

United Way, Inc.

Consolidated Audited Financial Statements

Year Ended June 30, 2014
With Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors
United Way, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of United Way, Inc. which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, cash flows, and of functional expenses for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

The Board of Directors
United Way, Inc.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Way, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited United Way, Inc.'s 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 4, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent in all material respects, with the audited consolidated financial statements from which it has been derived.



Portland, Maine
October 1, 2014

Limited Liability Company

UNITED WAY, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2014

(With Summarized Financial Information for June 30, 2013)

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 5,149,821	\$ 5,776,102
Pledges receivable, net (note 2)	4,580,429	4,592,177
Other receivables	95,377	131,803
Other assets	57,100	46,390
Long-term investments (notes 3 and 12)	7,768,909	6,756,344
Beneficial interest in perpetual trust (note 4)	1,277,285	1,174,973
Equipment, less accumulated depreciation of \$275,592 in 2014 and \$241,640 in 2013	<u>147,086</u>	<u>179,733</u>
Total assets	<u>\$19,076,007</u>	<u>\$18,657,522</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 394,699	\$ 606,294
Designations payable	3,429,825	3,526,510
Other liabilities (note 5)	<u>153,034</u>	<u>134,574</u>
Total liabilities	3,977,558	4,267,378
Net assets (note 5):		
Unrestricted:		
Undesignated	2,594,105	3,071,193
Board designated – endowment	<u>4,242,600</u>	<u>3,707,267</u>
	6,836,705	6,778,460
Temporarily restricted	5,056,498	4,553,474
Permanently restricted	<u>3,205,246</u>	<u>3,058,210</u>
Total net assets	<u>15,098,449</u>	<u>14,390,144</u>
Total liabilities and net assets	<u>\$19,076,007</u>	<u>\$18,657,522</u>

See accompanying notes.

UNITED WAY, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2014
(With Summarized Financial Information for June 30, 2013)

	2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2013
Campaign results:					
2014 campaign results	\$ -	\$ 22,053	\$ -	\$ 22,053	\$ -
2013 campaign results	-	7,167,617	-	7,167,617	20,615
2012 campaign results	-	98,598	-	98,598	7,280,340
2011 campaign results	-	-	-	-	87,716
Less donor designations, net	-	(1,256,164)	-	(1,256,164)	(1,338,850)
Less provision for uncollectible pledges	-	(241,255)	-	(241,255)	(143,126)
Net campaign results	-	5,790,849	-	5,790,849	5,906,695
Revenues, gains and other support:					
Net assets released from restriction:					
2013 campaign	2,928,513	(2,928,513)	-	-	-
2012 campaign	2,822,197	(2,822,197)	-	-	-
Gifts and bequests	100	-	44,724	44,824	90,403
Grant and contract revenue	-	1,809,682	-	1,809,682	1,343,608
Service fees	446,602	97,736	-	544,338	487,715
Investment income	93,672	69,006	-	162,678	164,328
Realized gains on investments	296,828	233,911	-	530,739	319,185
Unrealized gains on investments	319,182	251,527	-	570,709	285,772
Miscellaneous	85,379	361	-	85,740	121,636
Other assets released from restriction	1,999,338	(1,999,338)	-	-	-
Gain on perpetual trust (note 4)	-	-	102,312	102,312	45,076
Total revenues	8,991,811	503,024	147,036	9,641,871	8,764,418
Expenses:					
Agency allocations/awards	5,056,643	-	-	5,056,643	5,257,805
Less donor designations, net	(1,320,958)	-	-	(1,320,958)	(1,401,396)
Community impact	2,122,975	-	-	2,122,975	2,066,459
Volunteer development	227,457	-	-	227,457	292,764
211 Maine	1,095,858	-	-	1,095,858	1,131,550
Total program services	7,181,975	-	-	7,181,975	7,347,182
Supporting services – management and general and fundraising	1,751,591	-	-	1,751,591	1,672,245
Total expenses	8,933,566	-	-	8,933,566	9,019,427
Change in net assets	58,245	503,024	147,036	708,305	(255,009)
Net assets, beginning of year	6,778,460	4,553,474	3,058,210	14,390,144	14,645,153
Net assets, end of year	\$ 6,836,705	\$ 5,056,498	\$ 3,205,246	\$ 15,098,449	\$ 14,390,144

See accompanying notes.

