

MIDDLESEX UNITED WAY, INC.

FINANCIAL STATEMENTS AND  
ADDITIONAL INFORMATION AND  
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2017 AND 2016

MIDDLESEX UNITED WAY, INC.

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CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9
ADDITIONAL INFORMATION:	
Schedule I - Schedule of Community Partner Grants	23
Schedule II - Schedule of Special Allocations and Other Distributions	24
Schedule III - Schedule of Donor Designations	25

## Independent Auditor's Report

To the Audit Committee and  
Board of Directors  
Middlesex United Way, Inc.  
Middletown, Connecticut

We have audited the accompanying financial statements of Middlesex United Way, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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 Middlesex United Way, Inc. as of June 30, 2017 and 2016, 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.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information on pages 23-25 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Mahoney Sabol + Company, LLP*

Certified Public Accountants  
Glastonbury, Connecticut  
October 4, 2017

MIDDLESEX UNITED WAY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 166,373	\$ 177,900
Campaign pledges receivable, net of allowance of \$125,000 at June 30, 2017 and 2016	420,572	510,208
Investments	1,241,360	1,313,839
Investments held for endowment purposes	194,011	185,670
Beneficial interests in trusts	633,173	602,524
Property and equipment, net	26,693	12,103
Other assets	12,445	10,225
	<u>\$ 2,694,627</u>	<u>\$ 2,812,469</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Line of credit	\$ -	\$ 80,000
Accounts payable and accrued expenses	109,757	73,079
Deferred revenue	8,750	7,500
Community partners payable	642,051	740,078
Donor designations payable, net	136,119	157,820
Capital lease payable	14,025	-
	<u>910,702</u>	<u>1,058,477</u>
NET ASSETS:		
Unrestricted	916,976	923,180
Temporarily restricted	85,113	79,625
Permanently restricted:		
Endowment	148,663	148,663
Beneficial interest in trusts	633,173	602,524
	<u>781,836</u>	<u>751,187</u>
	<u>1,783,925</u>	<u>1,753,992</u>
	<u>\$ 2,694,627</u>	<u>\$ 2,812,469</u>

See notes to financial statements.

MIDDLESEX UNITED WAY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT:</b>				
Current-year campaign contributions:				
Total amounts raised	1,226,073	\$ -	\$ -	\$ 1,226,073
Less: amounts raised on behalf of others	(267,353)	-	-	(267,353)
Total contributions	958,720	-	-	958,720
Less: provision for uncollectible pledges	(80,000)	-	-	(80,000)
Prior year campaign contributions	120,709	-	-	120,709
Net campaign revenue	999,429	-	-	999,429
Other revenue and support:				
ALICE campaign	5,970	-	-	5,970
Amounts raised by other agencies	137,057	-	-	137,057
Service fee revenue	60,836	-	-	60,836
Other contributions	11,348	56,747	-	68,095
Net assets released from restriction	66,707	(66,707)	-	-
Total other revenue and support	281,918	(9,960)	-	271,958
Total revenue and support	1,281,347	(9,960)	-	1,271,387
<b>DISTRIBUTIONS AND EXPENSES:</b>				
Distributions:				
Community partners	642,051	-	-	642,051
Special allocations and other distributions	93,305	-	-	93,305
Payments to affiliated organizations	25,020	-	-	25,020
Total distributions	760,376	-	-	760,376
Expenses:				
Program services	346,818	-	-	346,818
Support services:				
Fundraising expenses	155,713	-	-	155,713
Management and general expenses	205,259	-	-	205,259
Total program and support services	707,790	-	-	707,790
Total distributions and expenses	1,468,166	-	-	1,468,166
Change in net assets from operations	(186,819)	(9,960)	-	(196,779)
<b>INVESTMENT INCOME:</b>				
Net investment income	9,030	-	-	9,030
Investment income - beneficial trusts	27,774	-	-	27,774
Net increase in trust values	-	-	30,649	30,649
Net realized and unrealized gain on investments	143,811	15,448	-	159,259
Total investment income	180,615	15,448	30,649	226,712
Change in net assets	(6,204)	5,488	30,649	29,933
<b>NET ASSETS:</b>				
Beginning of year	923,180	79,625	751,187	1,753,992
End of year	<u>\$ 916,976</u>	<u>\$ 85,113</u>	<u>\$ 781,836</u>	<u>\$ 1,783,925</u>

See notes to financial statements.

