

**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, 2016 AND 2015

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, 2016 and 2015, 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, 2016 and 2015, 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 28, 2016
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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,060,254	\$ 1,456,623
Certificates of deposit	61,204	61,204
Pooled endowment investments	2,100,600	2,189,823
Investments, broker held	982,565	1,007,112
Pledges receivable, less provision for uncollectible pledges of \$89,538 and \$121,985, respectively	777,796	817,294
Grant receivable	75,000	150,000
Other receivables	137,511	161,059
Prepaid expenses	<u>22,972</u>	<u>15,344</u>
Total current assets	<u>5,217,902</u>	<u>5,858,459</u>
Property and equipment		
Land	12,000	12,000
Building	80,000	80,000
Building improvements	688,308	683,730
Equipment and furniture	<u>123,085</u>	<u>121,285</u>
	903,393	897,015
Accumulated depreciation	<u>(558,443)</u>	<u>(524,582)</u>
Total property and equipment	<u>344,950</u>	<u>372,433</u>
Other assets		
Security deposit	<u>12,416</u>	<u>12,416</u>
Total assets	<u>\$ 5,575,268</u>	<u>\$ 6,243,308</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 11,235	\$ 42,389
Accrued expenses	141,269	165,767
Grants payable	-	11,920
Donor designated organizations payable	293,063	389,409
Other payables	68,190	80,350
Deferred income	<u>75,000</u>	<u>96,880</u>
Total current liabilities	588,757	786,715
Long-term liabilities		
Deferred income	<u>-</u>	<u>75,000</u>
Total liabilities	<u>588,757</u>	<u>861,715</u>
Net assets		
<i>Unrestricted</i>		
Operating	2,785,647	3,100,610
Board designated	<u>996,971</u>	<u>1,035,992</u>
Total unrestricted	3,782,618	4,136,602
<i>Temporarily restricted</i>	920,150	961,248
<i>Permanently restricted</i>	<u>283,743</u>	<u>283,743</u>
Total net assets	<u>4,986,511</u>	<u>5,381,593</u>
Total liabilities and net assets	<u><u>\$ 5,575,268</u></u>	<u><u>\$ 6,243,308</u></u>

UNITED WAY OF MID-HUDSON VALLEY, INC.
d/b/a UNITED WAY OF THE DUTCHES-ORANGE REGION
STATEMENTS OF ACTIVITIES
Years ended June 30, 2016 and 2015