UNITED WAY, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2014
(With Summarized Financial Information for June 30, 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 708,305	\$ (255,009)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	33,952	40,538
Net realized and unrealized gains on investments	(1,101,448)	(604,957)
Gain on perpetual trust	(102,312)	(45,076)
Loss on sale of equipment	-	914
Endowment gifts	(44,724)	(89,618)
Decrease in pledges receivable	61,774	99,778
Decrease in the allowance for pledges receivable	(50,026)	(137,801)
Decrease in other receivables	36,426	154,767
(Increase) decrease in other assets	(10,710)	13,536
(Decrease) increase in accounts payable and accrued liabilities	(211,595)	219,018
(Decrease) increase in designations payable	(96,685)	511,772
Increase in other liabilities	<u>18,460</u>	<u>8,944</u>
Net cash used by operating activities	(758,583)	(83,194)
Cash flows from investing activities:		
Proceeds from sale of equipment	-	1,174
Purchase of equipment	(1,305)	(1,131)
Purchase of investments	(4,081,820)	(2,109,428)
Proceeds from sales and maturities of investments	<u>4,170,703</u>	<u>2,155,914</u>
Net cash provided by investing activities	87,578	46,529
Cash flows from financing activities:		
Endowment gifts	<u>44,724</u>	<u>89,618</u>
Net cash provided by financing activities	<u>44,724</u>	<u>89,618</u>
Net (decrease) increase in cash and equivalents	(626,281)	52,953
Cash and cash equivalents at beginning of year	<u>5,776,102</u>	<u>5,723,149</u>
Cash and cash equivalents at end of year	<u>\$ 5,149,821</u>	<u>\$ 5,776,102</u>

See accompanying notes.

UNITED WAY, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2014
(With Summarized Financial Information for June 30, 2013)

	2014			
	Program Services			
	Essential Programs and Services	Community Impact	Volunteer Development	211 Maine
Gross allocations/awards/contracts	\$ 5,056,643	\$ 831,186	\$ —	\$ 1,023,474
Less donor designations, net	<u>(1,320,958)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net allocations/awards	3,735,685	831,186	—	1,023,474
Salaries	—	562,084	119,990	36,597
Employees' health and retirement benefits	—	80,023	19,695	3,381
Payroll taxes	—	58,170	10,865	2,670
Professional fees and contract services	—	358,717	5,158	7,085
Supplies	—	8,990	11,682	155
Telephone	—	10,389	2,130	475
Postage and shipping	—	4,119	942	25
Occupancy	—	95,262	19,467	6,818
Marketing and communications materials	—	5,764	5,191	12,172
Publications and subscription	—	4,006	873	—
Travel	—	23,405	6,485	93
Conferences, conventions and meetings	—	24,563	5,845	1,157
National agency support	—	23,031	5,364	—
Equipment, rental and maintenance	—	14,622	9,364	—
Insurance	—	4,376	1,019	1,721
Miscellaneous	—	3,764	941	35
Depreciation	<u>—</u>	<u>10,504</u>	<u>2,446</u>	<u>—</u>
Total operations	<u>—</u>	<u>1,291,789</u>	<u>227,457</u>	<u>72,384</u>
Total expense	<u>\$ 3,735,685</u>	<u>\$ 2,122,975</u>	<u>\$ 227,457</u>	<u>\$ 1,095,858</u>

See accompanying notes.

