

UNITED WAY OF THE DUTCHESS-ORANGE REGION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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

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

We have audited the accompanying financial statements of United Way of the Dutchess - Orange Region, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of the Dutchess - Orange Region, Inc. as of June 30, 2019 and 2018, 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.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019, United Way of the Dutchess - Orange Region, Inc. adopted FASB ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. As a result of adopting the standard, United Way of the Dutchess - Orange Region, Inc. changed the manner in which it presents net assets and added disclosure related to liquidity and availability of financial assets. Our opinion is not modified with respect to this matter.

D'Arcangelo & Co., LLP

October 31, 2019
Poughkeepsie, New York

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 180,201	\$ 447,877
Pooled endowment investments	2,306,708	2,362,763
Investments, broker held	1,298,293	1,169,849
Pledges receivable, less provision for uncollectible pledges of \$79,258 and \$83,361, respectively	588,088	562,928
Grants receivable	219,930	134,256
Other receivables	99,006	44,595
Prepaid expenses	<u>30,649</u>	<u>28,318</u>
Total current assets	<u>4,722,875</u>	<u>4,750,586</u>
Property and equipment		
Land	12,000	12,000
Building	80,000	80,000
Building improvements	791,888	691,888
Equipment and furniture	<u>96,500</u>	<u>96,500</u>
	980,388	880,388
Accumulated depreciation	<u>(605,182)</u>	<u>(569,906)</u>
Total property and equipment	<u>375,206</u>	<u>310,482</u>
Other assets		
Security deposit	<u>12,416</u>	<u>12,416</u>
Total assets	<u>\$ 5,110,497</u>	<u>\$ 5,073,484</u>

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.
STATEMENTS OF FINANCIAL POSITION, continued
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Capital lease obligations, current portion	\$ 6,863	\$ 6,464
Accounts payable	129,208	10,468
Accrued expenses	131,728	141,646
Grants payable	-	21,341
Donor designated organizations payable	<u>115,359</u>	<u>154,818</u>
Total current liabilities	383,158	334,737
Long-term liabilities		
Capital lease obligations, net of current portion	<u>11,214</u>	<u>18,077</u>
Total liabilities	<u>394,372</u>	<u>352,814</u>
Net assets		
<i>Without donor restrictions</i>		
Operating	2,374,306	2,256,823
Board designated	<u>1,008,832</u>	<u>1,111,628</u>
Total net assets without donor restrictions	3,383,138	3,368,451
<i>With donor restrictions</i>		
Total net assets	<u>1,332,987</u>	<u>1,352,219</u>
	<u>4,716,125</u>	<u>4,720,670</u>
Total liabilities and net assets	<u>\$ 5,110,497</u>	<u>\$ 5,073,484</u>

