

**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, 2015 AND 2014

UNITED WAY OF MID-HUDSON VALLEY, INC.
d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION
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D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

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

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, 2015 and 2014, 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, 2015 and 2014, 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 30, 2015
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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,456,623	\$ 2,277,112
Certificates of deposit	61,204	239,277
Pooled endowment investments	2,189,823	2,353,119
Investments, broker held	1,007,112	110,056
Pledges receivable, less provision for uncollectible pledges of \$121,985 and \$117,230, respectively	817,294	874,454
Grant receivable	150,000	-
Other receivables	161,059	172,406
Prepaid expenses	<u>15,344</u>	<u>29,824</u>
Total current assets	<u>5,858,459</u>	<u>6,056,248</u>
Property and equipment		
Land	12,000	12,000
Building	80,000	80,000
Building improvements	683,730	591,427
Equipment and furniture	<u>121,285</u>	<u>264,727</u>
	897,015	948,154
Accumulated depreciation	<u>(524,582)</u>	<u>(640,614)</u>
Total property and equipment	<u>372,433</u>	<u>307,540</u>
Other assets		
Security deposit	<u>12,416</u>	<u>12,416</u>
Total assets	<u><u>\$ 6,243,308</u></u>	<u><u>\$ 6,376,204</u></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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 42,389	\$ 21,511
Accrued expenses	165,767	164,186
Grants payable	11,920	11,920
Donor designated organizations payable	389,409	454,203
Other payables	80,350	70,868
Deferred income	<u>96,880</u>	<u>-</u>
Total current liabilities	786,715	722,688
Long-term liabilities		
Deferred income	<u>75,000</u>	<u>-</u>
Total liabilities	<u>861,715</u>	<u>722,688</u>
Net assets		
<i>Unrestricted</i>		
Operating	3,100,610	3,192,998
Board designated	<u>1,035,992</u>	<u>1,107,409</u>
Total unrestricted	4,136,602	4,300,407
<i>Temporarily restricted</i>	961,248	1,069,366
<i>Permanently restricted</i>	<u>283,743</u>	<u>283,743</u>
Total net assets	<u>5,381,593</u>	<u>5,653,516</u>
Total liabilities and net assets	<u><u>\$ 6,243,308</u></u>	<u><u>\$ 6,376,204</u></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, 2015 and 2014

	2015				2014			
	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	\$ 2,378,203	\$ -	\$ -	\$ 2,378,203	\$ 2,472,069	\$ 11,010	\$ -	\$ 2,483,079
In kind contributions	185,141	-	-	185,141	66,151	-	-	66,151
Contract and grant income	350,069	-	-	350,069	388,597	-	-	388,597
Administrative income	21,657	-	-	21,657	56,058	-	-	56,058
Investment income, net of fees	55,929	-	-	55,929	10,530	-	-	10,530
Special events income	117,342	-	-	117,342	112,172	-	-	112,172
Other income	9,948	-	-	9,948	3,811	-	-	3,811
Endowment appropriation to operations	180,631	-	-	180,631	51,140	-	-	51,140
Net assets released from restriction	16,239	(16,239)	-	-	27,121	(27,121)	-	-
Total operating revenue, gains and other support including donor designated amounts	3,315,159	(16,239)	-	3,298,920	3,187,649	(16,111)	-	3,171,538
Less: provision for uncollectible pledges	(124,944)	-	-	(124,944)	(170,397)	-	-	(170,397)
Less: donor designated amounts	(358,818)	-	-	(358,818)	(344,031)	-	-	(344,031)
Net operating revenue, gains and other support	2,831,397	(16,239)	-	2,815,158	2,673,221	(16,111)	-	2,657,110
Expenses and losses:								
<i>Grants and program services</i>								
Community fund grants	1,287,619	-	-	1,287,619	1,437,373	-	-	1,437,373
Community building services	715,687	-	-	715,687	782,126	-	-	782,126
Total grants and program services	2,003,306	-	-	2,003,306	2,219,499	-	-	2,219,499
<i>Supporting services</i>								
Management and general	331,499	-	-	331,499	312,753	-	-	312,753
Fundraising	577,269	-	-	577,269	597,156	-	-	597,156
Total supporting services	908,768	-	-	908,768	909,909	-	-	909,909
Loss on fixed asset disposals	11,711	-	-	11,711	-	-	-	-
Total expenses and losses	2,923,785	-	-	2,923,785	3,129,408	-	-	3,129,408
Change in net assets from operations	(92,388)	(16,239)	-	(108,627)	(456,187)	(16,111)	-	(472,298)
Non-operating activities								
Endowment unrealized gains/(losses) on investments	(15,762)	(20,278)	-	(36,040)	126,786	163,113	-	289,899
Endowment investment returns, net of fees	23,343	30,032	-	53,375	29,672	38,172	-	67,844
Endowment appropriation to operations	(78,998)	(101,633)	-	(180,631)	(22,366)	(28,774)	-	(51,140)
Total non-operating activities	(71,417)	(91,879)	-	(163,296)	134,092	172,511	-	306,603
Change in net assets	(163,805)	(108,118)	-	(271,923)	(322,095)	156,400	-	(165,695)
Net assets, beginning	4,300,407	1,069,366	283,743	5,653,516	4,622,502	912,966	283,743	5,819,211
Net assets, ending	\$ 4,136,602	\$ 961,248	\$ 283,743	\$ 5,381,593	\$ 4,300,407	\$ 1,069,366	\$ 283,743	\$ 5,653,516