<u>Supporting Services</u>					
<u>Total</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>	<u>Total 2014</u>	<u>Total 2013</u>
\$ 6,911,303	\$ -	\$ -	\$ -	\$ 6,911,303	\$ 7,067,991
<u>(1,320,958)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,320,958)</u>	<u>(1,401,396)</u>
5,590,345	-	-	-	5,590,345	5,666,595
718,671	445,793	619,469	1,065,262	1,783,933	1,797,156
103,099	27,845	95,370	123,215	226,314	258,554
71,705	18,680	51,319	69,999	141,704	138,253
370,960	44,828	54,420	99,248	470,208	456,216
20,827	4,745	9,457	14,202	35,029	39,069
12,994	7,069	14,960	22,029	35,023	25,397
5,086	3,128	5,454	8,582	13,668	10,599
121,547	44,228	75,924	120,152	241,699	243,425
23,127	1,488	49,098	50,586	73,713	84,144
4,879	2,896	5,691	8,587	13,466	5,302
29,983	6,349	15,863	22,212	52,195	47,684
31,565	10,198	25,780	35,978	67,543	65,094
28,395	17,802	28,249	46,051	74,446	79,296
23,986	11,303	18,123	29,426	53,412	38,676
7,116	3,383	5,368	8,751	15,867	11,503
4,740	2,292	4,017	6,309	11,049	11,926
<u>12,950</u>	<u>8,119</u>	<u>12,883</u>	<u>21,002</u>	<u>33,952</u>	<u>40,538</u>
<u>1,591,630</u>	<u>660,146</u>	<u>1,091,445</u>	<u>1,751,591</u>	<u>3,343,221</u>	<u>3,352,832</u>
<u>\$ 7,181,975</u>	<u>\$660,146</u>	<u>\$1,091,445</u>	<u>\$1,751,591</u>	<u>\$ 8,933,566</u>	<u>\$ 9,019,427</u>

UNITED WAY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

(With Summarized Financial Information for June 30, 2013)

1. **Description of Organization and Summary of Significant Accounting Policies**

Organization and Operations

United Way, Inc. (the Organization) improves people's lives by mobilizing the caring power of our communities. With financial, volunteer and in-kind support, United Way works with community partners to address the most pressing health and human service issues in Greater Portland.

The Organization is the sole member of 211 Maine, Inc., a Maine nonprofit corporation (211 Maine). 211 Maine was established to offer comprehensive health and human services information and referral services for the State of Maine. The accompanying consolidated financial statements include the accounts of United Way, Inc. and 211 Maine, Inc. All intercompany balances and transactions have been eliminated in consolidation.

Annual United Way campaigns are conducted in the fall of each year. Undesignated campaign contributions are used to support local health and human service programs of partner agencies, to support other community programs and initiatives, to make grants in support of education, financial stability, health, and diversity and inclusion strategies, and to pay the Organization's operating expenses. Donors may choose to designate their pledges to a partner agency, a non-partner agency that provides health and human services within the State of Maine, or another out-of-area United Way.

Annual fall campaigns are reduced by pledges that are designated to other organizations, and by a provision for uncollectible pledges. The resulting net pledges are reflected as temporarily restricted until released from restriction and expended. Approximately one half of the prior and current years' campaign results are released from restrictions in the current year's statement of activities. The balance of the current year's net pledges is included in temporarily restricted net assets at year-end. Specific Care donations, net of an administrative fee and provisions for uncollectible pledges, have been recorded as designations payable in the statement of financial position and have not been recorded as revenue or expense in the statement of activities.

The Organization also processes pledges and collects and distributes funds outside of greater Portland from employees of several companies. Like specific care pledges raised locally, these donations, net of an administrative fee and provisions for uncollectible pledges have been recorded as designations payable in the statement of financial position and have not been recorded as revenue or expense in the statement of activities. See note 7.

In addition to annual campaign contributions, donors can utilize various planned giving vehicles including bequests, gifts of securities, and life insurance to support the Organization's long-term operations. Such contributions are assets of the Organization. Endowment assets are managed by the Organization's Finance Committee in accordance with an Investment Policy approved by the Board of Directors.

UNITED WAY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

(With Summarized Financial Information for June 30, 2013)

1. **Description of Organization and Summary of Significant Accounting Policies (Continued)**

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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The most significant area that is affected by the use of estimates is the allowance for uncollectible pledges.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt securities with original maturities of three months or less when purchased, excluding investments held in trust. At June 30, 2014 and 2013, the Organization has cash and cash equivalents of approximately \$5,303,000 and \$5,788,000, respectively, in various accounts of one financial institution. The cash is swept daily into collateralized repurchase agreements.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value based on quoted market prices in the statement of financial position.

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 investment balances and the amounts reported in the consolidated statement of financial position.