MIDDLESEX UNITED WAY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT:</b>				
Current-year campaign contributions:				
Total amounts raised	1,301,057	\$ -	\$ -	\$ 1,301,057
Less: amounts raised on behalf of others	(293,894)	-	-	(293,894)
Total contributions	1,007,163	-	-	1,007,163
Less: provision for uncollectible pledges	(80,000)	-	-	(80,000)
Prior year campaign contributions	86,420	-	-	86,420
Net campaign revenue	1,013,583	-	-	1,013,583
Other revenue and support:				
ALICE campaign	22,975	-	-	22,975
Amounts raised by other agencies	169,203	-	-	169,203
Service fee revenue	46,679	-	-	46,679
Other contributions	14,613	43,518	-	58,131
Net assets released from restriction	101,061	(101,061)	-	-
Total other revenue and support	354,531	(57,543)	-	296,988
Total revenue and support	1,368,114	(57,543)	-	1,310,571
<b>DISTRIBUTIONS AND EXPENSES:</b>				
Distributions:				
Community partners	740,078	-	-	740,078
Special allocations and other distributions	102,756	-	-	102,756
Payments to affiliated organizations	28,007	-	-	28,007
Total distributions	870,841	-	-	870,841
Expenses:				
Program services	326,902	-	-	326,902
Support services:				
Fundraising expenses	177,664	-	-	177,664
Management and general expenses	206,090	-	-	206,090
Total program and support services	710,656	-	-	710,656
Total distributions and expenses	1,581,497	-	-	1,581,497
Change in net assets from operations	(213,383)	(57,543)	-	(270,926)
<b>INVESTMENT INCOME (LOSS):</b>				
Net investment income	16,856	-	-	16,856
Investment income - beneficial trusts	27,240	-	-	27,240
Net decrease in trust values	-	-	(35,523)	(35,523)
Net realized and unrealized gain (loss) on investments	(46,839)	5,999	-	(40,840)
Total investment income (loss)	(2,743)	5,999	(35,523)	(32,267)
Change in net assets	(216,126)	(51,544)	(35,523)	(303,193)
<b>NET ASSETS:</b>				
Beginning of year	1,139,306	131,169	786,710	2,057,185
End of year	\$ 923,180	\$ 79,625	\$ 751,187	\$ 1,753,992

See notes to financial statements.

MIDDLESEX UNITED WAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 208,822	\$ 93,757	\$ 123,588	\$ 426,167
Employee benefits	26,046	11,694	15,415	53,156
Payroll taxes	16,974	7,621	10,046	34,641
Total salaries and related expenses	<u>251,842</u>	<u>113,072</u>	<u>149,049</u>	<u>513,964</u>
Professional fees	19,191	8,616	11,358	39,165
Occupancy	17,861	8,019	10,571	36,450
Supplies	12,936	5,808	7,656	26,400
Marketing and advertising	10,589	4,754	6,267	21,611
Rental and maintenance of equipment	8,669	3,892	5,131	17,692
Conferences, conventions and meetings	4,815	2,162	2,850	9,827
Insurance	3,844	1,726	2,275	7,845
Postage and shipping	3,621	1,626	2,143	7,389
Travel and parking	3,380	1,517	2,000	6,897
Miscellaneous	2,197	986	1,300	4,483
Telephone	2,124	953	1,257	4,334
Printing and publications	2,008	902	1,188	4,098
Total expenses before depreciation and amortization	<u>343,077</u>	<u>154,033</u>	<u>203,045</u>	<u>700,155</u>
Depreciation and amortization	<u>3,741</u>	<u>1,680</u>	<u>2,214</u>	<u>7,635</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 346,818</u></u>	<u><u>\$ 155,713</u></u>	<u><u>\$ 205,259</u></u>	<u><u>\$ 707,790</u></u>

See notes to financial statements.



MIDDLESEX UNITED WAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 201,581	\$ 109,555	\$ 127,084	438,220
Employee benefits	27,503	14,947	17,339	59,789
Payroll taxes	<u>16,397</u>	<u>8,911</u>	<u>10,337</u>	<u>35,645</u>
Total salaries and related expenses	245,481	133,413	154,760	533,654
Occupancy	16,284	8,850	10,266	35,400
Marketing and advertising	13,655	7,421	8,608	29,684
Professional fees	10,387	5,646	6,549	22,582
Supplies	9,893	5,377	6,237	21,507
Rental and maintenance of equipment	7,233	3,932	4,561	15,726
Insurance	4,471	2,429	2,818	9,718
Printing and publications	3,815	2,073	2,405	8,293
Postage and shipping	3,561	1,935	2,245	7,741
Travel and parking	3,010	1,636	1,897	6,543
Conferences, conventions and meetings	2,560	1,391	1,614	5,565
Telephone	2,003	1,089	1,263	4,355
Miscellaneous	<u>1,542</u>	<u>838</u>	<u>972</u>	<u>3,352</u>
Total expenses before depreciation and amortization	323,895	176,030	204,195	704,120
Depreciation and amortization	<u>3,007</u>	<u>1,634</u>	<u>1,895</u>	<u>6,536</u>
<b>TOTAL EXPENSES</b>	<u>\$ 326,902</u>	<u>\$ 177,664</u>	<u>\$ 206,090</u>	<u>\$ 710,656</u>

See notes to financial statements.

