

**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, 2017 AND 2016

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

	<u>Page</u>
Independent auditor's report	1 - 2
Statements of financial position	3 - 4
Statements of activities	5
Statements of functional expenses	6
Statements of cash flows	7 - 8
Notes to financial statements	9 - 20

Mid-Hudson Partners
Managing Partner
John J. Cina, CPA/PFS
Michael C. Betros, CPA/PFS
Joanne M. Casabura, CPA
Gretchen M. Bradshaw, CPA
Brenda K. Santoro, CPA
James P. Booth, CPA
Brian E. DiFilippo, CPA/ABV
Stephanie A. Gigliotti, CPA

510 Haight Ave, Poughkeepsie, N.Y. 12603
845.473.7774 Fax: 845.454.8485
www.darcangelo.com

140 Church St.
Millbrook, N.Y. 12545
845.677.6823
Fax: 845.677.0004

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, 2017 and 2016, 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 Mid-Hudson Valley, Inc., d/b/a United Way of the Dutchess-Orange Region as of June 30, 2017 and 2016, 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

November 3, 2017
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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 735,692	\$ 1,060,254
Certificates of deposit	-	61,204
Pooled endowment investments	2,333,860	2,100,600
Investments, broker held	1,072,388	982,565
Pledges receivable, less provision for uncollectible pledges of \$95,102 and \$89,538, respectively	702,185	777,796
Grant receivable	195,783	75,000
Other receivables	75,347	137,511
Prepaid expenses	<u>19,289</u>	<u>22,972</u>
Total current assets	<u>5,134,544</u>	<u>5,217,902</u>
Property and equipment		
Land	12,000	12,000
Building	80,000	80,000
Building improvements	691,888	688,308
Equipment and furniture	<u>108,764</u>	<u>123,085</u>
	892,652	903,393
Accumulated depreciation	<u>(546,530)</u>	<u>(558,443)</u>
Total property and equipment	<u>346,122</u>	<u>344,950</u>
Other assets		
Security deposit	<u>12,416</u>	<u>12,416</u>
Total assets	<u>\$ 5,493,082</u>	<u>\$ 5,575,268</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Capital lease obligations, current portion	\$ 6,089	\$ -
Accounts payable	23,677	11,235
Accrued expenses	156,996	141,269
Grants payable	22,671	-
Donor designated organizations payable	248,329	293,063
Other payables	9,620	68,190
Deferred income	<u>1,120</u>	<u>75,000</u>
Total current liabilities	468,502	588,757
Long-term liabilities		
Capital lease obligations, net of current portion	<u>24,541</u>	<u>-</u>
Total liabilities	<u>493,043</u>	<u>588,757</u>
Net assets		
<i>Unrestricted</i>		
Operating	2,559,182	2,785,647
Board designated	<u>1,098,987</u>	<u>996,971</u>
Total unrestricted	3,658,169	3,782,618
<i>Temporarily restricted</i>	1,058,127	920,150
<i>Permanently restricted</i>	<u>283,743</u>	<u>283,743</u>