Equipment

Equipment is carried at cost or, if acquired by gift, at appraised value at date of gift. Depreciation and amortization is provided over the estimated useful lives of the respective assets using the straight-line method.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used for a specific purpose, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

UNITED WAY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

(With Summarized Financial Information for June 30, 2013)

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the Organization has been limited by donors to a specific time period or purpose. Such net assets may also include unexpended investment gains related to permanently restricted net assets, in accordance with Maine law. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity. The Board of Directors has interpreted State of Maine law as requiring the preservation of the original fair value of the gift absent donor stipulations to the contrary.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the State of Maine requires appreciation on investments of permanently restricted funds, unless the donor has otherwise indicated in the gift instrument, be considered a donor restricted asset until appropriated by the Organization's Board.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently 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 reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization also follows this reporting practice for donor-restricted gifts whose restrictions are met in the same reporting period.

Grant and Contract Revenue

The Organization also undertakes other specific initiatives periodically in connection with its goals for the education, financial stability, and health of the greater Portland community. These initiatives are funded by operating dollars from the sources referenced above as well as grants from foundations and corporations.

Expenditure-driven grant revenue is recognized in the period expenditures are incurred in connection with the grant. Other grant and contract revenue is recognized as earned under the terms of the grant and contract agreements.

Functional Expenses

Expenses are allocated to both programs and support services. Salaries and wages are allocated based on estimates of time spent by members of the staff. Expenses that are not directly attributable to one category are allocated based on full-time equivalents.

Subsequent Events

Events occurring after the statement of financial position date are evaluated by management to determine whether such events should be recognized or disclosed in the financial statements. Management has evaluated subsequent events through October 1, 2014, the date the accompanying consolidated financial statements were available to be issued.

UNITED WAY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

(With Summarized Financial Information for June 30, 2013)

2. Pledges Receivable

The Organization serves and conducts its annual campaign in the Greater Portland, Maine region. The ability and willingness of individuals and corporations to honor their pledges is generally dependent on current economic conditions within the geographic area. The Organization estimates the allowance for uncollectible pledges using historical loss factors and current economic conditions. All pledges receivable are due in one year.

As of June 30, 2014 and 2013, the balance of pledges receivable, less allowance for uncollectible pledges by campaign year is as follows:

2014			
Campaign Year	Gross Pledges Receivable	Allowance	Net Pledges Receivable
2014	\$ 16,557	\$ -	\$ 16,557
2013	2,707,749	291,795	2,415,954
2012	269,911	269,911	-
2011	<u>173,611</u>	<u>173,611</u>	<u>-</u>
	3,167,828	735,317	2,432,511
Specific Care pledges	<u>2,395,523</u>	<u>247,605</u>	<u>2,147,918</u>
	<u>\$5,563,351</u>	<u>\$ 982,922</u>	<u>\$4,580,429</u>
2013			
Campaign Year	Gross Pledges Receivable	Allowance	Net Pledges Receivable
2013	\$ 900	\$ -	\$ 900
2012	3,300,579	301,995	2,998,584
2011	192,067	192,067	-
2010	<u>291,281</u>	<u>291,281</u>	<u>-</u>
	3,784,827	785,343	2,999,484
Specific Care pledges	<u>1,997,945</u>	<u>405,252</u>	<u>1,592,693</u>
	<u>\$5,782,772</u>	<u>\$1,190,595</u>	<u>\$4,592,177</u>

The Organization processes campaign pledges for other organizations outside the local service area as described in note 1. Such Specific Care pledges are included in pledges receivable and designations payable in the accompanying consolidated statement of financial position.

UNITED WAY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

(With Summarized Financial Information for June 30, 2013)

3. Investments

The long-term investments are governed by an investment policy and endowment spending policy as approved periodically by the Organization's Board of Directors. The investment policies include guidance on investment objectives, asset allocation, investment quality and diversification, and performance measurement and reporting. Such policies attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. The portfolio is invested in a manner that is intended to generate annual returns of the Consumer Price Index increase plus 5%, net of expenses, while assuming a moderate level of risk. The Board uses outside professionals to manage its investment portfolio. The endowment spending policy specifies a range of 3% to 5% of invested funds annually. Such spending totaled approximately \$252,000 and \$255,000 in fiscal 2014 and 2013, respectively.