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue, gains and other support						
Annual campaign contributions including donor designated amounts	\$ 1,605,827	\$ -	\$ 1,605,827	\$ 1,672,419	\$ -	\$ 1,672,419
In kind contributions	279,783	-	279,783	181,087	-	181,087
Contract, grant and contribution income	863,323	23,933	887,256	301,561	-	301,561
Administrative income	-	-	-	2,299	-	2,299
Investment income, net of fees	130,142	-	130,142	93,035	-	93,035
Special events income	265,844	-	265,844	199,691	-	199,691
Other income	19,631	-	19,631	14,161	-	14,161
Endowment appropriation to operations	72,359	-	72,359	120,000	-	120,000
Net assets released from restriction	19,251	(19,251)	-	5,913	(5,913)	-
Total operating revenue, gains and other support including donor designated amounts	3,256,160	4,682	3,260,842	2,590,166	(5,913)	2,584,253
Less: provision for uncollectible pledges	(79,258)	-	(79,258)	(83,361)	-	(83,361)
Less: donor designated amounts	(219,395)	-	(219,395)	(137,793)	-	(137,793)
Net operating revenue, gains and other support	2,957,507	4,682	2,962,189	2,369,012	(5,913)	2,363,099
Expenses and losses:						
<i>Grants and program services</i>						
Community fund grants	1,423,783	-	1,423,783	1,077,594	-	1,077,594
Community building services	856,510	-	856,510	881,345	-	881,345
Total grants and program services	2,280,293	-	2,280,293	1,958,939	-	1,958,939
<i>Supporting services</i>						
Management and general	194,045	-	194,045	191,495	-	191,495
Fundraising	449,893	-	449,893	520,937	-	520,937
Total supporting services	643,938	-	643,938	712,432	-	712,432
Total expenses and losses	2,924,231	-	2,924,231	2,671,371	-	2,671,371
Change in net assets from operations	33,276	4,682	37,958	(302,359)	(5,913)	(308,272)
Non-operating activities						
Endowment unrealized gains/(losses) on investments	(26,881)	(34,582)	(61,463)	32,221	41,452	73,673
Endowment investment returns, net of fees	39,938	51,381	91,319	32,902	42,328	75,230
Endowment appropriation to operations	(31,646)	(40,713)	(72,359)	(52,482)	(67,518)	(120,000)
Total non-operating activities	(18,589)	(23,914)	(42,503)	12,641	16,262	28,903
Change in net assets	14,687	(19,232)	(4,545)	(289,718)	10,349	(279,369)
Net assets, beginning	3,368,451	1,352,219	4,720,670	3,658,169	1,341,870	5,000,039
Net assets, ending	\$ 3,383,138	\$ 1,332,987	\$ 4,716,125	\$ 3,368,451	\$ 1,352,219	\$ 4,720,670

The accompanying notes are an integral part of these financial statements

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 Years ended June 30, 2019 and 2018

	2019				2018			
	Program	Administrative			Program	Administrative		
	Community Building Services	Management & General	Fund-Raising	Total	Community Building Services	Management & General	Fund-Raising	Total
Staff compensation								
Salaries	\$ 439,850	\$ 123,618	\$ 202,049	\$ 765,517	\$ 457,839	\$ 123,324	\$ 248,031	\$ 829,194
Payroll taxes	39,174	11,738	19,158	70,070	41,410	11,742	23,815	76,967
Temporary staffing	3,500	-	-	3,500	25,523	20	-	25,543
Employee benefits	93,054	20,909	33,673	147,636	88,711	21,062	50,400	160,173
Total staff compensation	<u>575,578</u>	<u>156,265</u>	<u>254,880</u>	<u>986,723</u>	<u>613,483</u>	<u>156,148</u>	<u>322,246</u>	<u>1,091,877</u>
Direct divisional expenses								
Advertising and marketing	29,224	-	3,650	32,874	19,080	438	7,967	27,485
Supplies	5,039	697	1,478	7,214	4,095	530	2,351	6,976
Printing	3,301	444	9,991	13,736	546	-	13,856	14,402
Professional development	1,781	234	492	2,507	2,445	390	1,400	4,235
Meetings and dues	23,090	588	9,205	32,883	6,958	648	6,571	14,177
Transportation	6,558	273	3,290	10,121	7,363	630	4,681	12,674
Special events and projects	25,788	1,489	63,371	90,648	6,661	1,226	66,621	74,508
Postage	1,574	49	2,508	4,131	2,453	323	5,082	7,858
Other program costs	19,565	624	790	20,979	44,205	-	-	44,205
Campaign administrative fees	-	-	10,401	10,401	-	-	14,741	14,741
Total direct divisional expenses	<u>115,920</u>	<u>4,398</u>	<u>105,176</u>	<u>225,494</u>	<u>93,806</u>	<u>4,185</u>	<u>123,270</u>	<u>221,261</u>
Central operating services								
Service contracts	40,829	5,047	22,741	68,617	27,894	2,171	15,477	45,542
Telephone	9,180	1,869	4,979	16,028	11,891	2,215	5,136	19,242
Occupancy and depreciation	61,004	13,013	30,544	104,561	65,735	12,186	24,576	102,497
Organizational dues	13,644	3,443	8,081	25,168	17,018	3,642	7,353	28,013
Insurance	10,008	2,526	5,928	18,462	10,872	2,326	4,697	17,895
Interest	1,202	177	415	1,794	1,014	217	438	1,669
Payroll, pension and bank fees	9,504	2,399	5,630	17,533	12,662	2,709	6,242	21,613
Professional fees	19,641	4,908	11,519	36,068	26,970	5,696	11,502	44,168
Total central operating services	<u>165,012</u>	<u>33,382</u>	<u>89,837</u>	<u>288,231</u>	<u>174,056</u>	<u>31,162</u>	<u>75,421</u>	<u>280,639</u>
Subtotal	856,510	194,045	449,893	1,500,448	881,345	191,495	520,937	1,593,777
Program grants								
Community fund grants	1,423,783	-	-	1,423,783	1,077,594	-	-	1,077,594
Total operating expenses	<u>\$ 2,280,293</u>	<u>\$ 194,045</u>	<u>\$ 449,893</u>	<u>\$ 2,924,231</u>	<u>\$ 1,958,939</u>	<u>\$ 191,495</u>	<u>\$ 520,937</u>	<u>\$ 2,671,371</u>

