

# DOWNEY, SWEENEY, FITZGERALD & CO., P.C.

CERTIFIED  
PUBLIC  
ACCOUNTANTS



GARY G. FITZGERALD, CPA  
KATHERINE A. LIPPMAN, CPA  
KEITH H. PURCELL, CPA

ROBERT T. CROWLEY, CPA  
EDWARD J. FITZGERALD, CPA  
PAUL A. PENNA, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Hampshire Community United Way  
Northampton, Massachusetts

We have audited the accompanying financial statements of Hampshire Community United Way (a nonprofit organization) which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expense, 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 of 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 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 Hampshire Community United Way as of June 30, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Downey, Sweeney, Fitzgerald + Co., P.C.*

October 27, 2016

**HAMPSHIRE COMMUNITY UNITED WAY**  
**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2016 AND 2015**

**ASSETS**

	<u>2016</u>	(Restated) <u>2015</u>
<b><i>ASSETS</i></b>		
Cash and cash equivalents (Note 14)	\$ 87,619	\$ 148,411
Pledges receivable	605,640	633,478
Less: allowance for uncollectible	(50,000)	(70,000)
Pledges receivable - UMACC	142,135	-
Prepaid expenses	1,738	7,167
Investments (Note 14)	728,403	721,057
Property and equipment, net	<u>66,034</u>	<u>77,008</u>
 Total assets	 <u>\$ 1,581,569</u>	 <u>\$ 1,517,121</u>

***LIABILITIES AND NET ASSETS***

<b><i>LIABILITIES</i></b>		
Designations payable	\$ 73,926	\$ 95,049
Designations payable - UMACC	204,247	-
Accounts payable	3,638	1,697
Accrued expenses	<u>12,774</u>	<u>8,978</u>
 Total liabilities	 <u>294,585</u>	 <u>105,724</u>
 <b><i>NET ASSETS</i></b>		
Unrestricted net assets	1,207,735	1,321,744
Temporarily restricted net assets	13,895	24,299
Permanently restricted net assets	<u>65,354</u>	<u>65,354</u>
 Total net assets	 <u>1,286,984</u>	 <u>1,411,397</u>
 Total liabilities and net assets	 <u>\$ 1,581,569</u>	 <u>\$ 1,517,121</u>

The accompanying notes are an integral part of these financial statements.

**HAMPSHIRE COMMUNITY UNITED WAY**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><i>PUBLIC SUPPORT &amp; REVENUE</i></b>				
Gross campaign results	\$ 1,099,081	\$ -	\$ -	\$ 1,099,081
Less: Donor designated contributions, net	(73,926)	-	-	(73,926)
Less: provision for uncollectible contributions	<u>(10,508)</u>	<u>-</u>	<u>-</u>	<u>(10,508)</u>
Net campaign revenue	<u>1,014,647</u>	<u>-</u>	<u>-</u>	<u>1,014,647</u>
UMACC campaign results, net of service fee	379,144	-	-	379,144
Less: Non-United Way designations	<u>(359,550)</u>	<u>-</u>	<u>-</u>	<u>(359,550)</u>
Designations from UMACC	<u>19,594</u>	<u>-</u>	<u>-</u>	<u>19,594</u>
Total campaign revenue	1,034,241	-	-	1,034,241
Other revenue and gains:				
In-kind contributions	40,951	-	-	40,951
Other contributions	2,601	-	-	2,601
Designations from other United Ways	27,596	-	-	27,596
Service fees	8,557	-	-	8,557
Service fees - UMACC	22,967	-	-	22,967
Special events	24,942	-	-	24,942
Investment income	9,570	(2,304)	-	7,266
Net assets released from restrictions	<u>8,100</u>	<u>(8,100)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,179,525</u>	<u>(10,404)</u>	<u>-</u>	<u>1,169,121</u>
<b><i>EXPENSES</i></b>				
Program Services:				
Gross funds awarded/distributed	743,584	-	-	743,584
Less: Donor designations	<u>(54,623)</u>	<u>-</u>	<u>-</u>	<u>(54,623)</u>
Net funds awarded/distributed	688,961	-	-	688,961
Other program services	345,324	-	-	345,324
Supporting services	247,257	-	-	247,257
United Way Worldwide dues	<u>11,992</u>	<u>-</u>	<u>-</u>	<u>11,992</u>
Total expenses	<u>1,293,534</u>	<u>-</u>	<u>-</u>	<u>1,293,534</u>
Change in net assets	(114,009)	(10,404)	-	(124,413)
Net assets, beginning of year	<u>1,321,744</u>	<u>24,299</u>	<u>65,354</u>	<u>1,411,397</u>
Net assets - end of year	<u>\$ 1,207,735</u>	<u>\$ 13,895</u>	<u>\$ 65,354</u>	<u>\$ 1,286,984</u>

The accompanying notes are an integral part of these financial statements.