A summary of investments at June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Marketable equity securities	\$4,139,736	\$3,728,801
U.S. Treasury notes and obligations of government agencies	532,517	1,076,897
Mutual funds – equity	1,580,482	1,195,682
Money market accounts	154,441	211,034
Corporate bonds	<u>1,361,733</u>	<u>543,930</u>
	<u>\$7,768,909</u>	<u>\$6,756,344</u>

Such investments are allocated as follows:

	<u>2014</u>	<u>2013</u>
United Way endowments:		
Board-designated net assets	\$4,242,600	\$3,707,267
Temporarily restricted net assets	1,445,314	1,031,272
Permanently restricted net assets	<u>1,927,961</u>	<u>1,883,237</u>
	7,615,875	6,621,776
Agency endowments (note 5)	<u>153,034</u>	<u>134,568</u>
	<u>\$7,768,909</u>	<u>\$6,756,344</u>

UNITED WAY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

(With Summarized Financial Information for June 30, 2013)

3. Investments (Continued)

The changes in United Way endowment funds by net asset category for the years ended June 30, 2014 and 2013 are as follows:

	<u>Board- designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2014</u>				
Balances, June 30, 2013	\$3,707,267	\$1,053,092	\$1,883,237	\$6,643,596
Investment income	55,840	44,470	-	100,310
Net appreciation in fair value	616,009	485,439	-	1,101,448
Additions	-	-	44,724	44,724
Appropriation for expenditure	<u>(136,516)</u>	<u>(115,440)</u>	<u>-</u>	<u>(251,956)</u>
Balances, June 30, 2014	<u>\$4,242,600</u>	<u>\$1,467,561</u>	<u>\$1,927,961</u>	<u>\$7,638,122</u>
<u>2013</u>				
Balances, June 30, 2012	\$3,438,953	\$ 860,357	\$1,793,619	\$6,092,929
Investment income	58,183	53,174	-	111,357
Net appreciation in fair value	343,970	260,987	-	604,957
Additions	-	-	89,618	89,618
Appropriation for expenditure	<u>(133,839)</u>	<u>(121,426)</u>	<u>-</u>	<u>(255,265)</u>
Balances, June 30, 2013	<u>\$3,707,267</u>	<u>\$1,053,092</u>	<u>\$1,883,237</u>	<u>\$6,643,596</u>

Amounts of securities with unrealized losses at June 30, 2014 and 2013 are shown below. None of these losses are considered other than temporary.

	<u>Time Period in Loss Position</u>				<u>Total</u>	
	<u>Less Than 12 Months</u>		<u>12 Months or Greater</u>		<u>Fair Value</u>	<u>Unrealized Losses</u>
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>		
<u>2014</u>						
Equity securities	\$371,434	\$13,178	\$ -	\$ -	\$ 371,434	\$ 13,178
U.S. Treasury note	-	-	96,258	5,492	96,258	5,492
Corporate bonds	<u>101,682</u>	<u>306</u>	<u>99,279</u>	<u>461</u>	<u>200,961</u>	<u>767</u>
	<u>\$473,116</u>	<u>\$13,484</u>	<u>\$195,537</u>	<u>\$ 5,953</u>	<u>\$ 668,653</u>	<u>\$19,437</u>
<u>2013</u>						
Mutual funds	\$ -	\$ -	\$326,336	\$25,812	\$ 326,336	\$25,812
Equity securities	260,837	37,191	126,231	9,933	387,068	47,124
U.S. Treasury notes and obligations of government agencies	639,448	13,635	-	-	639,448	13,635
Corporate bonds	<u>97,089</u>	<u>2,651</u>	<u>-</u>	<u>-</u>	<u>97,089</u>	<u>2,651</u>
	<u>\$997,374</u>	<u>\$53,477</u>	<u>\$452,567</u>	<u>\$35,745</u>	<u>\$1,449,941</u>	<u>\$89,222</u>

UNITED WAY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

(With Summarized Financial Information for June 30, 2013)

3. Investments (Continued)

At June 30, 2014, unrealized losses consist of one U.S. Treasury note, two corporate bonds and thirteen equity securities, two of which have had continuous losses for more than one year.

In evaluating whether the investments have suffered an other-than-temporary decline, management evaluated the amount of the decline compared to cost, the underlying creditworthiness of the issuer, the fair values exhibited during the year and the estimated future fair values. In general, management believes the declines at June 30, 2014 within the marketable equity securities are due to temporary market fluctuations, and declines in the U.S. Treasury note and corporate bonds are caused by fluctuations in interest rates. Based on evaluations of the underlying issuers' financial condition, current trends and economic conditions, and the Organization's ability and intent to hold such securities to recovery, management does not believe any securities have an other-than-temporary decline in value.