The accompanying notes are an integral part of these financial statements

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ (4,545)	\$ (279,369)
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Depreciation	35,276	35,640
Unrealized (gains)/losses on investments	36,073	(80,267)
Realized gains on investments	(147,007)	(120,199)
Donated investments	(4,612)	(6,331)
Proceeds from sale of donated investments	4,617	6,377
Provision for bad debts	79,258	83,361
<i>(Increase)/decrease in</i>		
Pledges receivable	(104,418)	55,896
Grants receivable	(85,674)	61,527
Other receivables	(52,973)	32,371
Prepaid expenses	(2,331)	(9,029)
<i>Increase/(decrease) in</i>		
Accounts payable	118,740	(13,209)
Accrued expenses	(9,918)	(15,350)
Grants payable	(21,341)	(1,330)
Donor designated organizations payable	(39,459)	(93,511)
Other payables	-	(9,620)
Deferred income	-	(1,120)
Net cash used in operating activities	<u>(198,314)</u>	<u>(354,163)</u>
Cash flows from investing activities		
Purchases of property and equipment	(100,000)	-
Proceeds from sale of pooled endowment investments	85,911	120,000
Proceeds from sale of investments	232,027	792,944
Purchases of investments	<u>(280,836)</u>	<u>(840,507)</u>
Net cash provided by/(used in) investing activities	<u>(62,898)</u>	<u>72,437</u>

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.
STATEMENTS OF CASH FLOWS, continued
Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from financing activities		
Repayments on capital lease obligations	\$ (6,464)	\$ (6,089)
Net decrease in cash and cash equivalents	(267,676)	(287,815)
Cash and cash equivalents, beginning	<u>447,877</u>	<u>735,692</u>
Cash and cash equivalents, ending	<u>\$ 180,201</u>	<u>\$ 447,877</u>
Supplemental disclosure of cash flows information		
Cash paid during the years for interest	<u>\$ 1,794</u>	<u>\$ 1,669</u>

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

1. Nature of Organization and Summary of Significant Accounting Policies

Organization

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

Effective September, 2017, the Organization's legal name was changed from United Way of the Mid-Hudson Valley, Inc. to United Way of the Dutchess-Orange Region, Inc.

Net asset classification

Net assets are classified and reported as follows:

Net assets without donor restrictions – 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 net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that are available to fund programs and organizations in Dutchess and Orange Counties where grant recipients and amounts are specified by the donor. Additionally, net assets with donor restrictions include net assets subject to donor-imposed stipulations that require that they be maintained permanently. Generally, the donors of these permanent assets permit the United Way to use all or part of the income earned on these investments for general or specific purposes.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Estimates that are particularly susceptible to change, relate to the determination of the allowance for pledges receivable, depreciation and the allocation of functional expenses, among others.