	2016				2015			
	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	\$ 2,205,357	\$ -	\$ -	\$ 2,205,357	\$ 2,378,203	\$ -	\$ -	\$ 2,378,203
In kind contributions	182,610	-	-	182,610	185,141	-	-	185,141
Contract and grant income	277,566	-	-	277,566	350,069	-	-	350,069
Administrative income	17,139	-	-	17,139	21,657	-	-	21,657
Investment income/(loss), net of fees	(22,534)	-	-	(22,534)	55,929	-	-	55,929
Special events income	147,216	-	-	147,216	117,342	-	-	117,342
Other income	6,504	-	-	6,504	9,948	-	-	9,948
Endowment appropriation to operations	58,026	-	-	58,026	180,631	-	-	180,631
Net assets released from restriction	(9,104)	9,104	-	-	16,239	(16,239)	-	-
Total operating revenue, gains and other support including donor designated amounts	2,862,780	9,104	-	2,871,884	3,315,159	(16,239)	-	3,298,920
Less: provision for uncollectible pledges	(122,572)	-	-	(122,572)	(124,944)	-	-	(124,944)
Less: donor designated amounts	(287,284)	-	-	(287,284)	(358,818)	-	-	(358,818)
Net operating revenue, gains and other support	2,452,924	9,104	-	2,462,028	2,831,397	(16,239)	-	2,815,158
Expenses and losses:								
<i>Grants and program services</i>								
Community fund grants	1,240,195	-	-	1,240,195	1,287,619	-	-	1,287,619
Community building services	645,968	-	-	645,968	715,687	-	-	715,687
Total grants and program services	1,886,163	-	-	1,886,163	2,003,306	-	-	2,003,306
<i>Supporting services</i>								
Management and general	336,727	-	-	336,727	331,499	-	-	331,499
Fundraising	544,997	-	-	544,997	577,269	-	-	577,269
Total supporting services	881,724	-	-	881,724	908,768	-	-	908,768
Loss on fixed asset disposals	-	-	-	-	11,711	-	-	11,711
Total expenses and losses	2,767,887	-	-	2,767,887	2,923,785	-	-	2,923,785
Change in net assets from operations	(314,963)	9,104	-	(305,859)	(92,388)	(16,239)	-	(108,627)
Non-operating activities								
Endowment unrealized losses on investments	(50,550)	(65,034)	-	(115,584)	(15,762)	(20,278)	-	(36,040)
Endowment investment returns, net of fees	36,906	47,481	-	84,387	23,343	30,032	-	53,375
Endowment appropriation to operations	(25,377)	(32,649)	-	(58,026)	(78,998)	(101,633)	-	(180,631)
Total non-operating activities	(39,021)	(50,202)	-	(89,223)	(71,417)	(91,879)	-	(163,296)
Change in net assets	(353,984)	(41,098)	-	(395,082)	(163,805)	(108,118)	-	(271,923)
Net assets, beginning	4,136,602	961,248	283,743	5,381,593	4,300,407	1,069,366	283,743	5,653,516
Net assets, ending	\$ 3,782,618	\$ 920,150	\$ 283,743	\$ 4,986,511	\$ 4,136,602	\$ 961,248	\$ 283,743	\$ 5,381,593

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, 2016 and 2015

	2016				2015			
	Program	Administrative			Program	Administrative		
	Community Building Services	Management & General	Fund-Raising	Total	Community Building Services	Management & General	Fund-Raising	Total
Staff compensation								
Salaries	\$ 320,234	\$ 202,783	\$ 289,963	\$ 812,980	\$ 352,934	\$ 196,986	\$ 270,857	\$ 820,777
Payroll taxes	29,026	19,267	26,774	75,067	34,917	19,045	25,394	79,356
Temporary staffing	2,770	-	9,047	11,817	-	-	14,808	14,808
Employee benefits	48,523	34,823	41,248	124,594	52,763	28,780	38,373	119,916
Total staff compensation	400,553	256,873	367,032	1,024,458	440,614	244,811	349,432	1,034,857
Direct divisional expenses								
Advertising and marketing	41,161	2,940	14,700	58,801	53,719	3,766	15,020	72,505
Supplies	11,160	2,739	3,163	17,062	5,736	2,496	3,236	11,468
Printing	7,616	3,400	9,821	20,837	8,044	2,505	12,136	22,685
Professional development	8,753	5,570	1,202	15,525	7,356	2,453	3,266	13,075
Meetings and dues	10,653	2,461	3,615	16,729	8,199	3,998	3,168	15,365
Transportation	8,590	1,576	3,954	14,120	9,931	2,111	1,558	13,600
Special events and projects	10,857	104	43,322	54,283	8,442	161	75,814	84,417
Postage	2,962	1,392	6,204	10,558	2,351	1,234	4,879	8,464
Other program costs	273	-	-	273	12,346	-	-	12,346
Campaign administrative fees	-	-	14,709	14,709	-	-	1,645	1,645
Miscellaneous	-	500	449	949	55	713	104	872
Total direct divisional expenses	102,025	20,682	101,139	223,846	116,179	19,437	120,826	256,442
Central operating services								
Service contracts	24,046	8,483	9,847	42,376	21,583	9,590	16,155	47,328
Telephone	9,994	4,521	9,280	23,795	10,014	6,281	9,671	25,966
Occupancy and depreciation	63,519	22,666	25,165	111,350	79,906	27,801	40,824	148,531
Organizational dues	12,295	6,147	6,147	24,589	11,450	6,271	9,541	27,262
Insurance	7,297	3,649	3,649	14,595	5,476	2,999	4,564	13,039
Payroll, pension and bank fees	9,921	5,695	9,177	24,793	9,141	5,622	7,578	22,341
Professional fees	16,318	8,011	13,561	37,890	21,324	8,687	18,678	48,689
Total central operating services	143,390	59,172	76,826	279,388	158,894	67,251	107,011	333,156
Subtotal	645,968	336,727	544,997	1,527,692	715,687	331,499	577,269	1,624,455
Program grants								
Community fund grants	1,240,195	-	-	1,240,195	1,287,619	-	-	1,287,619
Total operating expenses	\$ 1,886,163	\$ 336,727	\$ 544,997	\$ 2,767,887	\$ 2,003,306	\$ 331,499	\$ 577,269	\$ 2,912,074