Total net assets	<u>5,000,039</u>	<u>4,986,511</u>
Total liabilities and net assets	<u>\$ 5,493,082</u>	<u>\$ 5,575,268</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, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue, gains and other support								
Annual campaign contributions including donor designated amounts	\$ 1,968,065	\$ -	\$ -	\$ 1,968,065	\$ 2,205,357	\$ -	\$ -	\$ 2,205,357
In kind contributions	145,027	-	-	145,027	182,610	-	-	182,610
Contract and grant income	513,120	-	-	513,120	277,566	-	-	277,566
Administrative income	11,539	-	-	11,539	17,139	-	-	17,139
Investment income/(loss), net of fees	108,245	-	-	108,245	(22,534)	-	-	(22,534)
Special events income	195,066	-	-	195,066	147,216	-	-	147,216
Other income	3,810	-	-	3,810	6,504	-	-	6,504
Endowment appropriation to operations	58,371	-	-	58,371	58,026	-	-	58,026
Net assets released from restriction	(6,732)	6,732	-	-	(9,104)	9,104	-	-
Total operating revenue, gains and other support including donor designated amounts	2,996,511	6,732	-	3,003,243	2,862,780	9,104	-	2,871,884
Less: provision for uncollectible pledges	(97,526)	-	-	(97,526)	(122,572)	-	-	(122,572)
Less: donor designated amounts	(229,114)	-	-	(229,114)	(287,284)	-	-	(287,284)
Net operating revenue, gains and other support	2,669,871	6,732	-	2,676,603	2,452,924	9,104	-	2,462,028
Expenses and losses:								
<i>Grants and program services</i>								
Community fund grants	1,178,437	-	-	1,178,437	1,240,195	-	-	1,240,195
Community building services	853,930	-	-	853,930	645,968	-	-	645,968
Total grants and program services	2,032,367	-	-	2,032,367	1,886,163	-	-	1,886,163
<i>Supporting services</i>								
Management and general	236,635	-	-	236,635	336,727	-	-	336,727
Fundraising	627,333	-	-	627,333	544,997	-	-	544,997
Total supporting services	863,968	-	-	863,968	881,724	-	-	881,724
Total expenses and losses	2,896,335	-	-	2,896,335	2,767,887	-	-	2,767,887
Change in net assets from operations	(226,464)	6,732	-	(219,732)	(314,963)	9,104	-	(305,859)
Non-operating activities								
Endowment unrealized gains/(losses) on investments	82,377	105,980	-	188,357	(50,550)	(65,034)	-	(115,584)
Endowment investment returns, net of fees	45,166	58,108	-	103,274	36,906	47,481	-	84,387
Endowment appropriation to operations	(25,528)	(32,843)	-	(58,371)	(25,377)	(32,649)	-	(58,026)
Total non-operating activities	102,015	131,245	-	233,260	(39,021)	(50,202)	-	(89,223)
Change in net assets	(124,449)	137,977	-	13,528	(353,984)	(41,098)	-	(395,082)
Net assets, beginning	3,782,618	920,150	283,743	4,986,511	4,136,602	961,248	283,743	5,381,593
Net assets, ending	\$ 3,658,169	\$ 1,058,127	\$ 283,743	\$ 5,000,039	\$ 3,782,618	\$ 920,150	\$ 283,743	\$ 4,986,511