4. Beneficial Interest in Perpetual Trust

The Organization is the income beneficiary of an irrevocable perpetual trust. These funds are held and controlled by Bank of America, as trustee. The Organization is entitled to 85% of the income from the trust. The Organization has recorded an asset in its statement of financial position at 85% of the fair value of trust assets. At June 30, 2014 and 2013, the Organization's beneficial interest in perpetual trust is \$1,277,285 and \$1,174,973, respectively.

5. Net Assets

Unrestricted net assets at June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Undesignated	\$2,594,105	\$3,071,193
Board designated – endowment	<u>4,242,600</u>	<u>3,707,267</u>
	<u>\$6,836,705</u>	<u>\$6,778,460</u>

Undesignated net assets are unrestricted and available for programs and support services of the Organization. The Board of Directors has designated unrestricted net assets for long-term purposes labeled above as endowment. The income earned on these investments will be used for charitable purposes including initiatives.

UNITED WAY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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5. Net Assets (Continued)

Temporarily restricted net assets are available for the following purposes at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Campaign contributions	\$2,862,336	\$2,822,197
Endowment Funds (including unrealized gains)	1,467,561	1,053,092
Grant Funds	228,588	237,815
211 Maine	487,588	424,825
How Fund	<u>10,425</u>	<u>15,545</u>
	<u>\$5,056,498</u>	<u>\$4,553,474</u>

Permanently restricted net assets at June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Beneficial interest in perpetual trust – How (note 4)	\$1,277,285	\$1,174,973
Endowment Funds	<u>1,927,961</u>	<u>1,883,237</u>
	<u>\$3,205,246</u>	<u>\$3,058,210</u>

Other agency relationships:

The Preble Street Self-Sufficiency Fund is an agency relationship and is reflected as both an asset (included in investments) and liability in the statement of financial position. The fund totaled \$153,034 at June 30, 2014 and \$134,574 at June 30, 2013.

6. Employee Benefits

The Organization has established a Tax Deferred Annuity Plan in accordance with Section 403(b) of the Internal Revenue Code (the Code), which covers all employees. Employees may elect to defer a portion of their compensation of which a certain percent (6% in 2014 and 2013) determined annually by the Board is matched dollar for dollar by the Organization. In addition, the Plan provides for discretionary contributions by the Organization. The amounts deferred by the employee vest immediately and the Organization's contributions vest over a four year period. The Organization's contribution to the Plan in 2014 and 2013 was \$74,591 and \$66,145, respectively.

UNITED WAY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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7. Calculation of Operating Expense Ratio

	<u>2014</u>	<u>2013</u>
Supporting services:		
Fundraising	\$1,091,445	\$1,140,693
Management and general	<u>660,146</u>	<u>531,552</u>
Total supporting services	<u>\$1,751,591</u>	<u>\$1,672,245</u>
Revenue:		
Campaign results, net	\$7,047,013	\$7,245,545
Gifts and bequests	44,824	90,403
Grant and other revenue	1,531,139	1,084,940
Investment income	162,678	164,328
Realized gains on investments	<u>530,739</u>	<u>319,185</u>
Total revenue	<u>\$9,316,393</u>	<u>\$8,904,401</u>
Operating expense ratio	<u>18.8%</u>	<u>18.8%</u>

The above calculation of the operating expense ratio is in accordance with United Way Worldwide's Functional Expense and Overhead Reporting Standards for United Ways. This calculation includes expenses associated with soliciting, collecting, and distributing over \$4.9 and \$3.8 million in out-of-area pledges in 2014 and 2013, respectively. Revenues associated with these pledges are excluded from this calculation. Similarly, dollars raised on behalf of 211 Maine are excluded from the above calculation, while some costs incurred in soliciting those dollars are included above.

The below calculation, which includes all funds processed by United Way of Greater Portland, better represents the Organization's operational efficiency.

