

**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, 2014 AND 2013

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, 2014 and 2013, 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, 2014 and 2013, 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 24, 2014
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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,277,112	\$ 2,736,349
Certificates of deposit	239,277	239,248
Pooled endowment investments	2,353,119	2,046,516
Investments	110,056	106,345
Pledges receivable, less provision for uncollectible pledges of \$117,230 and \$105,403, respectively	874,454	1,164,512
Other receivables	172,406	106,847
Prepaid expenses	29,824	31,348
Total current assets	<u>6,056,248</u>	<u>6,431,165</u>
Property and equipment		
Land	12,000	12,000
Building	80,000	80,000
Building improvements	591,427	587,273
Equipment and furniture	<u>264,727</u>	<u>256,631</u>
	948,154	935,904
Accumulated depreciation	<u>(640,614)</u>	<u>(605,517)</u>
Total property and equipment	<u>307,540</u>	<u>330,387</u>
Other assets		
Security deposit	<u>12,416</u>	<u>12,416</u>
Total assets	<u>\$ 6,376,204</u>	<u>\$ 6,773,968</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 21,511	\$ 45,614
Accrued expenses	164,186	198,193
Grants payable	11,920	86,749
Donor designated organizations payable	454,203	529,559
Other payables	<u>70,868</u>	<u>94,642</u>
Total current liabilities	<u>722,688</u>	<u>954,757</u>
Net assets		
<i>Unrestricted</i>		
Operating	3,192,998	3,643,192
Board designated	<u>1,107,409</u>	<u>979,310</u>
Total unrestricted	4,300,407	4,622,502
<i>Temporarily restricted</i>	1,069,366	912,966
<i>Permanently restricted</i>	<u>283,743</u>	<u>283,743</u>
Total net assets	<u>5,653,516</u>	<u>5,819,211</u>
 Total liabilities and net assets	 <u>\$ 6,376,204</u>	 <u>\$ 6,773,968</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, 2014 and 2013

	2014				2013			
	<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>
Operating revenue, gains and other support								
Annual campaign contributions including donor designated amounts	\$ 2,472,069	\$ 11,010	\$ -	\$ 2,483,079	\$ 2,934,372	\$ 8,112	\$ -	\$ 2,942,484
In kind contributions	66,151	-	-	66,151	27,678	-	-	27,678
Contract and grant income	388,597	-	-	388,597	437,066	-	-	437,066
Administrative income	56,058	-	-	56,058	52,467	-	-	52,467
Investment income, net of fees	10,530	-	-	10,530	9,927	-	-	9,927
Special events income	112,172	-	-	112,172	77,918	-	-	77,918
Other income	3,811	-	-	3,811	-	-	-	-
Endowment appropriation to operations	51,140	-	-	51,140	52,523	-	-	52,523
Net assets released from restriction	27,121	(27,121)	-	-	69,521	(69,521)	-	-
Total operating revenue, gains and other support including donor designated amounts	3,187,649	(16,111)	-	3,171,538	3,661,472	(61,409)	-	3,600,063
Less: provision for uncollectible pledges	(170,397)	-	-	(170,397)	(113,282)	-	-	(113,282)
Less: donor designated amounts	(344,031)	-	-	(344,031)	(465,990)	-	-	(465,990)
Net operating revenue, gains and other support	2,673,221	(16,111)	-	2,657,110	3,082,200	(61,409)	-	3,020,791
Expenses and losses:								
<i>Grants and program services</i>								
Community fund grants	1,437,373	-	-	1,437,373	1,647,572	-	-	1,647,572
Community building services	782,126	-	-	782,126	711,578	-	-	711,578
Total grants and program services	2,219,499	-	-	2,219,499	2,359,150	-	-	2,359,150
<i>Supporting services</i>								
Management and general	312,753	-	-	312,753	448,237	-	-	448,237
Fundraising	597,156	-	-	597,156	624,562	-	-	624,562
Total supporting services	909,909	-	-	909,909	1,072,799	-	-	1,072,799
Total expenses and losses	3,129,408	-	-	3,129,408	3,431,949	-	-	3,431,949
Change in net assets from operations	(456,187)	(16,111)	-	(472,298)	(349,749)	(61,409)	-	(411,158)
Non-operating activities								
Endowment unrealized gains on investments	126,786	163,113	-	289,899	114,855	147,763	-	262,618
Endowment investment returns, net of fees	29,672	38,172	-	67,844	8,252	10,616	-	18,868
Endowment appropriation to operations	(22,366)	(28,774)	-	(51,140)	(22,971)	(29,552)	-	(52,523)
Total non-operating activities	134,092	172,511	-	306,603	100,136	128,827	-	228,963
Change in net assets	(322,095)	156,400	-	(165,695)	(249,613)	67,418	-	(182,195)
Net assets, beginning	4,622,502	912,966	283,743	5,819,211	4,872,115	845,548	283,743	6,001,406
Net assets, ending	\$ 4,300,407	\$ 1,069,366	\$ 283,743	\$ 5,653,516	\$ 4,622,502	\$ 912,966	\$ 283,743	\$ 5,819,211