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, 2017 and 2016

	2017				2016			
	Program	Administrative			Program	Administrative		
	Community Building Services	Management & General	Fund-Raising	Total	Community Building Services	Management & General	Fund-Raising	Total
Staff compensation								
Salaries	\$ 450,481	\$ 149,938	\$ 303,793	\$ 904,212	\$ 320,234	\$ 202,783	\$ 289,963	\$ 812,980
Payroll taxes	41,318	13,923	27,983	83,224	29,026	19,267	26,774	75,067
Temporary staffing	-	-	-	-	2,770	-	9,047	11,817
Employee benefits	77,186	26,273	49,187	152,646	48,523	34,823	41,248	124,594
Total staff compensation	<u>568,985</u>	<u>190,134</u>	<u>380,963</u>	<u>1,140,082</u>	<u>400,553</u>	<u>256,873</u>	<u>367,032</u>	<u>1,024,458</u>
Direct divisional expenses								
Advertising and marketing	10,727	14	13,691	24,432	41,161	2,940	14,700	58,801
Supplies	9,368	1,944	2,963	14,275	11,160	2,739	3,163	17,062
Printing	4,937	966	14,608	20,511	7,616	3,400	9,821	20,837
Professional development	4,613	1,033	1,963	7,609	8,753	5,570	1,202	15,525
Meetings and dues	12,105	975	9,407	22,487	10,653	2,461	3,615	16,729
Transportation	7,516	611	5,908	14,035	8,590	1,576	3,954	14,120
Special events and projects	-	76	73,326	73,402	10,857	104	43,322	54,283
Postage	701	307	4,644	5,652	2,962	1,392	6,204	10,558
Listening session incentives	9,136	-	-	9,136	-	-	-	-
Contracted services	56,937	-	-	56,937	-	-	-	-
Other program costs	8,020	14	346	8,380	273	500	449	1,222
Campaign administrative fees	-	-	14,095	14,095	-	-	14,709	14,709
Total direct divisional expenses	<u>124,060</u>	<u>5,940</u>	<u>140,951</u>	<u>270,951</u>	<u>102,025</u>	<u>20,682</u>	<u>101,139</u>	<u>223,846</u>
Central operating services								
Service contracts	21,439	2,653	18,206	42,298	24,046	8,483	9,847	42,376
Telephone	13,107	3,889	8,406	25,402	9,994	4,521	9,280	23,795
Occupancy and depreciation	67,874	17,770	41,215	126,859	63,519	22,666	25,165	111,350
Organizational dues	15,010	4,206	9,789	29,005	12,295	6,147	6,147	24,589
Insurance	8,558	3,106	5,582	17,246	7,297	3,649	3,649	14,595
Interest	202	56	132	390	-	-	-	-
Payroll, pension and bank fees	11,742	3,289	9,073	24,104	9,921	5,695	9,177	24,793
Professional fees	22,953	5,592	13,016	41,561	16,318	8,011	13,561	37,890
Total central operating services	<u>160,885</u>	<u>40,561</u>	<u>105,419</u>	<u>306,865</u>	<u>143,390</u>	<u>59,172</u>	<u>76,826</u>	<u>279,388</u>
Subtotal	853,930	236,635	627,333	1,717,898	645,968	336,727	544,997	1,527,692
Program grants								
Community fund grants	<u>1,178,437</u>	-	-	<u>1,178,437</u>	<u>1,240,195</u>	-	-	<u>1,240,195</u>
Total operating expenses	<u>\$ 2,032,367</u>	<u>\$ 236,635</u>	<u>\$ 627,333</u>	<u>\$ 2,896,335</u>	<u>\$ 1,886,163</u>	<u>\$ 336,727</u>	<u>\$ 544,997</u>	<u>\$ 2,767,887</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 13,528	\$ (395,082)
<i>Adjustments to reconcile change in net assets to net cash used in operating activities:</i>		
Depreciation	34,377	33,861
Unrealized (gains)/losses on investments	(279,998)	140,250
Realized gains on investments	(84,295)	(24,949)
Donated investments	(16,273)	(15,401)
Proceeds from sale of donated investments	16,527	15,174
Provision for bad debts	97,526	122,572
<i>(Increase)/decrease in:</i>		
Pledges receivable	(21,915)	(83,074)
Grant receivable	(120,783)	75,000
Other receivables	63,982	22,671
Prepaid expenses	3,683	(7,628)
<i>Increase/(decrease) in:</i>		
Accounts payable	12,442	(31,154)
Accrued expenses	15,727	(24,498)
Grants payable	22,671	(11,920)
Donor designated organizations payable	(44,734)	(96,346)
Other payables	(58,570)	(12,160)
Deferred income	<u>(73,880)</u>	<u>(96,880)</u>
Net cash used in operating activities	<u>(419,985)</u>	<u>(389,564)</u>
Cash flows from investing activities		
Purchases of property and equipment	(3,579)	(6,378)
Proceeds from sale of pooled endowment investments	58,371	58,026
Proceeds from sale of investments	329,048	301,583
Purchases of investments	(348,281)	(360,036)
Redemption of certificates of deposit	<u>61,204</u>	<u>-</u>
Net cash provided by/(used in) investing activities	<u>96,763</u>	<u>(6,805)</u>

UNITED WAY OF MID-HUDSON VALLEY, INC.
d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION
STATEMENTS OF CASH FLOWS, continued
Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from financing activities		
Repayments on capital lease obligations	\$ (1,340)	\$ -
Net decrease in cash and cash equivalents	(324,562)	(396,369)
Cash and cash equivalents, beginning	<u>1,060,254</u>	<u>1,456,623</u>
Cash and cash equivalents, ending	<u>\$ 735,692</u>	<u>\$ 1,060,254</u>
 Supplemental disclosure of cash flows information		
Cash paid during the years for interest	<u>\$ 390</u>	<u>\$ -</u>
 Supplemental disclosures of non-cash investing and financing activities		
Equipment acquired under capital leases	<u>\$ 31,970</u>	<u>\$ -</u>

UNITED WAY OF MID-HUDSON VALLEY, INC.
d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

1. Nature of Organization and 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”). United Way’s 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.

