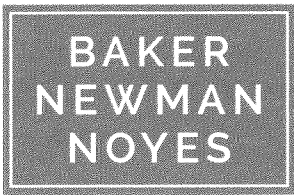


# **United Way, Inc.**

## Consolidated Audited Financial Statements

*Year Ended June 30, 2016  
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, 2016, 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.

### *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, 2016, 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.

The Board of Directors  
United Way, Inc.

**Report on Summarized Comparative Information**

We have previously audited United Way, Inc.'s 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent in all material respects, with the audited consolidated financial statements from which it has been derived.

*Baker Newman Noyes LLC*

Portland, Maine  
October 4, 2016

**UNITED WAY, INC.**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2016

(With Summarized Financial Information for June 30, 2015)

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 5,027,714	\$ 4,783,556
Pledges receivable, net (note 2)	5,126,760	4,916,191
Other receivables	245,262	272,972
Other assets	94,423	67,833
Long-term investments (notes 3 and 12)	7,414,859	7,695,624
Beneficial interest in perpetual trust (note 4)	1,117,715	1,195,264
Equipment, less accumulated depreciation of \$265,699 in 2016 and \$256,790 in 2015	<u>118,086</u>	<u>130,163</u>
<b>Total assets</b>	<b><u>\$19,144,819</u></b>	<b><u>\$19,061,603</u></b>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 502,204	\$ 501,793
Designations payable	3,794,161	3,784,725
Other liabilities (note 5)	<u>142,725</u>	<u>150,359</u>
Total liabilities	4,439,090	4,436,877
Net assets (note 5):		
Unrestricted:		
Undesignated	1,945,384	2,189,488
Board designated – endowment	<u>4,024,895</u>	<u>4,199,185</u>
	5,970,279	6,388,673
Temporarily restricted	5,635,853	5,100,041
Permanently restricted	<u>3,099,597</u>	<u>3,136,012</u>
Total net assets	<u>14,705,729</u>	<u>14,624,726</u>
<b>Total liabilities and net assets</b>	<b><u>\$19,144,819</u></b>	<b><u>\$19,061,603</u></b>

See accompanying notes.

**UNITED WAY, INC.**

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2016  
(With Summarized Financial Information for June 30, 2015)

	2016			Total	2015
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Campaign results:					
2016 campaign results	\$ —	\$ 51,083	\$ —	\$ 51,083	\$ —
2015 campaign results	—	7,619,536	—	7,619,536	105,291
2014 campaign results	—	105,064	—	105,064	6,930,197
2013 campaign results	—	—	—	—	16,678
Less donor designations, net	—	(1,187,678)	—	(1,187,678)	(1,042,369)
Less provision for uncollectible pledges	—	(193,590)	—	(193,590)	(214,967)
Net campaign results	—	6,394,415	—	6,394,415	5,794,830
Revenues, gains and other support:					
Net assets released from restriction:					
2015 campaign	2,899,488	(2,899,488)	—	—	—
2014 campaign	2,946,081	(2,946,081)	—	—	—
Gifts and bequests	200	—	41,134	41,334	17,819
Grant and contract revenue	—	1,397,513	—	1,397,513	1,389,715
Service fees	418,850	87,544	—	506,394	564,556
Investment income	124,781	67,243	—	192,024	258,112
Realized gains (losses) on investments	31,850	25,434	—	57,284	169,094
Unrealized losses on investments	(139,422)	(110,815)	—	(250,237)	(189,773)
Miscellaneous	135,596	68	—	135,664	106,545
Other assets released from restriction	1,480,021	(1,480,021)	—	—	—
Loss on perpetual trust (note 4)	—	—	(77,549)	(77,549)	(82,021)
Total revenues	7,897,445	535,812	(36,415)	8,396,842	8,028,877
Expenses:					
Agency investments/awards	4,838,298	—	—	4,838,298	4,732,913
Less donor designations, net	(1,246,679)	—	—	(1,246,679)	(1,144,275)
Community impact	1,699,292	—	—	1,699,292	1,635,969
Volunteer development	267,234	—	—	267,234	258,933
211 Maine	1,065,954	—	—	1,065,954	1,140,947
Total program services	6,624,099	—	—	6,624,099	6,624,487
Supporting services – management and general and fundraising					
Total expenses	1,691,740	—	—	1,691,740	1,878,113
	8,315,839	—	—	8,315,839	8,502,600
Change in net assets	(418,394)	535,812	(36,415)	81,003	(473,723)
Net assets, beginning of year	6,388,673	5,100,041	3,136,012	14,624,726	15,098,449
Net assets, end of year	\$ 5,970,279	\$ 5,635,853	\$ 3,099,597	\$ 14,705,729	\$ 14,624,726

See accompanying notes.