MIDDLESEX UNITED WAY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 29,933	\$ (303,193)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Allowance for uncollectible pledges	-	(15,000)
Depreciation and amortization	7,635	6,536
Net realized and unrealized (gains) losses on investments	(159,259)	40,840
Net (increase) decrease in trust values	(30,649)	35,523
Cash received from agency transactions	35,470	6,492
(Increase) decrease in operating assets:		
Campaign pledges receivable	89,636	69,355
Other assets	(2,220)	10,267
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,208	2,675
Deferred revenue	1,250	(1,500)
Community partners payable	(98,027)	(35,115)
Donor designations payable	(21,701)	(12,381)
NET CASH USED IN OPERATING ACTIVITIES	<u>(146,724)</u>	<u>(195,501)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(18,430)	(19,713)
Proceeds from sale of investments	241,827	125,882
Purchase of property and equipment	(5,725)	(811)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>217,672</u>	<u>105,358</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (payments on) line of credit	(80,000)	80,000
Payments on capital lease payable	(2,475)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(82,475)</u>	<u>80,000</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,527)	(10,143)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>177,900</u>	<u>188,043</u>
End of year	<u>\$ 166,373</u>	<u>\$ 177,900</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

During the year ended June 30, 2017, the Organization entered into a capital lease for equipment, totaling \$16,500; accordingly, this was excluded from both investing and financing activities.

See notes to financial statements.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES:

Organization:

Middlesex United Way, Inc. (the Organization) is an incorporated nonprofit organization. The Organization provides funding, collaborative effort, technical assistance and volunteer support to health and human service programs and agencies addressing community needs throughout Middlesex County, Connecticut.

The following is a summary of significant accounting and reporting policies employed by the Organization:

Method of Accounting:

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Financial Statement Presentation:

The financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205. Under FASB ASC 958-205, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, the accounts of the Organization are reported in the following net asset categories:

Unrestricted Net Assets:

Unrestricted net assets represent available resources other than donor restricted contributions. Included in unrestricted net assets are grants and contracts which may be earmarked for specific purposes.

Temporarily Restricted Net Assets:

Temporarily restricted net assets represent contributions and grants that are restricted by the donor / grantor either as to purpose or time of expenditure (See Note 9).

Permanently Restricted Net Assets:

Permanently restricted net assets represent donor restricted gifts and bequests to provide a permanent source of income which could be used to fund general Organization activities (See Note 10).

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued):

Promises to Give:

Contributions are recognized as revenue when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions:

The Organization records contributions according to FASB ASC 958-605. In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Donated Property and Equipment:

Donations of property and equipment are recorded as support at their estimated fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. In the absence of donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributed Services:

For the years ended June 30, 2017 and 2016, \$16,225 and \$15,500, respectively, has been recognized as revenue in the financial statements for contributed services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations and various committee assignments. No amounts have been recorded in the financial statements for these donated volunteer services since the services do not require any specialized skills. Nevertheless, a substantial number of volunteers have donated significant amounts of time in the management and fund raising efforts of the Organization.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued):

Use of Estimates:

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents:

The Organization considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

Campaign Pledges Receivable:

Campaign pledges receivable represent unconditional promises to give. A contribution in the form of an unconditional promise to give is recognized as revenue by the Organization in the period in which the promise is received. Material campaign pledges receivable that are expected to be collected in future years, if any, are recorded at the present value of estimate future cash flows. When necessary, an allowance for campaign pledges receivable is recorded based on management's evaluation of potential uncollectible unconditional promises at year-end (See Note 2).

Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or expense, including gains and losses (both realized and unrealized) on investments, interest and dividends are included in the statement of activities as increases or decreases in unrestricted net assets unless donor or other relevant law directs otherwise. Any losses that are donor restricted for an endowment fund should first reduce temporarily restricted net assets, any remaining losses should reduce unrestricted net assets. Subsequent gains should be recorded as increases in unrestricted net assets until the total amount of gains offsets the amount of the losses previously recorded as decreases in unrestricted net assets.

