</u>	<u>\$ 390</u>
 <b>Supplemental disclosures of non-cash investing and financing activities</b>		
Equipment acquired under capital leases	<u>\$ -</u>	<u>\$ 31,970</u>

**UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

**1. Nature of Organization and Summary of Significant Accounting Policies**

*Organization*

United Way of the Dutchess - Orange Region, Inc.'s ("United Way") mission is to fight for the health, education, and financial stability of every person in our community. United Way's support comes primarily from campaign contributions from individuals and corporations who reside in or conduct business in Dutchess and Orange Counties, in New York State.

Effective September, 2017, the Organization's legal name was changed from United Way of the Mid-Hudson Valley, Inc., to United Way of the Dutchess-Orange Region, 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 require 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 THE DUTCHESS - ORANGE REGION, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2018 and 2017**

**1. Nature of Organization and Summary of Significant Accounting Policies, continued**

*Investments*

The United Way's investments consist of investments in pooled mutual funds at the Community Foundations of the Hudson Valley and other investments held in 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. Depreciation expense amounted to \$35,640 and \$34,377 for the years ended June 30, 2018 and 2017, respectively.

*Endowment classification, investment and spending policies*

United Way follows FASB Accounting Standards Codification 958-205 (ASC 958-205), "Presentation of Financial Statements" which 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.

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 OF THE DUTCHESS - ORANGE REGION, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2018 and 2017**

**1. Nature of Organization and Summary of Significant Accounting Policies, continued**

*Endowment classification, investment and spending policies, continued*

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 THE DUTCHESS - ORANGE REGION, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2018 and 2017**

**1. Nature of Organization and 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 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 THE DUTCHESS - ORANGE REGION, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2018 and 2017**

**1. Nature of Organization and 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). Management is not aware of any violations of its tax exempt status, nor any exposure to unrelated business income tax.

*Advertising and marketing costs*

Advertising and marketing costs are expensed when incurred. Amounts incurred for advertising and marketing were \$27,485 and \$24,432 for the years ended June 30, 2018 and 2017, respectively.

**2. Cash and Cash Equivalents**

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

	<u>2018</u>	<u>2017</u>
Cash in banks	\$ 269,393	\$ 407,036
Money market accounts	<u>178,484</u>	<u>328,656</u>
Total cash and cash equivalents	<u>\$ 447,877</u>	<u>\$ 735,692</u>

**3. Investments, Broker Held**

United Way holds investments in government and agency securities, corporate bonds, equities and mutual funds in its brokerage account that are recorded at fair value in the amounts of \$1,169,849 and \$1,072,388 at June 30, 2018 and 2017, respectively.

**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. A portion of these investments are permanently or temporarily 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 \$20,047 and \$18,653 for the years ended June 30, 2018 and 2017, respectively. These expenses are netted against investment revenues in the accompanying statements of activities.

**UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2018 and 2017**

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

The following represents the activity by net asset class in the endowment for the year ended June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends, net of investment expenses	\$ 14,421	\$ 18,552	\$ -	\$ 32,973
Realized gains on investments	18,481	23,776	-	42,257
Unrealized gains on investments	32,221	41,452	-	73,673
Endowment appropriation to operations	<u>(52,482)</u>	<u>(67,518)</u>	<u>-</u>	<u>(120,000)</u>
Change in endowment net assets	12,641	16,262	-	28,903
Endowment assets, beginning	<u>1,020,706</u>	<u>1,029,411</u>	<u>283,743</u>	<u>2,333,860</u>
Endowment assets, ending	<u>\$ 1,033,347</u>	<u>\$ 1,045,673</u>	<u>\$ 283,743</u>	<u>\$ 2,362,763</u>

The following represents the net asset composition by type of fund as of June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor designated endowment funds	\$ -	\$ 1,045,673	\$ 283,743	\$ 1,329,416
Board designated endowment funds	<u>1,033,347</u>	<u>-</u>	<u>-</u>	<u>1,033,347</u>
Total endowment assets	<u>\$ 1,033,347</u>	<u>\$ 1,045,673</u>	<u>\$ 283,743</u>	<u>\$ 2,362,763</u>

The following represents the activity by net asset class in the endowment for the year ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends, net of investment expenses	\$ 13,343	\$ 17,167	\$ -	\$ 30,510
Realized gains on investments	31,823	40,941	-	72,764
Unrealized gains on investments	82,377	105,980	-	188,357
Endowment appropriation to operations	<u>(25,528)</u>	<u>(32,843)</u>	<u>-</u>	<u>(58,371)</u>
Change in endowment net assets	102,015	131,245	-	233,260
Endowment assets, beginning	<u>918,691</u>	<u>898,166</u>	<u>283,743</u>	<u>2,100,600</u>
Endowment assets, ending	<u>\$ 1,020,706</u>	<u>\$ 1,029,411</u>	<u>\$ 283,743</u>	<u>\$ 2,333,860</u>



**UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2018 and 2017**

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

The following represents the net asset composition by type of fund as of June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor designated endowment funds	\$ -	\$ 1,029,411	\$ 283,743	\$1,313,154
Board designated endowment funds	<u>1,020,706</u>	<u>-</u>	<u>-</u>	<u>1,020,706</u>
Total endowment assets	<u>\$ 1,020,706</u>	<u>\$ 1,029,411</u>	<u>\$ 283,743</u>	<u>\$2,333,860</u>

**5. Investment Return**

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

	<u>2018</u>	<u>2017</u>
<b>Operating investment return</b>		
Interest and dividends	\$ 23,664	\$ 19,102
Investment fees	(15,165)	(14,029)
Realized gains on brokerage investments	77,942	11,531
Unrealized gains on brokerage investments	<u>6,594</u>	<u>91,641</u>
Total operating investment return	<u>93,035</u>	<u>108,245</u>
<b>Non-operating investment return</b>		
Interest and dividends on endowment	53,020	49,163
Realized gains on endowment	42,257	72,764
Unrealized gains on endowment	73,673	188,357
Investment fees on endowment	<u>(20,047)</u>	<u>(18,653)</u>
Total non-operating investment return	<u>148,903</u>	<u>291,631</u>
Investment return, net	<u>\$ 241,938</u>	<u>\$ 399,876</u>

**UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2018 and 2017**

**6. Fair Value Measurements**

Fair value of assets measured on a recurring basis as of June 30, are as follows:

	<b>2018</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Pooled endowment investments</b>				
U.S. equity mutual funds	\$1,107,898	\$ -	\$ -	\$1,107,898
International equity mutual funds	585,809	-	-	585,809
Fixed income mutual funds	668,778	-	-	668,778
Money market mutual funds	<u>278</u>	<u>-</u>	<u>-</u>	<u>278</u>
Total pooled mutual funds	<u>2,362,763</u>	<u>-</u>	<u>-</u>	<u>2,362,763</u>
<b>Investments, broker held</b>				
Government & agency securities	62,531	126,182	-	188,713
Corporate bonds	-	24,206	-	24,206
Equities	745,447	-	-	745,447
Mutual funds	210,324	-	-	210,324
Accrued interest	<u>1,159</u>	<u>-</u>	<u>-</u>	<u>1,159</u>
Total broker held funds	<u>1,019,461</u>	<u>150,388</u>	<u>-</u>	<u>1,169,849</u>
Total	<u>\$3,382,224</u>	<u>\$ 150,388</u>	<u>\$ -</u>	<u>\$3,532,612</u>
<b>2017</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Pooled endowment investments</b>				
U.S. equity mutual funds	\$1,054,298	\$ -	\$ -	\$1,054,298
International equity mutual funds	591,308	-	-	591,308
Fixed income mutual funds	688,175	-	-	688,175
Money market mutual funds	<u>79</u>	<u>-</u>	<u>-</u>	<u>79</u>
Total pooled mutual funds	<u>2,333,860</u>	<u>-</u>	<u>-</u>	<u>2,333,860</u>
<b>Investments, broker held</b>				
Government & agency securities	127,082	47,105	-	174,187
Corporate bonds	-	74,509	-	74,509
Equities	706,426	-	-	706,426
Mutual funds	116,028	-	-	116,028
Accrued interest	<u>1,238</u>	<u>-</u>	<u>-</u>	<u>1,238</u>
Total broker held funds	<u>950,774</u>	<u>121,614</u>	<u>-</u>	<u>1,072,388</u>
Total	<u>\$3,284,634</u>	<u>\$ 121,614</u>	<u>\$ -</u>	<u>\$3,406,248</u>

Level 2 assets are valued using pricing models maximizing the use of observable inputs for similar securities.

**UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2018 and 2017**

**7. Funds Held by Other Organization**

The Community Foundation of Orange County (“Community Foundation”) holds the Marion S. Murphy (Quasi) Endowment Fund amounting to \$29,984 and \$28,196 at June 30, 2018 and 2017, respectively. Under the terms of the agreement, if the endowment fund reached \$25,000 by 2011 it would be endowed and generate annual income back to the United Way to reduce its operating and administrative expenses. The fund did not reach the \$25,000 by 2011 and therefore, was available to be liquidated and used for the intended purpose. The balance of these funds is included in the statements of financial position under the title “other receivables”.