**UNITED WAY, INC.**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year Ended June 30, 2016  
(With Summarized Financial Information for June 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 81,003	\$ (473,723)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	27,359	27,720
Net realized and unrealized losses on investments	192,953	20,679
Loss on perpetual trust	77,549	82,021
Endowment gifts	(41,134)	(12,787)
Increase in pledges receivable	(137,141)	(377,118)
(Decrease) increase in the allowance for pledges receivable	(73,428)	41,356
Decrease (increase) in other receivables	27,710	(177,595)
Increase in other assets	(26,590)	(10,733)
Increase in accounts payable and accrued liabilities	411	107,094
Increase in designations payable	9,436	354,900
Decrease in other liabilities	<u>(7,634)</u>	<u>(2,675)</u>
Net cash provided (used) by operating activities	130,494	(420,861)
Cash flows from investing activities:		
Purchase of equipment	(15,282)	(10,797)
Purchase of investments	(1,245,370)	(1,185,460)
Proceeds from sales and maturities of investments	<u>1,333,182</u>	<u>1,238,066</u>
Net cash provided by investing activities	72,530	41,809
Cash flows from financing activities:		
Endowment gifts	<u>41,134</u>	<u>12,787</u>
Net cash provided by financing activities	<u>41,134</u>	<u>12,787</u>
Net increase (decrease) in cash and cash equivalents	244,158	(366,265)
Cash and cash equivalents at beginning of year	<u>4,783,556</u>	<u>5,149,821</u>
Cash and cash equivalents at end of year	<u>\$ 5,027,714</u>	<u>\$ 4,783,556</u>

See accompanying notes.

**UNITED WAY, INC.**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016  
(With Summarized Financial Information for June 30, 2015)

	2016			
	Program Services			
	Essential Programs and Services	Community Impact	Volunteer Development	211 Maine
Gross investments/awards/contracts	\$ 4,838,298	\$ 452,893	\$ -	\$ 986,720
Less donor designations, net	<u>(1,246,679)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net investments/awards	3,591,619	452,893	-	986,720
Salaries	-	659,469	150,066	33,045
Employees' health and retirement benefits	-	105,394	28,841	3,926
Payroll taxes	-	64,668	17,279	2,495
Professional fees and contract services	-	160,019	7,588	4,440
Supplies	-	12,698	11,425	18
Telephone	-	5,218	1,148	-
Postage and shipping	-	3,978	1,165	36
Occupancy	-	104,824	20,281	9,877
Marketing and communications materials	-	19,998	3,513	20,510
Publications and subscription	-	8,884	357	-
Travel	-	15,587	1,709	417
Conferences, conventions and meetings	-	17,470	3,424	2,174
National agency support	-	26,905	7,505	-
Equipment, rental and maintenance	-	19,447	6,813	-
Insurance	-	4,537	1,266	2,179
Miscellaneous	-	7,790	2,200	117
Depreciation	<u>-</u>	<u>9,513</u>	<u>2,654</u>	<u>-</u>
Total operations	<u>-</u>	<u>1,246,399</u>	<u>267,234</u>	<u>79,234</u>
Total expense	<u>\$ 3,591,619</u>	<u>\$ 1,699,292</u>	<u>\$ 267,234</u>	<u>\$ 1,065,954</u>

See accompanying notes.