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, 2014 and 2013

	2014				2013			
	Program	Administrative			Program	Administrative		
	Community Building Services	Management & General	Fund- Raising	Total	Community Building Services	Management & General	Fund- Raising	Total
Staff compensation								
Salaries	\$ 367,394	\$ 160,716	\$ 268,108	\$ 796,218	\$ 334,791	\$ 198,601	\$ 254,210	\$ 787,602
Payroll taxes	37,697	13,600	27,828	79,125	32,589	19,034	24,134	75,757
Temporary staffing	11,413	5,242	24,236	40,891	24,842	63,298	31,874	120,014
Employee benefits	61,397	20,252	57,525	139,174	56,313	43,630	72,300	172,243
Total staff compensation	477,901	199,810	377,697	1,055,408	448,535	324,563	382,518	1,155,616
Direct divisional expenses								
Advertising and marketing	59,147	2,856	13,865	75,868	25,395	8,052	35,620	69,067
Supplies	5,614	3,224	1,827	10,665	8,427	6,603	3,706	18,736
Printing	5,864	5,185	8,228	19,277	4,728	1,507	19,697	25,932
Professional development	857	3,041	960	4,858	8,281	2,362	4,610	15,253
Meetings and dues	9,541	4,763	4,533	18,837	8,058	6,517	5,060	19,635
Transportation	23,850	1,954	4,255	30,059	12,823	3,579	6,264	22,666
Special events and projects	9,000	1,000	79,997	89,997	8,339	689	44,696	53,724
Postage	3,452	2,182	5,972	11,606	2,007	1,036	11,661	14,704
Miscellaneous	10,727	-	-	10,727	-	-	-	-
Total direct divisional expenses	128,052	24,205	119,637	271,894	78,058	30,345	131,314	239,717
Central operating services								
Service contracts	27,630	9,364	21,187	58,181	41,315	21,168	21,153	83,636
Telephone	11,738	7,081	9,000	27,819	10,821	9,475	8,981	29,277
Occupancy and depreciation	74,536	35,402	35,188	145,126	75,638	31,058	40,683	147,379
Organizational dues	11,880	6,937	8,438	27,255	15,082	9,042	11,079	35,203
Insurance	5,091	2,646	3,555	11,292	5,710	3,208	4,632	13,550
Payroll, pension and bank fees	10,501	5,759	7,429	23,689	12,303	7,167	8,866	28,336
Professional fees	34,797	21,549	15,025	71,371	24,116	12,211	15,336	51,663
Total central operating services	176,173	88,738	99,822	364,733	184,985	93,329	110,730	389,044
	782,126	312,753	597,156	1,692,035	711,578	448,237	624,562	1,784,377
Program grants								
Community fund grants	1,437,373	-	-	1,437,373	1,647,572	-	-	1,647,572
Total operating expenses	\$ 2,219,499	\$ 312,753	\$ 597,156	\$ 3,129,408	\$ 2,359,150	\$ 448,237	\$ 624,562	\$ 3,431,949