	<u>2014</u>	<u>2013</u>
Supporting services:		
Fundraising	\$ 1,091,445	\$ 1,140,693
Management and general	<u>660,146</u>	<u>531,552</u>
Total supporting services	<u>\$ 1,751,591</u>	<u>\$ 1,672,245</u>
Revenue:		
Sources listed above	\$ 9,316,393	\$ 8,904,401
Out-of-area pledges	4,903,542	3,804,154
211 Maine revenue	<u>908,621</u>	<u>868,019</u>
Total sources	<u>\$15,128,556</u>	<u>\$13,576,574</u>
Operating expense ratio	<u>11.6%</u>	<u>12.3%</u>

UNITED WAY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(With Summarized Financial Information for June 30, 2013)

8. **Leases**

In fiscal 2010, the Organization entered into a new lease agreement for office space that commenced in fiscal 2011. The agreement carries an initial ten-year term and two five-year options. The monthly base rental amount is \$15,817, and will increase annually based on the consumer price index with a 2% annual cap. Total rent expense under the current and prior leases amounted to \$198,948 and \$195,276 for the years ended June 30, 2014 and 2013, respectively.

A summary of noncancelable future minimum rental payments is as follows:

2015	\$ 205,908
2016	205,908
2017	205,908
2018	205,908
2019	205,908
Thereafter	<u>205,908</u>
	<u>\$1,235,448</u>

9. **Income Taxes**

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Code and as such is exempt from federal and state income taxes.

Management has evaluated the Organization's tax positions and concluded that the Organization has maintained its tax-exempt status, does not have any significant unrelated business income and has taken no uncertain tax positions that require adjustment to the consolidated financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. Federal or State tax authorities for years before 2010.

10. **Volunteer Services**

A substantial number of volunteers have donated their time to the Organization. The volunteers provide various nonspecialized services to the Organization, none of which have been recognized as revenue or expense in the statement of activities.

11. **Commitments**

The Organization has an agreement with The Opportunity Alliance, a nonprofit corporation, through June 30, 2015 with an additional two year renewal available. The Opportunity Alliance provides call center services and other administrative services for 211 Maine. Expenses for these services totaled \$1,023,474 and \$1,068,922 in fiscal 2014 and 2013, respectively. At June 30, 2014 and 2013, 211 Maine had a payable to The Opportunity Alliance of \$93,576 and \$116,536, respectively.

UNITED WAY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

(With Summarized Financial Information for June 30, 2013)

12. Financial Instruments

The Organization's financial instruments consist of cash and cash equivalents, investments, receivables, and payables. The fair values of the financial instruments approximate their carrying values in the accompanying statement of financial position at June 30, 2014 and 2013.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

UNITED WAY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

(With Summarized Financial Information for June 30, 2013)

12. Financial Instruments (Continued)

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis at June 30, 2014 and 2013:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2014</u>				
Marketable equity securities:				
Basic industry	\$ 372,012	\$ 372,012	\$ —	\$ —
Consumer products	1,496,285	1,496,285	—	—
Energy	490,985	490,985	—	—
Financial institutions	791,729	791,729	—	—
Technology	988,725	988,725	—	—
U.S. Treasury notes and obligations of government agencies	532,517	—	532,517	—
Mutual funds:				
Foreign equity funds	874,576	874,576	—	—
Domestic equity funds	705,906	705,906	—	—
Money market accounts	154,441	154,441	—	—
Corporate bonds	<u>1,361,733</u>	<u>—</u>	<u>1,361,733</u>	<u>—</u>
	<u>\$7,768,909</u>	<u>\$5,874,659</u>	<u>\$1,894,250</u>	<u>\$ —</u>
 <u>2013</u>				
Marketable equity securities:				
Basic industry	\$ 499,496	\$ 499,496	\$ —	\$ —
Consumer products	1,432,390	1,432,390	—	—
Energy	498,675	498,675	—	—
Financial institutions	725,781	725,781	—	—
Technology	572,459	572,459	—	—
U.S. Treasury notes and obligations of government agencies	1,076,897	—	1,076,897	—
Mutual funds:				
Foreign equity funds	248,869	248,869	—	—
Domestic equity funds	946,813	946,813	—	—
Money market accounts	211,034	211,034	—	—
Corporate bonds	<u>543,930</u>	<u>—</u>	<u>543,930</u>	<u>—</u>
	<u>\$6,756,344</u>	<u>\$5,135,517</u>	<u>\$1,620,827</u>	<u>\$ —</u>