<u>Supporting Services</u>					
	Management				
<u>Total</u>	<u>and</u> <u>General</u>	<u>Fund</u> <u>Raising</u>	<u>Total</u>	<u>Total</u> <u>2016</u>	<u>Total</u> <u>2015</u>
\$ 6,277,911	\$ -	\$ -	\$ -	\$ 6,277,911	\$ 6,227,515
(1,246,679)	-	-	-	(1,246,679)	(1,144,275)
5,031,232	-	-	-	5,031,232	5,083,240
842,580	515,538	639,974	1,155,512	1,998,092	2,013,681
138,161	17,259	93,871	111,130	249,291	249,553
84,442	11,524	58,157	69,681	154,123	156,172
172,047	34,986	20,617	55,603	227,650	309,888
24,141	3,537	5,601	9,138	33,279	28,118
6,366	2,958	5,977	8,935	15,301	16,970
5,179	2,736	3,690	6,426	11,605	15,095
134,982	47,997	64,589	112,586	247,568	253,430
44,021	8,869	15,373	24,242	68,263	103,234
9,241	920	2,258	3,178	12,419	6,642
17,713	2,594	7,612	10,206	27,919	27,920
23,068	3,271	20,320	23,591	46,659	53,830
34,410	19,334	23,632	42,966	77,376	71,455
26,260	13,773	17,010	30,783	57,043	62,748
7,982	3,260	3,985	7,245	15,227	13,435
10,107	5,023	303	5,326	15,433	9,469
<u>12,167</u>	<u>6,836</u>	<u>8,356</u>	<u>15,192</u>	<u>27,359</u>	<u>27,720</u>
<u>1,592,867</u>	<u>700,415</u>	<u>991,325</u>	<u>1,691,740</u>	<u>3,284,607</u>	<u>3,419,360</u>
\$ <u>6,624,099</u>	\$ <u>700,415</u>	\$ <u>991,325</u>	\$ <u>1,691,740</u>	\$ <u>8,315,839</u>	\$ <u>8,502,600</u>



# UNITED WAY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

(With Summarized Financial Information for June 30, 2015)

### 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, 2016

(With Summarized Financial Information for June 30, 2015)

### 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, 2016 and 2015, the Organization has cash and cash equivalents of approximately \$5,222,000 and \$4,933,000, 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, 2016

(With Summarized Financial Information for June 30, 2015)

#### 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.

# UNITED WAY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

(With Summarized Financial Information for June 30, 2015)

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

#### New Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, that changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The ASU requires amended presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. The amendments are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments is permitted. The Organization is assessing the impact of the ASU on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02 *Leases (Topic 842)* (ASU 2016-02). Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. ASU 2016-02 is effective for the Organization on July 1, 2020, with early adoption permitted. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. The Organization is currently evaluating the impact of the pending adoption of ASU 2016-02 on the consolidated financial statements.

#### 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 4, 2016, the date the accompanying consolidated financial statements were available to be issued.

### 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.

**UNITED WAY, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

(With Summarized Financial Information for June 30, 2015)

**2. Pledges Receivable (Continued)**

As of June 30, 2016 and 2015, the balance of pledges receivable, less allowance for uncollectible pledges by campaign year is as follows:

2016			
Campaign Year	Gross Pledges Receivable	Allowance	Net Pledges Receivable
2016	\$ 18,213	\$ —	\$ 18,213
2015	2,965,788	273,985	2,691,803
2014	208,538	208,538	—
2013	<u>220,722</u>	<u>220,722</u>	<u>—</u>
	3,413,261	703,245	2,710,016
Specific Care pledges	<u>2,701,874</u>	<u>285,130</u>	<u>2,416,744</u>
	<u>\$6,115,135</u>	<u>\$ 988,375</u>	<u>\$5,126,760</u>
2015			
Campaign Year	Gross Pledges Receivable	Allowance	Net Pledges Receivable
2015	\$ 65,091	\$ —	\$ 65,091
2014	2,618,481	282,319	2,336,162
2013	227,336	227,336	—
2012	<u>267,018</u>	<u>267,018</u>	<u>—</u>
	3,177,926	776,673	2,401,253
Specific Care pledges	<u>2,811,377</u>	<u>296,439</u>	<u>2,514,938</u>
	<u>\$5,989,303</u>	<u>\$1,073,112</u>	<u>\$4,916,191</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, 2016

(With Summarized Financial Information for June 30, 2015)

**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 \$261,000 and \$251,000 in fiscal 2016 and 2015, respectively.

A summary of investments at June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Marketable equity securities	\$3,962,069	\$ 4,357,856
U.S. Treasury notes and obligations of government agencies	521,102	632,953
Mutual funds – equity	1,254,804	1,260,848
Money market accounts	188,199	168,946
Corporate bonds	<u>1,488,685</u>	<u>1,275,021</u>
	<u>\$7,414,859</u>	<u>\$ 7,695,624</u>

Such investments are allocated as follows:

	<u>2016</u>	<u>2015</u>
United Way endowments:		
Board-designated net assets	\$4,024,895	\$4,199,185
Temporarily restricted net assets	1,265,357	1,405,332
Permanently restricted net assets	<u>1,981,882</u>	<u>1,940,748</u>
	7,272,134	7,545,265
Agency endowments (note 5)	<u>142,725</u>	<u>150,359</u>
	<u>\$7,414,859</u>	<u>\$7,695,624</u>