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (395,082)	\$ (271,923)
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Depreciation	33,861	36,200
Loss on fixed asset disposals	-	11,711
Unrealized (gains)/losses on investments	140,250	(9,284)
Realized gains on investments	(24,949)	(27,709)
Donated investments	(15,401)	(17,760)
Proceeds from sale of donated investments	15,174	17,106
Provision for bad debts	122,572	124,944
<i>(Increase)/decrease in</i>		
Pledges receivable	(83,074)	(67,784)
Grant receivable	75,000	-
Other receivables	22,671	11,382
Prepaid expenses	(7,628)	14,480
<i>Increase/(decrease) in</i>		
Accounts payable	(31,154)	20,878
Accrued expenses	(24,498)	1,581
Grants payable	(11,920)	-
Donor designated organizations payable	(96,346)	(64,794)
Other payables	(12,160)	9,482
Deferred income	<u>(96,880)</u>	<u>21,880</u>
Net cash used in operating activities	<u>(389,564)</u>	<u>(189,610)</u>
Cash flows from investing activities		
Purchases of property and equipment	(6,378)	(112,804)
Proceeds from sale of pooled endowment investments	58,026	180,631
Proceeds from sale of investments	301,583	318,077
Purchases of investments	(360,036)	(1,194,856)
Redemption of certificates of deposit	<u>-</u>	<u>178,073</u>
Net cash used in financing activities	<u>(6,805)</u>	<u>(630,879)</u>
Net decrease in cash and cash equivalents	(396,369)	(820,489)
Cash and cash equivalents, beginning	<u>1,456,623</u>	<u>2,277,112</u>
Cash and cash equivalents, ending	<u><u>\$ 1,060,254</u></u>	<u><u>\$ 1,456,623</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, 2016 and 2015

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 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.

UNITED WAY OF MID-HUDSON VALLEY, INC.
d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2016 and 2015

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 \$33,861 and \$36,200 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015

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, 2016 and 2015

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, 2016 and 2015

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). Management has determined that the United Way had no uncertain tax positions that would require financial statement recognition or disclosure.

Advertising and marketing costs

Advertising and marketing costs are expensed when incurred. Amounts incurred for advertising and marketing were \$58,801 and \$72,505 for the years ended June 30, 2016 and 2015, respectively.

2. Cash and Cash Equivalents

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

	<u>2016</u>	<u>2015</u>
Cash in banks	\$ 662,447	\$1,074,988
Money market accounts	<u>397,807</u>	<u>381,635</u>
Total cash and cash equivalents	<u>\$1,060,254</u>	<u>\$1,456,623</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 \$982,565 and \$1,007,112 at June 30, 2016 and 2015, 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 \$17,057 and \$18,193 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015

4. Pooled Investments and Endowment, continued

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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>-</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>

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

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

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>

UNITED WAY OF MID-HUDSON VALLEY, INC.
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NOTES TO FINANCIAL STATEMENTS, continued
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4. Pooled Investments and Endowment, continued