Cash and cash equivalents

United Way considers all investments in money market accounts absent of withdrawal restrictions and demand deposits at banks to be cash and cash equivalents.

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2019 and 2018

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

Investments

The United Way's investments consist of investments in pooled mutual funds at the Community Foundations of the Hudson Valley and other investments held in brokerage accounts. The United Way reports its investments at fair value based on quoted market prices.

Property and equipment

Property and equipment are recorded at acquisition cost if purchased and at estimated fair value if donated. United Way's policy is to expense the purchase of property and equipment under \$1,000. Buildings, furniture and equipment are being depreciated over estimated useful lives of five to thirty years using a straight-line method. Depreciation expense amounted to \$35,276 and \$35,640 for the years ended June 30, 2019 and 2018, respectively.

Endowment classification, investment and spending policies

Generally accepted accounting principles provide 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) and the related 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 with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

Net assets with donor restrictions consist of restricted contributions receivable, and endowment funds with donor restrictions. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Certain endowment funds with donor restrictions are restricted by donors in perpetuity. These amounts are recorded at the fair value of the original gift as of the gift date.

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.

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2019 and 2018

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

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 donor 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Endowment funds are comprised of contributions and investments and are classified as net assets with donor restrictions or board designated net assets without donor restrictions. Investment earnings on endowment funds with donor restrictions are classified as net assets with donor restrictions until appropriated for expenditure, at which point they are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All other earnings are classified as net assets without donor restrictions.

United Way follows generally accepted accounting principles, which establish 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.

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 that are consistently applied. All direct expenses related to a department or program are allocated fully to the appropriate program or supporting service as incurred. All indirect expenses are allocated among programs and supporting services based on FTE weighted salary percentages.

Fair value of financial instruments

The carrying amounts of cash, cash equivalents and short-term pledges receivable reported in the statements of financial position approximate fair values due to the short maturities of those instruments.

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2019 and 2018

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

Fair value measurements

United Way determines the fair market value of its financial instruments based on the fair value hierarchy established by generally accepted accounting principles. United Way is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy requires that all financial instruments measured at fair value are 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.

Income taxes

United Way is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. It is not classified as a private foundation under Section 170(b)(1)(A)(vi). Management is not aware of any violations of its tax exempt status, nor any exposure to unrelated business income tax.

Advertising and marketing costs

Advertising and marketing costs are expensed when incurred. Amounts incurred for advertising and marketing were \$32,874 and \$27,485 for the years ended June 30, 2019 and 2018, respectively.

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2019 and 2018

2. Adoption of New Accounting Standard

During the year ended June 30, 2019, United Way adopted ASU No. 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. These amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the areas of net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows.

The amendments were applied on a retrospective basis to June 30, 2018, except for disclosures about liquidity and availability of resources, which are presented for the current year only. The changes have the following effect on net asset classes at June 30, 2018:

	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 3,368,451	\$ -
Temporarily restricted net assets	1,068,476	-
Permanently restricted net assets	283,743	-
Net assets without donor restrictions	-	3,368,451
Net assets with donor restrictions	<u>-</u>	<u>1,352,219</u>
Total net assets	<u>\$ 4,720,670</u>	<u>\$ 4,720,670</u>

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2019 and 2018

3. Liquidity and Availability of Resources

United Way meets cash needs for expenditures with grants and campaign contributions received throughout the year. Campaign pledges may be designated by donors and grants may be for specific programs. United Way has the following financial assets that could readily be made available within one year of the statement of financial position to fund expenses without limitations as of June 30, 2019:

Financial assets	
Cash and cash equivalents	\$ 180,201
Pooled endowment investments	2,306,708
Investments, broker held	1,298,293
Pledges receivable, net	588,088
Grants receivable	219,930
Other receivables	<u>99,006</u>
Total financial assets	<u>4,692,226</u>

Less financial assets unavailable for general expenditure within one year due to:

Donor designated funds	(115,359)
Restricted by donors for specified time period or purpose	(1,049,244)
Restricted by donors in perpetuity	(283,743)
Grants receivable with donor restrictions	(100,000)
Board designated endowment	<u>(948,570)</u>
	<u>(2,496,916)</u>

Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,195,310</u>
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To help manage unanticipated liquidity needs, board designated net assets without donor restrictions could be made available for current operations, if necessary.

4. Cash and Cash Equivalents

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

	<u>2019</u>	<u>2018</u>
Cash in banks	\$ 137,927	\$ 269,393
Money market accounts	<u>42,274</u>	<u>178,484</u>
Total cash and cash equivalents	<u>\$ 180,201</u>	<u>\$ 447,877</u>

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2019 and 2018

5. Investments, Broker Held

United Way holds investments in government and agency securities, corporate bonds, equities and mutual funds in its brokerage account that are recorded at fair value in the amounts of \$1,298,293 and \$1,169,849 at June 30, 2019 and 2018, respectively.

6. 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 classified as with donor restrictions and the remainder represents amounts without donor restrictions. All amounts without donor restrictions have been designated by the board for unspecified purposes.

Expenses relating to investment revenues include custodial fees and investment advisory fees; these amounted to \$19,432 and \$20,047 for the years ended June 30, 2019 and 2018, 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, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends, net of investment expenses	\$ 15,473	\$ 19,907	\$ 35,380
Realized gains on investments	24,465	31,474	55,939
Unrealized losses on investments	(26,881)	(34,582)	(61,463)
Grants paid	(5,927)	(7,625)	(13,552)
Endowment appropriation to operations	<u>(31,646)</u>	<u>(40,713)</u>	<u>(72,359)</u>
Change in endowment net assets	(24,516)	(31,539)	(56,055)
Endowment assets, beginning	<u>1,033,348</u>	<u>1,329,415</u>	<u>2,362,763</u>
Endowment assets, ending	<u>\$ 1,008,832</u>	<u>\$ 1,297,876</u>	<u>\$ 2,306,708</u>

The following represents the net asset composition by type of fund as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor designated endowment funds	\$ -	\$ 1,297,876	\$ 1,297,876
Board designated endowment funds	<u>1,008,832</u>	<u>-</u>	<u>1,008,832</u>
Total endowment assets	<u>\$ 1,008,832</u>	<u>\$ 1,297,876</u>	<u>\$ 2,306,708</u>

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2019 and 2018

6. Pooled Investments and Endowment, continued

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

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends, net of investment expenses	\$ 14,421	\$ 18,552	\$ 32,973
Realized gains on investments	18,481	23,776	42,257
Unrealized gains on investments	32,221	41,452	73,673
Endowment appropriation to operations	<u>(52,482)</u>	<u>(67,518)</u>	<u>(120,000)</u>
Change in endowment net assets	12,641	16,262	28,903
Endowment assets, beginning	<u>1,020,706</u>	<u>1,313,154</u>	<u>2,333,860</u>
Endowment assets, ending	<u>\$ 1,033,347</u>	<u>\$ 1,329,416</u>	<u>\$ 2,362,763</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor designated endowment funds	\$ -	\$ 1,329,416	\$ 1,329,416
Board designated endowment funds	<u>1,033,347</u>	<u>-</u>	<u>1,033,347</u>
Total endowment assets	<u>\$ 1,033,347</u>	<u>\$ 1,329,416</u>	<u>\$ 2,362,763</u>

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.
NOTES TO FINANCIAL STATEMENTS, continued
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7. Investment Return