**UNITED WAY, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

(With Summarized Financial Information for June 30, 2015)

**3. Investments (Continued)**

The changes in United Way endowment funds by net asset category for the years ended June 30, 2016 and 2015 are as follows:

	<u>Board- designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2016</u>				
Balances, June 30, 2015	\$4,199,185	\$1,427,577	\$1,940,748	\$7,567,510
Investment income	77,631	61,907	-	139,538
Net depreciation in fair value	(107,574)	(85,383)	-	(192,957)
Additions	-	-	41,134	41,134
Appropriation for expenditure	<u>(144,347)</u>	<u>(116,501)</u>	<u>-</u>	<u>(260,848)</u>
Balances, June 30, 2016	<u>\$4,024,895</u>	<u>\$1,287,600</u>	<u>\$1,981,882</u>	<u>\$7,294,377</u>
<u>2015</u>				
Balances, June 30, 2014	\$4,242,600	\$1,467,561	\$1,927,961	\$7,638,122
Investment income	107,400	80,713	-	188,113
Net depreciation in fair value	(11,577)	(9,102)	-	(20,679)
Additions	-	-	12,787	12,787
Appropriation for expenditure	<u>(139,238)</u>	<u>(111,595)</u>	<u>-</u>	<u>(250,833)</u>
Balances, June 30, 2015	<u>\$4,199,185</u>	<u>\$1,427,577</u>	<u>\$1,940,748</u>	<u>\$7,567,510</u>

Amounts of securities with unrealized losses at June 30, 2016 and 2015 are shown below. None of these losses are considered other than temporary.

	<u>Time Period in Loss Position</u>					
	<u>Less Than 12 Months</u>		<u>12 Months or Greater</u>		<u>Total</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>2016</u>						
Equity securities	\$ 593,388	\$ 95,107	\$ -	\$ -	\$ 593,388	\$ 95,107
Mutual funds	<u>739,788</u>	<u>52,802</u>	<u>-</u>	<u>-</u>	<u>739,788</u>	<u>52,802</u>
	<u>\$1,333,176</u>	<u>\$147,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,333,176</u>	<u>\$147,909</u>
<u>2015</u>						
Equity securities	\$ 619,529	\$ 23,085	\$ -	\$ -	\$ 619,529	\$ 23,085
U.S. Treasury notes and obligations of government agencies	99,880	120	223,441	3,724	323,321	3,844
Corporate bonds	253,594	309	201,161	291	454,755	600
Mutual funds	<u>325,386</u>	<u>7,173</u>	<u>-</u>	<u>-</u>	<u>325,386</u>	<u>7,173</u>
	<u>\$1,298,389</u>	<u>\$ 30,687</u>	<u>\$424,602</u>	<u>\$ 4,015</u>	<u>\$1,722,991</u>	<u>\$ 34,702</u>

# UNITED WAY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

(With Summarized Financial Information for June 30, 2015)

### 3. Investments (Continued)

At June 30, 2016, unrealized losses consist of sixteen equity securities and four mutual funds.

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, 2016 within the marketable equity securities are due to temporary market fluctuations. 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, 2016 and 2015, the Organization's beneficial interest in perpetual trust is \$1,117,715 and \$1,195,264, respectively.

### 5. Net Assets

Unrestricted net assets at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Undesignated	\$1,945,384	\$2,189,488
Board designated – endowment	<u>4,024,895</u>	<u>4,199,185</u>
	<u>\$5,970,279</u>	<u>\$6,388,673</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

June 30, 2016

(With Summarized Financial Information for June 30, 2015)

**5. Net Assets (Continued)**

Temporarily restricted net assets are available for the following purposes at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Campaign contributions	\$3,494,927	\$2,948,187
Endowment Funds (including unrealized gains)	1,287,600	1,427,577
Grant Funds	172,853	176,507
211 Maine	670,707	538,003
How Fund	<u>9,766</u>	<u>9,767</u>
	<u>\$5,635,853</u>	<u>\$5,100,041</u>

Permanently restricted net assets at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Beneficial interest in perpetual trust – How (note 4)	\$1,117,715	\$1,195,264
Endowment Funds	<u>1,981,882</u>	<u>1,940,748</u>
	<u>\$3,099,597</u>	<u>\$3,136,012</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 \$142,725 at June 30, 2016 and \$150,359 at June 30, 2015.