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ (165,695)	\$ (182,195)
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Depreciation	35,097	42,059
Unrealized gains on investments	(294,658)	(263,903)
Realized (gains)/losses on investments	(49,630)	616
Donated investments	(15,615)	(11,262)
Provision for bad debts	170,397	113,282
<i>(Increase)/decrease in</i>		
Pledges receivable	119,661	(33,553)
Other receivables	(65,559)	4,619
Prepaid expenses	1,524	(4,757)
<i>Increase/(decrease) in</i>		
Accounts payable	(24,103)	38,504
Accrued expenses	(34,007)	11,178
Grants payable	(74,829)	38,282
Donor designated organizations payable	(75,356)	(76,911)
Other payables	<u>(23,774)</u>	<u>(37,116)</u>
Net cash used in operating activities	<u>(496,547)</u>	<u>(361,157)</u>
Cash flows from investing activities		
Purchases of property and equipment	(12,250)	(6,505)
Proceeds from sale of pooled endowment investments	51,140	99,092
Proceeds from sale of investments	17,441	10,646
Purchases of investments	(18,992)	(17,952)
Increase in certificates of deposit	(29)	-
Redemption of certificates of deposit	<u>-</u>	<u>229,176</u>
Net cash provided by investing activities	<u>37,310</u>	<u>314,457</u>
Net decrease in cash and cash equivalents	(459,237)	(46,700)
Cash and cash equivalents, beginning	<u>2,736,349</u>	<u>2,783,049</u>
Cash and cash equivalents, ending	<u><u>\$ 2,277,112</u></u>	<u><u>\$ 2,736,349</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, 2014 and 2013

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 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 MID-HUDSON VALLEY, INC.
d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2014 and 2013

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 \$35,097 and \$42,059 for the years ended June 30, 2014 and 2013, 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, 2014 and 2013

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, 2014 and 2013

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.
d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2014 and 2013

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, 2014 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, 2014, for United Way's and its predecessor entities the fiscal years ended 2011 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 \$75,868 and \$69,067 for the years ended June 30, 2014 and 2013.

2. Cash and Cash Equivalents

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

	<u>2014</u>	<u>2013</u>
Cash in banks	\$1,068,652	\$1,270,905
Money market accounts	<u>1,208,460</u>	<u>1,465,444</u>
Total cash and cash equivalents	<u>\$ 2,277,112</u>	<u>\$2,736,349</u>

3. Investments

United Way holds a fixed income mutual fund in its brokerage account that is recorded at fair value in the amounts of \$110,056 and \$106,345 at June 30, 2014 and 2013, 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, 2014 and 2013

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 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 \$17,386 and \$15,659 for the years ended June 30, 2014 and 2013, 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, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends, net of investment expenses	\$ 8,765	\$ 11,275	\$ -	\$ 20,040
Realized gains on investments	20,907	26,897	-	47,804
Unrealized gains on investments	126,786	163,113	-	289,899
Endowment appropriation to operations	<u>(22,366)</u>	<u>(28,774)</u>	<u>-</u>	<u>(51,140)</u>
Change in endowment net assets	134,092	172,511	-	306,603
Endowment assets, beginning	<u>895,037</u>	<u>867,736</u>	<u>283,743</u>	<u>2,046,516</u>
Endowment assets, ending	<u>\$1,029,129</u>	<u>\$1,040,247</u>	<u>\$283,743</u>	<u>\$2,353,119</u>