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.

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.

UNITED WAY OF MID-HUDSON VALLEY, INC.
d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2017 and 2016

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. 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 \$34,377 and \$33,861 for the years ended June 30, 2017 and 2016, 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.

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 MID-HUDSON VALLEY, INC.
d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2017 and 2016

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 MID-HUDSON VALLEY, INC.
d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2017 and 2016

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, 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.
d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2017 and 2016

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 \$24,432 and \$58,801 for the years ended June 30, 2017 and 2016, respectively.

2. Cash and Cash Equivalents

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

	<u>2017</u>	<u>2016</u>
Cash in banks	\$ 407,036	\$ 662,447
Money market accounts	<u>328,656</u>	<u>397,807</u>
Total cash and cash equivalents	<u>\$ 735,692</u>	<u>\$1,060,254</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 \$1,072,388 and \$982,565 at June 30, 2017 and 2016, 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 \$18,653 and \$17,057 for the years ended June 30, 2017 and 2016, respectively. These expenses are netted against investment revenues in the accompanying 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, 2017 and 2016

4. Pooled Investments and Endowment, continued

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>(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>

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>

The following represents the activity by net asset class in the endowment for the year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends, net of investment expenses	\$ 24,493	\$ 31,512	\$ -	\$ 56,005
Realized gains on investments	12,413	15,969	-	28,382
Unrealized losses on investments	(50,550)	(65,034)	-	(115,584)
Endowment appropriation to operations	<u>(25,377)</u>	<u>(32,649)</u>	-	<u>(58,026)</u>
Change in endowment net assets	(39,021)	(50,202)	-	(89,223)
Endowment assets, beginning	<u>957,712</u>	<u>948,368</u>	<u>283,743</u>	<u>2,189,823</u>
Endowment assets, ending	<u>\$ 918,691</u>	<u>\$ 898,166</u>	<u>\$ 283,743</u>	<u>\$ 2,100,600</u>

UNITED WAY OF MID-HUDSON VALLEY, INC.
d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2017 and 2016

4. Pooled Investments and Endowment, continued

The following represents the net asset composition by type of fund as of June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor designated endowment funds	\$ -	\$ 898,166	\$ 283,743	\$1,181,909
Board designated endowment funds	<u>918,691</u>	<u>-</u>	<u>-</u>	<u>918,691</u>
Total endowment assets	<u>\$ 918,691</u>	<u>\$ 898,166</u>	<u>\$ 283,743</u>	<u>\$2,100,600</u>

5. Investment Return

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

	<u>2017</u>	<u>2016</u>
Operating investment return		
Interest and dividends	\$ 19,102	\$ 18,840
Investment fees	(14,029)	(13,275)
Realized gains/(losses) on brokerage investments	11,531	(3,433)
Unrealized gains/(losses) on brokerage investments	<u>91,641</u>	<u>(24,666)</u>
Total operating investment return	<u>108,245</u>	<u>(22,534)</u>
Non-operating investment return		
Interest and dividends on endowment	49,163	73,062
Realized gains on endowment	72,764	28,382
Unrealized gains/(losses) on endowment	188,357	(115,584)
Investment fees on endowment	<u>(18,653)</u>	<u>(17,057)</u>
Total non-operating investment return	<u>291,631</u>	<u>(31,197)</u>
Total investment return	<u>\$ 399,876</u>	<u>\$ (53,731)</u>

UNITED WAY OF MID-HUDSON VALLEY, INC.
d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2017 and 2016