**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 2016 and 2015) 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 2016 and 2015 was \$78,366 and \$65,087, respectively.

**UNITED WAY, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

(With Summarized Financial Information for June 30, 2015)

**7. Calculation of Operating Expense Ratio**

	<u>2016</u>	<u>2015</u>
Supporting services:		
Fundraising	\$ 991,325	\$ 1,138,724
Management and general	<u>700,415</u>	<u>739,389</u>
Total supporting services	<u>\$1,691,740</u>	<u>\$1,878,113</u>
Revenue:		
Campaign results, net	\$7,582,093	\$6,837,199
Gifts and bequests	41,334	17,819
Grant and other revenue	1,090,913	1,119,454
Investment income	192,024	258,112
Realized gains on investments	<u>57,284</u>	<u>169,094</u>
Total revenue	<u>\$8,963,648</u>	<u>\$8,401,678</u>
Operating expense ratio	<u>18.9%</u>	<u>22.4%</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 \$5.3 and \$5.6 million in out-of-area pledges in 2016 and 2015, 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>2016</u>	<u>2015</u>
Supporting services:		
Fundraising	\$ 991,325	\$ 1,138,724
Management and general	<u>700,415</u>	<u>739,689</u>
Total supporting services	<u>\$ 1,691,740</u>	<u>\$ 1,878,413</u>
Revenue:		
Sources listed above	\$ 8,963,648	\$ 8,401,678
Out-of-area pledges	5,259,177	5,599,343
211 Maine revenue	<u>948,658</u>	<u>941,362</u>
Total sources	<u>\$15,171,483</u>	<u>\$14,942,383</u>
Operating expense ratio	<u>11.2%</u>	<u>12.6%</u>

**UNITED WAY, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

(With Summarized Financial Information for June 30, 2015)

**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 \$208,417 and \$205,023 for the years ended June 30, 2016 and 2015, respectively.

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

2017	\$211,188
2018	211,188
2019	211,188
2020	<u>211,188</u>
	<u>\$844,752</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 2012.

**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, 2017 (subject to termination by either party in certain events). The Opportunity Alliance provides call center services and other administrative services for 211 Maine. Expenses for these services totaled \$986,720 and \$1,053,921 in fiscal 2016 and 2015, respectively. At June 30, 2016 and 2015, 211 Maine had a payable to The Opportunity Alliance of \$74,752 and \$186,503, respectively.

## UNITED WAY, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

(With Summarized Financial Information for June 30, 2015)

#### 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, 2016 and 2015.

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, 2016

(With Summarized Financial Information for June 30, 2015)

**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, 2016 and 2015:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2016</u>				
Marketable equity securities:				
Basic industry	\$ 344,996	\$ 344,996	\$ —	\$ —
Consumer products	1,836,782	1,836,782	—	—
Energy	288,993	288,993	—	—
Financial institutions	868,848	868,848	—	—
Technology	622,450	622,450	—	—
U.S. Treasury notes and obligations of government agencies	521,102	—	521,102	—
Mutual funds:				
Foreign equity funds	881,061	881,061	—	—
Domestic equity funds	373,743	373,743	—	—
Money market accounts	188,199	188,199	—	—
Corporate bonds	<u>1,488,685</u>	<u>—</u>	<u>1,488,685</u>	<u>—</u>
	<u>\$7,414,859</u>	<u>\$5,405,072</u>	<u>\$2,009,787</u>	<u>\$ —</u>
 <u>2015</u>				
Marketable equity securities:				
Basic industry	\$ 367,183	\$ 367,183	\$ —	\$ —
Consumer products	1,607,820	1,607,820	—	—
Energy	382,137	382,137	—	—
Financial institutions	879,028	879,028	—	—
Technology	1,121,688	1,121,688	—	—
U.S. Treasury notes and obligations of government agencies	632,953	—	632,953	—
Mutual funds:				
Foreign equity funds	834,864	834,864	—	—
Domestic equity funds	425,984	425,984	—	—
Money market accounts	168,946	168,946	—	—
Corporate bonds	<u>1,275,021</u>	<u>—</u>	<u>1,275,021</u>	<u>—</u>
	<u>\$7,695,624</u>	<u>\$5,787,650</u>	<u>\$1,907,974</u>	<u>\$ —</u>