Donated investments are reflected as contributions at their market values at date of receipt.

Endowment:

The Organization follows FASB ASC 958-205 which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). A key component of FASB ASC 958-205 is a requirement to classify the portion of investment return from donor-restricted endowment funds that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure (See Note 5). The Organization's endowment assets are held at the Community Foundation of Middlesex County (CFMC).

MIDDLESEX UNITED WAY, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued):

Fair Value of Financial Instruments:

The Organization has a number of financial instruments and none are held for trading purposes. The Organization estimates that the fair value of all financial instruments as of June 30, 2017 and 2016 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The Organization, using available market information and appropriate valuation methodologies, has determined the estimated fair value amounts (See Note 13). Considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Property and Equipment:

Expenditures for office equipment and furniture and the fair value of donated assets are capitalized on the statement of financial position. Depreciation is computed over the estimated useful lives of the assets which are between five and seven years using the straight-line method. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized; expenditures for maintenance and repairs are charged to expense as incurred.

Income Tax:

The Organization is a Connecticut not-for-profit corporation exempt from federal income tax under Section 501(c)(3) of the United States of America Internal Revenue Code. Accordingly, no provision for income taxes has been provided in the accompanying financial statements. The Organization files an informational return in the US Federal jurisdiction. The Organization is no longer subject to US Federal income tax examinations by tax authorities for years before 2014.

Functional Expenses:

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Marketing and Advertising:

Marketing and advertising costs are expensed as incurred. Such costs totaled \$21,611 and \$29,684 for the years ended June 30, 2017 and 2016, respectively.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued):

Agency Transactions:

Funds received and disbursed by the Organization which are considered agency transactions are recorded as increases and decreases to the appropriate asset and liability accounts rather than increases and decreases in the Organization's net assets.

Donor Designated Pledges:

The expenses associated with processing donor designated pledges are recovered by an assessment for both fundraising and management and general fees based on actual historical costs in accordance with the United Way of America Membership Standards as outlined in their publication titled *United Way of America Cost Deduction Requirements for Membership Standard M*.

Leases:

Leases which meet certain criteria are classified as capital leases, and assets and liabilities are recorded at amounts equal to the lesser of the present value of the minimum lease payments or the fair value of the leased properties at the beginning of the respective lease terms. Leases that do not meet such criteria are classified as operating leases and related rentals are charged to expense as incurred.

Reclassifications:

Certain amounts as of June 30, 2016 have been reclassified to conform to the June 30, 2017 presentation. The reclassifications have no material effect on the financial statements.

Subsequent Events:

Management has evaluated subsequent events through October 4, 2017, the date which the financial statements were available for issue.

NOTE 2 – CAMPAIGN PLEDGES RECEIVABLE:

Campaign pledges receivable consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Campaign 2017	\$ 488,786	\$ -
Campaign 2016	56,786	580,008
Campaign 2015	-	52,303
Campaign 2014	-	2,897
Total receivable	<u>545,572</u>	<u>635,208</u>

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 2 – CAMPAIGN PLEDGES RECEIVABLE (Continued):

Allowance for uncollectible pledges:

Campaign 2017	\$ 80,000	\$ -
Campaign 2016	45,000	80,000
Campaign 2015	<u>-</u>	<u>45,000</u>
Total allowance	<u>125,000</u>	<u>125,000</u>
Net campaign pledges receivable	<u>\$ 420,572</u>	<u>\$ 510,208</u>

It is the Organization's policy to establish an allowance for uncollectible pledges based on a percentage of annual campaign support. This percentage is reviewed annually and adjusted when necessary based on actual collections and present economic conditions. For the 2017 campaign, an allowance of approximately 6% was used. An allowance of approximately 5% is being used for the 2016 campaign. The pledges receivable at June 30, 2017 and 2016 are all due within one year.

NOTE 3 – CONCENTRATIONS OF CREDIT RISK:

Concentration of Credit Risk Due to Geographical Location:

The Organization receives substantially all of its pledges from businesses and individuals located in Middlesex County, Connecticut. Collection of these pledges is therefore affected by local economic conditions.

Concentration of Credit and Market Risk:

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is not limited to any one institution. The Organization has not experienced any losses on its cash equivalents. The Organization maintains its cash balances at several financial institutions in Connecticut. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times during the years ended June 30, 2017 and 2016, cash may have exceeded the coverage limit. At June 30, 2017 and 2016, there were no uninsured cash balances.

The Organization, using available market information and appropriate valuation methodologies, has determined the estimated fair market values (See Note 13). Considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.