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

	<u>2019</u>	<u>2018</u>
Operating investment return		
Interest and dividends	\$ 31,120	\$ 23,664
Investment fees	(17,441)	(15,165)
Realized gains on brokerage investments	32,159	77,942
Unrealized gains on brokerage investments	<u>84,304</u>	<u>6,594</u>
Total operating investment return	<u>130,142</u>	<u>93,035</u>
Non-operating investment return		
Interest and dividends on endowment	54,812	53,020
Realized gains on endowment	55,939	42,257
Unrealized gains/(losses) on endowment	(61,463)	73,673
Investment fees on endowment	<u>(19,432)</u>	<u>(20,047)</u>
Total non-operating investment return	<u>29,856</u>	<u>148,903</u>
Investment return, net	<u>\$ 159,998</u>	<u>\$ 241,938</u>

8. Fair Value Measurements

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

	<u>2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled endowment investments				
U.S. equity mutual funds	\$1,061,699	\$ -	\$ -	\$1,061,699
International equity mutual funds	567,591	-	-	567,591
Fixed income mutual funds	677,263	-	-	677,263
Money market mutual funds	<u>155</u>	<u>-</u>	<u>-</u>	<u>155</u>
Total pooled mutual funds	<u>2,306,708</u>	<u>-</u>	<u>-</u>	<u>2,306,708</u>
Investments, broker held				
Government & agency securities	76,850	119,987	-	196,837
Corporate bonds	-	28,124	-	28,124
Equities	850,620	-	-	850,620
Mutual funds	221,518	-	-	221,518
Accrued interest	<u>1,194</u>	<u>-</u>	<u>-</u>	<u>1,194</u>
Total broker held funds	<u>1,150,182</u>	<u>148,111</u>	<u>-</u>	<u>1,298,293</u>
Total	<u>\$3,456,890</u>	<u>\$ 148,111</u>	<u>\$ -</u>	<u>\$3,605,001</u>

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.
NOTES TO FINANCIAL STATEMENTS, continued
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8. Fair Value Measurements, continued

	2018			Total
	Level 1	Level 2	Level 3	
Pooled endowment investments				
U.S. equity mutual funds	\$1,107,898	\$ -	\$ -	\$1,107,898
International equity mutual funds	585,809	-	-	585,809
Fixed income mutual funds	668,778	-	-	668,778
Money market mutual funds	<u>278</u>	-	-	<u>278</u>
Total pooled mutual funds	<u>2,362,763</u>	<u>-</u>	<u>-</u>	<u>2,362,763</u>
Investments, broker held				
Government & agency securities	62,531	126,182	-	188,713
Corporate bonds	-	24,206	-	24,206
Equities	745,447	-	-	745,447
Mutual funds	210,324	-	-	210,324
Accrued interest	<u>1,159</u>	<u>-</u>	<u>-</u>	<u>1,159</u>
Total broker held funds	<u>1,019,461</u>	<u>150,388</u>	<u>-</u>	<u>1,169,849</u>
Total	<u><u>\$3,382,224</u></u>	<u><u>\$ 150,388</u></u>	<u><u>\$ -</u></u>	<u><u>\$3,532,612</u></u>

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

9. Funds Held by Other Organization

The Community Foundation of Orange County holds the Marion S. Murphy (Quasi) Endowment Fund amounting to \$30,600 and \$29,984 at June 30, 2019 and 2018, 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".

10. Capital Lease Obligations

Office equipment under capital leases consist of a copier, postage machine, and telephone system with capitalized costs of \$31,970. Accumulated depreciation in the statements of financial position includes \$14,922 and \$8,528 in relation to the leased assets for the years ended June 30, 2019 and 2018, respectively. Amortization of the capital leases in the amount of \$6,394 is included in depreciation expense reported in the statements of activities for each of the years presented. The leases provide for minimum monthly payments totaling \$646 (including principal and interest) and begin to expire in 2021 through 2022.