**8. Capital Lease Obligations**

Office equipment under capital leases consist of a copier, postage machine, and telephone system with capitalized costs of \$31,970. Accumulated depreciation in the statements of financial position includes \$8,528 and \$2,134 in relation to the leased assets for the years ended June 30, 2018 and 2017, respectively. Amortization of the capital leases in the amount of \$6,394 and \$2,134 is included in depreciation expense reported in the statements of activities for the years ended June 30, 2018 and 2017, respectively. The leases provide for minimum monthly payments totaling \$646 (including principal and interest) and begin to expire in 2021 through 2022.

The following is a schedule by years of future minimum payments required under the leases together with their present values as of June 30, 2018:

Year ending:	June 30, 2019	\$ 7,758
	June 30, 2020	7,758
	June 30, 2021	7,758
	June 30, 2022	<u>4,008</u>
Total minimum lease payments		27,282
Less amount representing interest		<u>(2,741)</u>
Present value of minimum lease payments		<u>\$ 24,541</u>

**9. 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. Employees who were previously employed at another nonprofit organization for at least three years are immediately 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 \$52,116 and \$60,448 for the years ended June 30, 2018 and 2017, respectively.

**UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2018 and 2017**

**10. Operating Leases**

The United Way leased equipment under various operating leases that expired during 2017. Combined minimum monthly payments were \$899. During the year ended June 30, 2018, the United Way entered into a new agreement to lease computer equipment with minimum monthly payments of \$71 expiring in 2021. Lease expense for equipment amounted to \$214 and \$4,496 for the years ended June 30, 2018 and 2017, respectively.

The United Way leased office space in Orange County, New York under a ten-year lease that expired in July, 2017. The lease called 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 had the option to renew the lease for two additional five-year periods but did not renew this lease. In May, 2017, the United Way entered into a new lease agreement for office space in Orange County, New York under a one year lease that expired in April, 2018. The lease was not renewed and is currently on a month to month basis. The lease calls for monthly base rent of \$1,300. Rent expense amounted to \$26,381 and \$51,973 for the years ended June 30, 2018 and 2017, respectively.

Effective May, 2014, a portion of the leased office space was subleased to an unaffiliated party that expired in March, 2017. Rental income under the sublease which offset the above lease expense amounted to \$1,800 for the year ended June 30, 2017.

**11. Donated Goods and Services**

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received, if sufficient information exists to establish the fair value. During the years ended June 30, 2018 and 2017, United Way received \$33,129 and \$26,080, respectively, in donated services for advertising and marketing. These amounts have been reported as expenses in their natural expense classification in the statements of activities.

In addition, 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 generally accepted accounting principles, has not been satisfied.

United Way receives donated clothing, household goods, books, and various other items which are recognized in the financial statements at their fair market value which is offset with a corresponding expense for the distribution. There is no effect on change in net assets. During the years ended June 30, 2018 and 2017, United Way received \$147,958 and \$118,947 in donated goods, respectively. These amounts have been reported as expenses in their natural expense classification in the statements of activities.

**UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2018 and 2017**

**12. Temporarily Restricted Net Assets**

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

	<u>2018</u>	<u>2017</u>
Un-appropriated endowment earnings	\$ 1,045,673	\$ 1,029,411
Dutchess County Coalition of Non-Profits	660	660
CASH Program	-	8,300
Not One More	7,974	11,371
Community Conversations Program	2,500	-
Children's Corner	18	6,594
Veteran's Initiatives	-	1,636
Book Drive	-	155
Tornado Drive	<u>11,651</u>	<u>-</u>
Total	<u>\$ 1,068,476</u>	<u>\$ 1,058,127</u>

**13. Board Designated Unrestricted Net Assets**

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

	<u>2018</u>	<u>2017</u>
Military Family Support	\$ 5,673	\$ 5,673
Critical Issues	15,875	15,875
Disaster Support	5,553	5,553
Board Strategic Plan	50,000	50,000
Long-Term Recovery	1,180	1,180
Unspecified-endowment	<u>1,033,347</u>	<u>1,020,706</u>
Total board designated unrestricted net assets	<u>\$ 1,111,628</u>	<u>\$ 1,098,987</u>

**14. Concentrations, Risks and Uncertainties**

United Way receives a substantial amount of donations from public support concentrated in Dutchess and Orange Counties in New York State. If a 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.

**UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**June 30, 2018 and 2017**

**14. Concentrations, Risks and Uncertainties, continued**

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 the 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.

United Way 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 changes could materially affect the amounts reported in the statements of financial position.

**15. Contingencies**

Grants received by the United Way are subject to audit and adjustment by the funding agency or its representative. If grant revenues are received for expenditures which are subsequently disallowed, the United Way may be required to repay the revenues to the funding agency.

**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 years presented. 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, October 31, 2018 which is the date the financial statements were available for issuance.