MIDDLESEX UNITED WAY, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 3 – CONCENTRATIONS OF CREDIT RISK (Continued):

Concentration of Credit Risk Due to Major Donors:

For the 2017 campaign, approximately 16% and 16% of the Organization’s support was provided by contributions from two local corporations through its employee campaign and corporate gifts.

For the 2016 campaign, approximately 19% and 15% of the Organization’s support was provided by contributions from two local corporations through its employee campaign and corporate gifts.

NOTE 4 – INVESTMENTS:

Investments are carried at the quoted market value. Cost and unrealized appreciation is as follows at June 30:

<u>2017</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cumulative Unrealized Gain</u>
Marketable securities	\$ 825,602	\$ 1,241,360	\$ 415,758
Endowment – CFMC	<u>148,663</u>	<u>194,011</u>	<u>45,348</u>
	<u>\$ 974,265</u>	<u>\$ 1,435,371</u>	<u>\$ 461,106</u>
 <u>2016</u>	 <u>Cost</u>	 <u>Market Value</u>	 <u>Cumulative Unrealized Gain</u>
Marketable securities	\$ 968,368	\$ 1,313,839	\$ 345,471
Endowment – CFMC	<u>148,663</u>	<u>185,670</u>	<u>37,007</u>
	<u>\$ 1,117,031</u>	<u>\$ 1,499,509</u>	<u>\$ 382,478</u>

Marketable securities consist of various common stocks and mutual funds with readily determinable fair values. Endowment investments consist of a variety of mutual funds that are allocated between stock and fixed income funds. Endowment – CFMC investments consist of funds held by CFMC. Expenses related to investment revenues, including custodial fees and investment advisory fees, amount to \$9,400 and \$10,338 for the years ended June 30, 2017 and 2016, respectively, and have been netted against investment revenues in the accompanying statements of activities.

MIDDLESEX UNITED WAY, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 4 – INVESTMENTS (Continued):

Investment income is comprised of the following for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Dividend income	\$ 18,430	\$ 27,194
Investment advisory fees	(9,400)	(10,338)
Net unrealized gain (loss) on investments	120,191	(83,451)
Net realized gain on sale of investments	<u>39,068</u>	<u>42,611</u>
Total investment return	<u>\$ 168,289</u>	<u>\$ (23,984)</u>

NOTE 5 – ENDOWMENT FUNDS:

As approved by the Board of Directors, the Organization's donor-restricted endowments are invested with CFMC. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization classifies as permanently restricted net assets the original value of the gifts donated and the original value of subsequent gifts, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund held at CFMC that is not classified as permanently restricted is classified as temporarily restricted net assets. The Board of Directors has approved a spending policy whereby a portion of interest and dividends on donor-restricted endowment funds are appropriated for expenditure annually.

CFMC, as custodian, has full discretion for the investment of funds classified as permanently restricted and unrestricted. The investments are governed by investment policies of the CFMC and their investment committee. The Organization considers the following factors in making a determination to accumulate or appropriate the unrestricted portion of these endowment funds:

1. Duration and preservation of the fund,
2. the purpose of the organization and the donor-restricted endowment fund,
3. general economic conditions
4. the possible effect of inflation and deflation,
5. the expected total return from income and appreciation in value, and
6. other resources of the organization.

MIDDLESEX UNITED WAY, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 5 – ENDOWMENT FUNDS (Continued):

The following summarizes changes in endowment net assets for the year ended June 30:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 01, 2015	\$ 38,699	\$ 148,663	\$ 187,362
Investment earnings	5,999	-	5,999
Appropriation	<u>(7,691)</u>	<u>-</u>	<u>(7,691)</u>
Endowment net assets, June 30, 2016	37,007	148,663	185,670
Investment earnings	15,448	-	15,448
Appropriation	<u>(7,107)</u>	<u>-</u>	<u>(7,107)</u>
Endowment net assets June 30, 2017	<u>\$ 45,348</u>	<u>\$ 148,663</u>	<u>\$ 194,011</u>

NOTE 6 – PROPERTY AND EQUIPMENT:

As of June 30, 2017 and 2016, property and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>
Property and equipment	\$ 72,404	\$ 56,162
Software	15,452	16,008
Accumulated depreciation and amortization	<u>(61,163)</u>	<u>(60,067)</u>
	<u>\$ 26,693</u>	<u>\$ 12,103</u>

NOTE 7 – LINE OF CREDIT:

The Organization has a revolving line of credit from a financial institution which carries a limit of \$200,000 with a variable interest rate at the prime rate (4.75% and 4.00% at June 30, 2017 and 2016). Interest on the line of credit is payable monthly. At June 30, 2017 and 2016, there was an outstanding balance of \$0- and \$80,000 respectively, on the line of credit.