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, 2015 and 2014

	2015				2014			
	Program	Administrative			Program	Administrative		
	Community Building Services	Management & General	Fund-Raising	Total	Community Building Services	Management & General	Fund-Raising	Total
Staff compensation								
Salaries	\$ 352,934	\$ 196,986	\$ 270,857	\$ 820,777	\$ 367,394	\$ 160,716	\$ 268,108	\$ 796,218
Payroll taxes	34,917	19,045	25,394	79,356	37,697	13,600	27,828	79,125
Temporary staffing	-	-	14,808	14,808	11,413	5,242	24,236	40,891
Employee benefits	52,763	28,780	38,373	119,916	61,397	20,252	57,525	139,174
Total staff compensation	440,614	244,811	349,432	1,034,857	477,901	199,810	377,697	1,055,408
Direct divisional expenses								
Advertising and marketing	53,719	3,766	15,020	72,505	59,147	2,856	13,865	75,868
Supplies	5,736	2,496	3,236	11,468	5,614	3,224	1,827	10,665
Printing	8,044	2,505	12,136	22,685	5,864	5,185	8,228	19,277
Professional development	7,356	2,453	3,266	13,075	857	3,041	960	4,858
Meetings and dues	8,199	3,998	3,168	15,365	9,541	4,763	4,533	18,837
Transportation	9,931	2,111	1,558	13,600	23,850	1,954	4,255	30,059
Special events and projects	8,442	161	75,814	84,417	9,000	1,000	79,997	89,997
Postage	2,351	1,234	4,879	8,464	3,452	2,182	5,972	11,606
Other program costs	12,346	-	-	12,346	7,666	-	-	7,666
Campaign administrative fees	-	-	1,645	1,645	-	-	-	-
Miscellaneous	55	713	104	872	3,061	-	-	3,061
Total direct divisional expenses	116,179	19,437	120,826	256,442	128,052	24,205	119,637	271,894
Central operating services								
Service contracts	21,583	9,590	16,155	47,328	27,630	9,364	21,187	58,181
Telephone	10,014	6,281	9,671	25,966	11,738	7,081	9,000	27,819
Occupancy and depreciation	79,906	27,801	40,824	148,531	74,536	35,402	35,188	145,126
Organizational dues	11,450	6,271	9,541	27,262	11,880	6,937	8,438	27,255
Insurance	5,476	2,999	4,564	13,039	5,091	2,646	3,555	11,292
Payroll, pension and bank fees	9,141	5,622	7,578	22,341	10,501	5,759	7,429	23,689
Professional fees	21,324	8,687	18,678	48,689	34,797	21,549	15,025	71,371
Total central operating services	158,894	67,251	107,011	333,156	176,173	88,738	99,822	364,733
	715,687	331,499	577,269	1,624,455	782,126	312,753	597,156	1,692,035
Program grants								
Community fund grants	1,287,619	-	-	1,287,619	1,437,373	-	-	1,437,373
Total operating expenses	\$ 2,003,306	\$ 331,499	\$ 577,269	\$ 2,912,074	\$ 2,219,499	\$ 312,753	\$ 597,156	\$ 3,129,408