The following represents the net asset composition by type of fund as of June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<i>Donor designated endowment funds:</i>	\$ -	\$ 1,040,247	\$ 283,743	\$1,323,990
<i>Other endowment funds:</i>				
Board designated endowment funds	<u>1,029,129</u>	<u>-</u>	<u>-</u>	<u>1,029,129</u>
Endowment assets, ending	<u>\$1,029,129</u>	<u>\$ 1,040,247</u>	<u>\$ 283,743</u>	<u>\$2,353,119</u>

UNITED WAY OF MID-HUDSON VALLEY, INC.
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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, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<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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5. Investment Return

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

	<u>2014</u>	<u>2013</u>
Operating investment return		
Interest and dividends	\$ 4,423	\$ 9,306
Investment fees	(478)	(48)
Realized gains/(losses) on brokerage investments	1,826	(616)
Unrealized gains on brokerage investments	<u>4,759</u>	<u>1,285</u>
Total operating investment return	<u>10,530</u>	<u>9,927</u>
Non-operating investment return		
Interest and dividends on endowment	37,426	34,527
Realized gains on endowment	47,804	-
Unrealized gains on endowment	289,899	262,618
Investment fees on endowment	<u>(17,386)</u>	<u>(15,659)</u>
Total non-operating investment return	<u>357,743</u>	<u>281,486</u>
Total investment return	<u>\$ 368,273</u>	<u>\$ 291,413</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:

	2014			
	Level 1	Level 2	Level 3	Total
Pooled mutual funds				
U.S. equity mutual funds	\$1,074,157	\$ -	\$ -	\$1,074,157
International equity mutual funds	586,675	-	-	586,675
Fixed income mutual funds	690,229	-	-	690,229
Money market mutual funds	<u>2,058</u>	<u>-</u>	<u>-</u>	<u>2,058</u>
Total pooled mutual funds	2,353,119	-	-	2,353,119
Broker held mutual fund				
Fixed income mutual fund	<u>110,056</u>	<u>-</u>	<u>-</u>	<u>110,056</u>
Total	<u>\$2,463,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,463,175</u>

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6. Fair Value Measurements, continued

	2013			
	Level 1	Level 2	Level 3	Total
Pooled mutual funds				
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
Broker held mutual fund				
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>

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 \$26,759 and \$23,389 at June 30, 2014 and 2013, 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. 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 \$39,696 and \$51,801 for the years ended June 30, 2014 and 2013, respectively.

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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 \$58,065 and \$56,370 for the years ended June 30, 2014 and 2013, respectively.

Effective May 2014, a portion of the leased office space was subleased to an unaffiliated party. The above lease expense will be offset by payments due under the sublease totaling \$2,400 for each of the years ending June 30, 2015 and 2016, and \$1,800 for the year ending June 30, 2017. Rental income under the sublease amounted to \$600 for the year ended June 30, 2014.

Equipment is leased under various operating leases that begin to expire in 2014. Combined minimum monthly payments are \$1,081. Lease expense for this equipment amounted to \$15,140 and \$16,690 for the years ended June 30, 2014 and 2013, 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, 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>\$ 26,985</u>	<u>\$150,615</u>	<u>\$177,600</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.

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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.

12. Temporarily Restricted Net Assets

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

	<u>2014</u>	<u>2013</u>
Un-appropriated endowment earnings	\$1,040,247	\$ 867,736
Dutchess County Coalition of Non-Profits	660	-
CASH Program	6,175	646
Not One More	12,286	7,466
Women's Leadership Fund	<u>9,998</u>	<u>37,118</u>
Total	<u>\$1,069,366</u>	<u>\$ 912,966</u>

13. Board Designated Unrestricted Net Assets

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

	<u>2014</u>	<u>2013</u>
CASH Program	\$ -	\$ 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	1,180	5,013
Unspecified-endowment	<u>1,029,129</u>	<u>895,037</u>
Total board designated unrestricted net assets	<u>\$1,107,409</u>	<u>\$979,310</u>

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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.

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 24, 2014 which is the date the financial statements were available for issuance.