NOTE 8 – DONOR DESIGNATIONS PAYABLE:

Donor designations represent cash contributions the Organization received that were passed through to the appropriate agency as specified by the donor. The total donor designated pledges received during the current year campaign will be paid in the following fiscal year as the funds are received. For the years ending June 30, 2017 and 2016, donor designations payable on the statement of financial position are stated net of the related service fees of \$22,288 and \$25,684, respectively.

MIDDLESEX UNITED WAY, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 9 – TEMPORARILY RESTRICTED ASSETS:

Substantially all of the restrictions on temporarily restricted assets relate to restrictions on funds received for ongoing activities. Temporarily restricted net assets consist of following at June 30:

	<u>2017</u>	<u>2016</u>
Earnings from endowment	\$ 45,348	\$ 37,007
Women's initiative program	26,510	19,875
Homelessness prevention	10,959	4,982
Young leaders group	2,296	3,324
Hurricane Sandy recovery fund	<u>-</u>	<u>14,437</u>
Total temporarily restricted net assets	<u>\$ 85,113</u>	<u>\$ 79,625</u>

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets consist of following at June 30:

	<u>2017</u>	<u>2016</u>
Endowment funds	\$ 148,663	\$ 148,663
Beneficial interest in trust	<u>633,173</u>	<u>602,524</u>
Total permanently restricted net assets	<u>\$ 781,836</u>	<u>\$ 751,187</u>

Endowment funds consist of donations that were permanently restricted by the donor, the income from which is available to support the Organization. The funds are currently being held at CFMC.

The Organization has been the recipient of several perpetual trusts held by various financial institutions. The trust agreements indicate that the Organization has the irrevocable right to receive the income earned on the trust assets in perpetuity.

The Organization will never receive the assets of the trust so the trusts are therefore recorded as permanently restricted net assets. The trusts are recorded at fair market value as determined by the Trustees. For the years ended June 30, 2017 and 2016, current distributions from the trusts of \$27,774 and \$27,240 respectively, are included in unrestricted assets as investment income. The change in the fair market value in excess of distributions of \$30,649 and \$(35,522), respectively, is recorded in permanently restricted assets as net increase (decrease) in trust values.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 11 – PENSION PLAN:

The Organization has a defined contribution pension plan in place covering substantially all employees. The Organization's contribution is based on 7% of each eligible participant's monthly compensation as defined by the Plan. Employees are fully and immediately vested in all contributions from their date of participation in the Plan. Pension expense amounted to \$34,386 and \$35,340 the years ending June 30, 2017 and 2016, respectively and is included in employee benefits on the statements of functional expenses.

NOTE 12 – LEASES:

During the year ended June 30, 2017, the Organization entered into a non-interest bearing lease for computer equipment. The lease calls for a monthly payment of \$275. This obligation is treated as a capital lease and has been recorded in the accompanying financial statements at the value of future minimum payments. The capitalized cost of \$16,500 less accumulated depreciation of \$2,475 is included in property and equipment at June 30, 2017. Depreciation expense relating to this equipment totaled \$2,475 for the year ended June 30, 2017. Total payments made for the year ended June 30, 2017 related to this lease totaled \$2,475. The balance on the capital lease totaled \$14,025 at June 30, 2017.

In December 2002, the Organization entered into a lease for the rental of their offices. In September 2012, the Organization extended its lease on office space for six years commencing on December 1, 2012 and expiring on November 30, 2018. Effective December 1, 2012, the base rent was \$2,825 per month, increasing to \$2,950 per month on December 1, 2014, and increasing to \$3,100 per month on December 1, 2016. Rental expense for each of the years ended June 30, 2017 and 2016 totaled \$36,450 and \$35,400, respectively.

The Organization leases office equipment under operating leases that expire at various times through 2020. For the years ended June 30, 2017 and 2016, expense under these leases amounted to \$7,104 and \$7,104, respectively.

Future minimum lease payments for each of the years succeeding June 30, 2017 and 2016 under the non-cancelable operating leases are as follows:

<u>Year</u>	<u>Capital Lease</u>	<u>Operating Lease</u>	<u>Total</u>
2018	\$ 3,300	\$ 19,808	\$ 23,108
2019	3,300	4,308	7,608
2020	3,300	4,308	7,608
2021	3,300	1,077	4,377
2022	<u>825</u>	<u>-</u>	<u>825</u>
Total	<u>\$ 14,025</u>	<u>\$ 29,501</u>	<u>\$ 43,526</u>

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 13 – FAIR VALUE MEASUREMENTS:

The Organization follows FASB ASC 820, *Fair Value Measurements and Disclosures*, which established a framework for identifying and measuring fair value. FASB ASC 820 provides a fair value hierarchy, giving the highest priority to quoted prices in active markets, and is also applied to fair value measurements of derivative contracts that are subject to mark to market accounting and other assets and liabilities reported at fair value.