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>

5. Investment Return

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

	2016	2015
Operating investment return		
Interest and dividends	\$ 18,840	\$ 16,143
Investment fees	(13,275)	(11,049)
Realized gains/(losses) on brokerage investments	(3,433)	5,511
Unrealized gains/(losses) on brokerage investments	<u>(24,666)</u>	<u>45,324</u>
Total operating investment return	<u>(22,534)</u>	<u>55,929</u>
Non-operating investment return		
Interest and dividends on endowment	73,062	49,370
Realized gains on endowment	28,382	22,198
Unrealized losses on endowment	(115,584)	(36,040)
Investment fees on endowment	<u>(17,057)</u>	<u>(18,193)</u>
Total non-operating investment return	<u>(31,197)</u>	<u>17,335</u>
Total investment return	<u>\$ (53,731)</u>	<u>\$ 73,264</u>

UNITED WAY OF MID-HUDSON VALLEY, INC.
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NOTES TO FINANCIAL STATEMENTS, continued
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6. Fair Value Measurements

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

	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>
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	174,416	-	-	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>1,007,112</u>	<u>-</u>	<u>-</u>	<u>1,007,112</u>
Total	<u>\$3,196,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,196,935</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.
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NOTES TO FINANCIAL STATEMENTS, continued
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7. Funds Held by Other Organization

The Community Foundation of Orange County (“Community Foundation”) holds the Marion S. Murphy (Quasi) Endowment Fund amounting to \$26,238 and \$27,171 at June 30, 2016 and 2015, 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 \$46,608 and \$47,078 for the years ended June 30, 2016 and 2015, respectively.

9. Operating Leases

The United Way leases office space in Orange County, New York under a ten year lease that expires July, 2017. The lease calls for monthly base rent and common area charges with specified increases in year three and year six and for escalations in real estate taxes and building and operating costs. The United Way has the option to renew the lease for two additional five year periods. Rent expense amounted to \$48,188 and \$62,520 for the years ended June 30, 2016 and 2015, 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 \$1,800 for the year ending June 30, 2017. Rental income under the sublease amounted to \$2,400 for each of the years presented.

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 \$10,790 and \$11,698 for the years ended June 30, 2016 and 2015, respectively.

UNITED WAY OF MID-HUDSON VALLEY, INC.
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NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2016 and 2015

9. Operating Leases, continued

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, 2017	\$ 4,496	\$ 48,848	\$ 53,344
	June 30, 2018	<u>-</u>	<u>4,071</u>	<u>4,071</u>
	Total	<u>\$ 4,496</u>	<u>\$ 52,919</u>	<u>\$ 57,415</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 years ended June 30, 2016 and 2015, United Way received \$56,110 and \$85,051, 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, 2016 and 2015, United Way received \$126,500 and \$100,090 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.
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NOTES TO FINANCIAL STATEMENTS, continued
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11. Temporarily Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
Un-appropriated endowment earnings	\$ 898,166	\$ 948,368
Dutchess County Coalition of Non-Profits	660	660
CASH Program	7,442	-
Not One More	12,220	12,220
Walden Youth Employment Program	1,410	-
Hygiene Drive	<u>252</u>	<u>-</u>
Total	<u>\$ 920,150</u>	<u>\$ 961,248</u>

12. Board Designated Unrestricted Net Assets

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

	<u>2016</u>	<u>2015</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>918,691</u>	<u>957,712</u>
Total board designated unrestricted net assets	<u>\$ 996,971</u>	<u>\$1,035,992</u>

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 the FDIC and coverage provided by the SIPC.

UNITED WAY OF MID-HUDSON VALLEY, INC.
d/b/a UNITED WAY OF THE DUTCHESS-ORANGE REGION
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2016 and 2015

13. Concentrations, Risks and Uncertainties, continued

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 28, 2016 which is the date the financial statements were available for issuance.