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2019 and 2018

10. Capital Lease Obligations, continued

The following is a schedule by years of future minimum payments required under the leases together with their present values as of June 30, 2019:

Year ending:	June 30, 2020	\$ 7,758
	June 30, 2021	7,758
	June 30, 2022	<u>4,008</u>
Total minimum lease payments		19,524
Less amount representing interest		<u>(1,447)</u>
Present value of minimum lease payments		<u>\$ 18,077</u>

11. 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 \$43,133 and \$52,116 for the years ended June 30, 2019 and 2018, respectively.

12. Operating Leases

In May 2017, the United Way entered into a lease agreement for office space in Orange County, New York under a one-year lease that expired in April 2018. The lease was not renewed and is currently on a month-to-month basis. The lease calls for monthly base rent of \$1,300. Rent expense amounted to \$15,600 and \$26,381 for the years ended June 30, 2019 and 2018, respectively.

13. 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, 2019 and 2018, United Way received \$41,980 and \$33,129, respectively, in donated services for advertising and marketing. These amounts have been reported as expenses in their natural expense classification in the statements of activities.

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2019 and 2018

13. Donated Goods and Services, continued

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, 2019 and 2018, United Way received \$237,803 and \$147,958 in donated goods, respectively. These amounts have been reported as expenses in their natural expense classification in the statements of activities.

14. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for specified purposes or time periods as follows as of June 30:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for donor specified purpose or time period:		
Dutchess County Coalition of Non-Profits	\$ 660	\$ 660
Not One More	6,439	7,974
Community Conversations Program	-	2,500
Children's Corner	16,338	18
Veteran's Initiatives	3,828	-
Book Drive	100	-
Tornado Drive	4,060	11,651
Baby Shower Drive	606	-
Backpack Drive	80	-
Crisis Fund	400	-
Heroes in Deed	<u>2,600</u>	<u>-</u>
Total subject to expenditure for donor specified purpose or time period	<u>35,111</u>	<u>22,803</u>
Endowments subject to United Way's spending policy and appropriation:		
Endowment funds to be held in perpetuity	283,743	283,743
Un-appropriated endowment earnings	<u>1,014,133</u>	<u>1,045,673</u>
Total endowments subject to United Way's spending policy and appropriation	<u>1,297,876</u>	<u>1,329,416</u>
Total net assets with donor restrictions	<u>\$ 1,332,987</u>	<u>\$ 1,352,219</u>

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2019 and 2018

15. Board Designated Net Assets

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

	<u>2019</u>	<u>2018</u>
Military Family Support	\$ -	\$ 5,673
Critical Issues	-	15,875
Disaster Support	-	5,553
Board Strategic Plan	-	50,000
Long-Term Recovery	-	1,180
Unspecified-endowment	<u>1,008,832</u>	<u>1,033,347</u>
Total board designated net assets	<u>\$ 1,008,832</u>	<u>\$ 1,111,628</u>

16. Concentrations, Risks and Uncertainties

United Way receives a substantial amount of donations from public support concentrated in Dutchess and Orange Counties in New York State. If a significant reduction in the level of this support were to occur, it may have a significant effect on the programs and activities of the United Way.

United Way maintains its bank and money market accounts with high credit worthy financial institutions, with funds in excess of limits set and insured by the FDIC and coverage provided by the SIPC. United Way's endowment accounts are pooled and maintained with other financial institutions with funds that are in excess of limits set and insured by the FDIC and coverage provided by the SIPC. United Way has not experienced any losses on such accounts. Management believes that the United Way is not exposed to any significant credit risk related to those accounts.

United Way invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

17. Contingencies

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

UNITED WAY OF THE DUTCHESS - ORANGE REGION, INC.
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2019 and 2018

18. 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.

19. Subsequent Events

Management has evaluated subsequent events through the date of the independent auditor's report, October 31, 2019 which is the date the financial statements were available for issuance.