6. Fair Value Measurements

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

	2017			Total
	Level 1	Level 2	Level 3	
Pooled endowment investments				
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>
Investments, broker held				
Government and agency	174,187	-	-	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>1,072,388</u>	<u>-</u>	<u>-</u>	<u>1,072,388</u>
Total	<u>\$3,406,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,406,248</u>
2016				
	Level 1	Level 2	Level 3	Total
Pooled endowment investments				
U.S. equity mutual funds	\$ 993,339	\$ -	\$ -	\$ 993,339
International equity mutual funds	478,455	-	-	478,455
Fixed income mutual funds	620,714	-	-	620,714
Money market mutual funds	<u>8,092</u>	<u>-</u>	<u>-</u>	<u>8,092</u>
Total pooled mutual funds	<u>2,100,600</u>	<u>-</u>	<u>-</u>	<u>2,100,600</u>
Investments, broker held				
Government and agency	173,216	-	-	173,216
Corporate bonds	69,467	-	-	69,467
Equities	619,248	-	-	619,248
Mutual funds	119,439	-	-	119,439
Accrued interest	<u>1,195</u>	<u>-</u>	<u>-</u>	<u>1,195</u>
Total broker held funds	<u>982,565</u>	<u>-</u>	<u>-</u>	<u>982,565</u>
Total	<u>\$3,083,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,083,165</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.
d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2017 and 2016

7. Funds Held by Other Organization

The Community Foundation of Orange County (“Community Foundation”) holds the Marion S. Murphy (Quasi) Endowment Fund amounting to \$28,196 and \$26,238 at June 30, 2017 and 2016, 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

As of June 30, 2017, office equipment under new capital leases consisted of a copier, postage machine, and telephone system with capitalized costs of \$31,970 and accumulated depreciation of \$2,134. Amortization of the capital leases in the amount of \$2,134 was included in depreciation expense for the year ended June 30, 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, 2017:

Year ending:	June 30, 2018	\$ 7,458
	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		34,740
Less amount representing interest		<u>(4,110)</u>
Present value of minimum lease payments		<u>\$ 30,630</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 \$60,448 and \$46,608 for the years ended June 30, 2017 and 2016, respectively.

UNITED WAY OF MID-HUDSON VALLEY, INC.
d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2017 and 2016

10. Operating Leases

The United Way leased equipment under various operating leases that expired during 2017. Combined minimum monthly payments were \$899. Lease expense for this equipment amounted to \$4,496 and \$10,790 for the years ended June 30, 2017 and 2016, 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 expires in April, 2018. The lease calls for monthly base rent of \$1,300. Rent expense amounted to \$51,973 and \$48,188 for the years ended June 30, 2017 and 2016, respectively. The aggregate future minimum rental payments under long-term operating lease agreements as of June 30, 2017 is \$15,951 for year ending June 30, 2018.

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 and \$2,400 for the years ended June 30, 2017 and 2016, respectively.

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, 2017 and 2016, United Way received \$26,080 and \$56,110, respectively, in donated services for advertising, marketing, legal and professional services. 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, 2017 and 2016, United Way received \$118,947 and \$126,500 in donated goods, respectively. These amounts have been reported as expenses in their natural expense classification 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, 2017 and 2016

12. Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Un-appropriated endowment earnings	\$ 1,029,411	\$ 898,166
Dutchess County Coalition of Non-Profits	660	660
CASH Program	8,300	7,442
Not One More	11,371	12,220
Walden Youth Employment Program	-	1,410
Children's Corner	6,594	-
Veteran's Initiatives	1,636	-
Book Drive	155	-
Hygiene Drive	<u>-</u>	<u>252</u>
Total	<u>\$ 1,058,127</u>	<u>\$ 920,150</u>

13. Board Designated Unrestricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Military Family Support	\$ 5,673	\$ 5,672
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>1,020,706</u>	<u>918,691</u>
Total board designated unrestricted net assets	<u>\$ 1,098,987</u>	<u>\$ 996,971</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 MID-HUDSON VALLEY, INC.
d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2017 and 2016

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, November 3, 2017 which is the date the financial statements were available for issuance. Effective, September, 2017, the Organization changed its legal name from United Way of Mid-Hudson Valley, Inc., to United Way of the Dutchess-Orange Region, Inc.