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ (271,923)	\$ (165,695)
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Depreciation	36,200	35,097
Loss on fixed asset disposals	11,711	-
Unrealized gains on investments	(9,284)	(294,658)
Realized gains on investments	(27,709)	(49,630)
Donated investments	(17,760)	(15,615)
Proceeds from sale of donated investments	17,106	17,441
Provision for bad debts	124,944	170,397
<i>(Increase)/decrease in</i>		
Pledges receivable	(67,784)	119,661
Other receivables	11,382	(65,559)
Prepaid expenses	14,480	1,524
<i>Increase/(decrease) in</i>		
Accounts payable	20,878	(24,103)
Accrued expenses	1,581	(34,007)
Grants payable	-	(74,829)
Donor designated organizations payable	(64,794)	(75,356)
Other payables	9,482	(23,774)
Deferred income	21,880	-
Net cash used in operating activities	<u>(189,610)</u>	<u>(479,106)</u>
Cash flows from investing activities		
Purchases of property and equipment	(112,804)	(12,250)
Proceeds from sale of pooled endowment investments	180,631	51,140
Proceeds from sale of investments	318,077	-
Purchases of investments	(1,194,856)	(18,992)
Increase in certificates of deposit	-	(29)
Redemption of certificates of deposit	178,073	-
Net cash provided by/(used in) financing activities	<u>(630,879)</u>	<u>19,869</u>
Net decrease in cash and cash equivalents	(820,489)	(459,237)
Cash and cash equivalents, beginning	<u>2,277,112</u>	<u>2,736,349</u>
Cash and cash equivalents, ending	<u><u>\$ 1,456,623</u></u>	<u><u>\$ 2,277,112</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, 2015 and 2014

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.

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.

Reclassifications

Certain reclassifications have been made to prior year financial statements to conform to the current year presentation. Such reclassifications have had no effect on change in net assets as previously reported.

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, 2015 and 2014

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 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 \$36,200 and \$35,097 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014

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, 2015 and 2014

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, 2015 and 2014

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, 2015 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, 2015, for United Way's and its predecessor entities the fiscal years ended 2012 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 \$72,505 and \$75,868 for the years ended June 30, 2015 and 2014, respectively.

2. Cash and Cash Equivalents

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

	<u>2015</u>	<u>2014</u>
Cash in banks	\$1,074,988	\$1,068,652
Money market accounts	<u>381,635</u>	<u>1,208,460</u>
Total cash and cash equivalents	<u>\$1,456,623</u>	<u>\$2,277,112</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 is recorded at fair value in the amounts of \$1,007,112 and \$110,056 at June 30, 2015 and 2014, 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, 2015 and 2014

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 \$18,193 and \$17,386 for the years ended June 30, 2015 and 2014, 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, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends, net of investment expenses	\$ 13,635	\$ 17,542	\$ -	\$ 31,177
Realized gains on investments	9,708	12,490	-	22,198
Unrealized losses on investments	(15,762)	(20,278)	-	(36,040)
Endowment appropriation to operations	<u>(78,998)</u>	<u>(101,633)</u>	<u>-</u>	<u>(180,631)</u>
Change in endowment net assets	(71,417)	(91,879)	-	(163,296)
Endowment assets, beginning	<u>1,029,129</u>	<u>1,040,247</u>	<u>283,743</u>	<u>2,353,119</u>
Endowment assets, ending	<u>\$ 957,712</u>	<u>\$ 948,368</u>	<u>\$283,743</u>	<u>\$2,189,823</u>

The following represents the net asset composition by type of fund as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<i>Donor designated endowment funds:</i>	\$ -	\$ 948,368	\$ 283,743	\$1,232,111
<i>Other endowment funds:</i>				
Board designated endowment funds	<u>957,712</u>	<u>-</u>	<u>-</u>	<u>957,712</u>
Endowment assets, ending	<u>\$ 957,712</u>	<u>\$ 948,368</u>	<u>\$ 283,743</u>	<u>\$2,189,823</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, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<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>