FASB ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. 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.

FASB ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and established a fair value hierarchy that distinguishes between assumptions based on market data obtained from independent sources and those based on the entity's own assumptions. The hierarchy prioritizes the inputs to fair value measurements into three levels.

The following section describes the valuation methodologies used by the Organization to measure different financial instruments (See Note 6) at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified. Where appropriate, the description includes the details of the valuation models, the key inputs to those models, and any significant assumptions.

*Level 1* – measurements utilize unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access. These consist primarily of listed equity securities; exchange traded fixed income securities, derivatives and certain U.S. government treasury securities.

*Level 2* – measurements include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable inputs such as interest rates and yield curves that are observable at commonly quoted intervals. These consist primarily of non-exchange traded derivatives such as swaps, forward contracts of options and most fixed income securities.

*Level 3* – measurements use unobservable inputs for assets or liabilities, are based on the best information available and might include the entity's own data. In some valuations, the inputs used may fall into different levels of hierarchy. In these cases, the financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These consist mainly of assets and liabilities valued through an internal modeling process.

Available-for-Sale Securities – the Organization uses pricing computed by the custodian based on the quoted market prices of the securities underlying accounts to determine fair value for these classes of securities. Since these financial assets consist of exchange traded fixed income and equity securities, they are classified in Level 1 of the financial hierarchy.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 13 – FAIR VALUE MEASUREMENTS (Continued):

Endowment – CFMC – the Organization’s investments held at CFMC consist of a variety of stock and fixed income mutual funds. The fair value of the assets are determined from information provided by CFMC based on the Organization’s undivided interests in the portfolio. A substantial portion of the underlying assets at CFMC are measured at fair value using Level 1 and Level 2 inputs.

Beneficial interest in trusts – the Organization’s beneficial interest in trusts is valued based upon their undivided interests in these portfolios held by the respective trust. A substantial portion of the underlying assets are measured at fair value using Level 1 and Level 2 inputs.

The following tables present information about the Organization’s respective assets measured at fair value on a recurring basis at June 30, 2017 and 2016, including the fair value measurements and the level of inputs used in determining those fair values:

June 30, 2017:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in trusts	\$ –	\$ –	\$ 633,173	\$ 633,173
Available-for-Sale Securities:				
Fixed income	551,394	–	–	551,394
Equity large cap	177,338	–	–	177,338
Equity mid-cap	152,465	–	–	152,465
Equity international	174,831	–	–	174,831
Equity small cap	155,589	–	–	155,589
Fixed income international	29,743	–	–	29,743
Endowment - CFMC	<u>–</u>	<u>194,011</u>	<u>–</u>	<u>194,011</u>
	<u>\$ 1,241,360</u>	<u>\$ 194,011</u>	<u>\$ 633,173</u>	<u>\$ 2,068,544</u>

June 30, 2016:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in trusts	\$ –	\$ –	\$ 602,524	\$ 602,524
Available-for-Sale Securities:				
Fixed income	489,936	–	–	489,936
Equity large cap	267,650	–	–	267,650
Equity mid-cap	222,667	–	–	222,667
Equity international	156,065	–	–	156,065
Equity small cap	122,664	–	–	122,664
Fixed income international	54,857	–	–	54,857
Endowment - CFMC	<u>–</u>	<u>185,670</u>	<u>–</u>	<u>185,670</u>
	<u>\$ 1,313,839</u>	<u>\$ 185,670</u>	<u>\$ 602,524</u>	<u>\$ 2,102,033</u>

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 13 – FAIR VALUE MEASUREMENTS (Continued):

Transfers between Levels 1 and 2 generally relate to whether a market becomes active or inactive. Transfers between Levels 2 and 3 generally relate to whether, for various reasons, significant inputs become observable or unobservable. During the years ended June 30, 2017 and 2016, there were no significant transfers into and out of each level of the fair value hierarchy for assets measured at fair value.

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value positions that the Organization has classified within the Level 3 category. As a result, unrealized gains and losses for assets within the Level 3 category may include changes in fair value that were attributable to both observable and unobservable inputs.