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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>2015</u>	<u>2014</u>
Operating investment return		
Interest and dividends	\$ 16,143	\$ 4,423
Investment fees	(11,049)	(478)
Realized gains on brokerage investments	5,511	1,826
Unrealized gains on brokerage investments	<u>45,324</u>	<u>4,759</u>
Total operating investment return	<u>55,929</u>	<u>10,530</u>
Non-operating investment return		
Interest and dividends on endowment	49,370	37,426
Realized gains on endowment	22,198	47,804
Unrealized gains/(losses) on endowment	(36,040)	289,899
Investment fees on endowment	<u>(18,193)</u>	<u>(17,386)</u>
Total non-operating investment return	<u>17,335</u>	<u>357,743</u>
Total investment return	<u>\$ 73,264</u>	<u>\$ 368,273</u>

6. Fair Value Measurements

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

	2015			
	Level 1	Level 2	Level 3	Total
Pooled endowment investments				
U.S. equity mutual funds	\$ 986,321	\$ -	\$ -	\$ 986,321
International equity mutual funds	538,992	-	-	538,992
Fixed income mutual funds	663,280	-	-	663,280
Money market mutual funds	<u>1,230</u>	<u>-</u>	<u>-</u>	<u>1,230</u>
Total pooled mutual funds	<u>2,189,823</u>	<u>-</u>	<u>-</u>	<u>2,189,823</u>
Investments, broker held				
Government and agency	133,156	41,260	-	174,416
Corporate bonds	62,925	-	-	62,925
Equities	646,363	-	-	646,363
Mutual funds	122,238	-	-	122,238
Accrued interest	<u>1,170</u>	<u>-</u>	<u>-</u>	<u>1,170</u>
Total broker held funds	<u>965,852</u>	<u>41,260</u>	<u>-</u>	<u>1,007,112</u>
 Total	 <u>\$3,155,675</u>	 <u>\$41,260</u>	 <u>\$ -</u>	 <u>\$3,196,935</u>

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6. Fair Value Measurements, continued

	2014			
	Level 1	Level 2	Level 3	Total
Pooled endowment investments				
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
Investments, broker held				
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>

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 \$27,171 and \$26,759 at June 30, 2015 and 2014, 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. 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 \$47,078 and \$39,696 for the years ended June 30, 2015 and 2014, 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 \$62,520 and \$58,065 for the years ended June 30, 2015 and 2014, 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 the year ending June 30, 2016, and \$1,800 for the year ending June 30, 2017. Rental income under the sublease amounted to \$2,400 and \$600 for the years ended June 30, 2015 and 2014, respectively.

Equipment is leased under various operating leases that begin to expire in 2017. Combined minimum monthly payments are \$899. Lease expense for this equipment amounted to \$11,698 and \$15,140 for the years ended June 30, 2015 and 2014, 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, 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>\$ 15,286</u>	<u>\$101,767</u>	<u>\$117,053</u>

10. 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 year ended June 30, 2015, United Way received \$85,051 in donated services for advertising, marketing, legal and professional services. There were no donated services for the year ended June 30, 2014. 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.

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10. Donated Goods and Services, continued

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, 2015 and 2014, United Way received \$100,090 and \$66,151 in donated goods, respectively. These amounts have been reported as expenses in their natural expense classification in the statement of activities.

11. Temporarily Restricted Net Assets

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

	<u>2015</u>	<u>2014</u>
Un-appropriated endowment earnings	\$ 948,368	\$1,040,247
Dutchess County Coalition of Non-Profits	660	660
CASH Program	-	6,175
Not One More	12,220	12,286
Women's Leadership Fund	<u>-</u>	<u>9,998</u>
Total	<u>\$ 961,248</u>	<u>\$1,069,366</u>

12. Board Designated Unrestricted Net Assets

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

	<u>2015</u>	<u>2014</u>
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	1,180
Unspecified-endowment	<u>957,712</u>	<u>1,029,129</u>
Total board designated unrestricted net assets	<u>\$1,035,992</u>	<u>\$1,107,409</u>

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13. 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 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 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.

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.

14. 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.

15. Subsequent Events

Management has evaluated subsequent events through the date of the independent auditor's report, October 30, 2015 which is the date the financial statements were available for issuance.