Changes in Level 3 assets measured at fair value were as follows for the years ended June 30, 2017 and 2016:

Balance July 1, 2015	\$ 638,047
Net decrease in trust values	(35,523)
Transfers	-
Balance June 30, 2016	602,524
Net increase in trust values	30,649
Transfers	-
Balance June 30, 2017	<u>\$ 633,173</u>



ADDITIONAL INFORMATION

MIDDLESEX UNITED WAY, INC.

SCHEDULE I - SCHEDULE OF COMMUNITY PARTNER GRANTS

YEARS ENDED JUNE 30, 2017 AND 2016

	Approved <u>2017</u>	Approved <u>2016</u>	Paid <u>2016</u>
Health	\$ 386,993	\$ 447,393	\$ 447,393
Education	105,420	121,820	114,264
Housing	92,903	107,311	107,311
Income	43,635	50,435	50,435
211/ infoline	13,100	13,119	14,204
	<u>\$ 642,051</u>	<u>\$ 740,078</u>	<u>\$ 733,607</u>

MIDDLESEX UNITED WAY, INC.

SCHEDULE II - SCHEDULE OF SPECIAL ALLOCATIONS AND OTHER DISTRIBUTIONS

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Strategic planning	\$ 23,001	\$ 2,000
Women's initiative grant	22,941	17,519
Middlesex County homeless prevention	17,829	23,668
Hurricane Sandy recovery	14,437	48,723
Additional allocations/(unfunded grants)	7,204	3,886
Young leaders group	4,393	3,460
Sponsorship designations	3,500	3,500
	<u>\$ 93,305</u>	<u>\$ 102,756</u>

MIDDLESEX UNITED WAY, INC.

SCHEDULE III - SCHEDULE OF DONOR DESIGNATIONS

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Amazing Grace	\$ 15,706	\$ 22,197
Boy Scouts, Connecticut River Council	2,054	961
Child & Family Agency of Southeastern Connecticut, Inc.	200	240
Clinton Board of Education	3,688	4,869
Clinton Youth & Family Service Bureau	1,866	2,126
Columbus House	208	-
Community Health Center, Inc.	-	103
Connecticut Legal Services	-	52
Connection, Inc.	1,699	850
Connection, Inc. – Eddy Shelter	5,370	2,739
Cromwell Board of Education	332	1,674
Durham / Middlefield Youth & Family Services	2,563	1,354
East Haddam Board of Education – Early Childhood Council	208	260
East Haddam Youth & Family Services	1,452	1,406
East Hampton Board of Education	1,893	1,623
Gateway Counseling Service, Inc.	3,356	3,790
Girl Scouts, Connecticut Trails Council	869	1,352
HOPE Partnership – Old Saybrook	247	619
John J. Driscoll United Labor Agency	320	259
Kuhn Employment Opportunities, Inc.	354	651
Literacy Volunteers - Valley Shore, CT	85	-
MARC: Community Resources	8,695	6,158
Middlesex County Coalition on Housing & Homelessness	1,914	1,764
Middlesex Habitat for Humanity	1,755	3,736
Middletown Adult Education – Even Start	1,023	798
Middletown Youth Services Bureau	2,379	1,616
Northern Middlesex Young Men’s Christian Association	4,850	4,307
Oddfellows Playhouse, Inc.	5,024	7,083
Old Saybrook Youth & Family Services	247	608
Old Saybrook & Family Services – HCHY	659	1,125
Opportunity Knocks Program of Middlesex Hospital	650	1,130
Perinatal Program of Middlesex Hospital	1,309	52
Portland Youth Services	1,195	618
Portland Youth Services – HCHY	2,354	3,020
Regional School District #13 (Durham/Middlefield)	-	326
Regional School District #4 Early Childhood Council	756	130
Rushford Center, Inc.	518	874
St. Luke’s Eldercare Solutions of Central CT	1,979	1,517
Shoreline Soup Kitchens and Pantries	2,774	5,544
Tri-Town Youth Services (Chester, Deep River, Essex) HCHY	467	667
Tri-Town Youth Services (Chester, Deep River, Essex) Early Childhood	-	1,284
United Way of Connecticut – 211	1,957	130
Westbrook Public Schools Healthy Comm./Youth	-	312
Women and Families – Central CT SACS	4,541	4,386
Youth & Family Services of Haddam/Killingworth – Healthy Comm.	780	692
Youth & Family Services of Haddam/Killingworth	250	152
Other Agencies and United Ways	69,861	88,350
	<u>158,407</u>	<u>183,504</u>
Less: Service fees	<u>(22,288)</u>	<u>(25,684)</u>
	<u>\$ 136,119</u>	<u>\$ 157,820</u>