**HAMPSHIRE COMMUNITY UNITED WAY**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><i>PUBLIC SUPPORT &amp; REVENUE</i></b>				
Gross campaign results	\$ 1,105,395	\$ 5,000	\$ 9,693	\$ 1,120,088
Less: Donor designated contributions, net	(95,049)	-	-	(95,049)
Less: provision for uncollectible contributions	<u>(10,266)</u>	<u>-</u>	<u>-</u>	<u>(10,266)</u>
Net campaign revenue	1,000,080	5,000	9,693	1,014,773
Other revenue and gains:				
Grants	5,111	-	-	5,111
In-kind contributions	20,686	-	-	20,686
Other contributions	1,567	-	-	1,567
Designations from other United Ways	80,227	-	-	80,227
Service fees	19,318	-	-	19,318
Special events	12,166	-	-	12,166
Investment income	8,437	772	-	9,209
Net assets released from restrictions	<u>8,000</u>	<u>(8,000)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,155,592</u>	<u>(2,228)</u>	<u>9,693</u>	<u>1,163,057</u>
<b><i>EXPENSES</i></b>				
Program Services:				
Gross funds awarded/distributed	733,083	-	-	733,083
Less: Donor designations	<u>(79,547)</u>	<u>-</u>	<u>-</u>	<u>(79,547)</u>
Net funds awarded/distributed	653,536	-	-	653,536
Other program services	305,409	-	-	305,409
Supporting services	234,027	-	-	234,027
United Way Worldwide dues	<u>11,094</u>	<u>-</u>	<u>-</u>	<u>11,094</u>
Total expenses	<u>1,204,066</u>	<u>-</u>	<u>-</u>	<u>1,204,066</u>
Change in net assets	(48,474)	(2,228)	9,693	(41,009)
Net assets, beginning of year	<u>1,370,218</u>	<u>26,527</u>	<u>55,661</u>	<u>1,452,406</u>
Net assets - end of year	<u>\$ 1,321,744</u>	<u>\$ 24,299</u>	<u>\$ 65,354</u>	<u>\$ 1,411,397</u>

HAMPSHIRE COMMUNITY UNITED WAY

STATEMENT OF FUNCTIONAL EXPENSE

FOR THE YEAR ENDED JUNE 30, 2016

	PROGRAM SERVICES			SUPPORT SERVICES				Total
	Community Impact	Other Program	Total Program	Organizational Administrative	Fundraising	UWW Dues	Total Support	
Allocation/Awards	\$ 743,584	-	\$ 743,584	\$ -	\$ -	\$ -	\$ -	\$ 743,584
Less: Donor designations	(54,623)	-	(54,623)	-	-	-	-	(54,623)
Subtotal	688,961	-	688,961	-	-	-	-	688,961
Salaries and wages	162,405	18,639	181,044	59,486	91,673	-	151,159	332,203
Payroll taxes	15,198	1,973	17,171	4,427	8,591	-	13,018	30,189
Employee benefits	19,908	2,968	22,876	13,103	6,340	-	19,443	42,319
Subtotal	197,511	23,580	221,091	77,016	106,604	-	183,620	404,711
Advertising	10,234	-	10,234	1,896	27,452	-	29,348	39,582
Campaign expenses	19,381	-	19,381	239	3,007	-	3,246	22,627
Contract labor	914	-	914	-	-	-	-	914
Dues, fees, and subscriptions	2,176	-	2,176	397	409	11,992	12,798	14,974
Equipment lease, repair and maintenance	12,171	-	12,171	1,638	1,364	-	3,002	15,173
Insurance	2,650	-	2,650	324	306	-	630	3,280
Occupancy	14,254	-	14,254	2,082	1,962	-	4,044	18,298
Office expense	13,876	1,909	15,785	3,507	1,731	-	5,238	21,023
Printing	8,318	-	8,318	-	2,658	-	2,658	10,976
Professional fees	-	-	-	9,100	-	-	9,100	9,100
Program expenses	14,040	6,498	20,538	-	-	-	-	20,538
Travel, training, and conferences	8,078	113	8,191	938	2,498	-	3,436	11,627
Depreciation	8,999	-	8,999	968	1,007	-	1,975	10,974
Other	622	-	622	77	77	-	154	776
	\$ 1,002,185	\$ 32,100	\$ 1,034,285	\$ 98,182	\$ 149,075	\$ 11,992	\$ 259,249	\$ 1,293,534

HAMPSHIRE COMMUNITY UNITED WAY

STATEMENT OF FUNCTIONAL EXPENSE

FOR THE YEAR ENDED JUNE 30, 2015

	PROGRAM SERVICES			SUPPORT SERVICES			Total
	Community Impact	Other Program	Total Program	Organizational Administrative	Fundraising	UWW Dues	
Allocation/Awards	\$ 733,083	\$ -	\$ 733,083	\$ -	\$ -	\$ -	\$ 733,083
Less: Donor designations	(79,547)	-	(79,547)	-	-	-	(79,547)
Subtotal	653,536	-	653,536	-	-	-	653,536
Salaries and wages	151,677	3,583	155,260	68,184	75,467	-	298,911
Payroll taxes	16,611	391	17,002	6,254	8,227	-	31,483
Employee benefits	16,952	591	17,543	13,749	4,576	-	35,868
Subtotal	185,240	4,565	189,805	88,187	88,270	-	366,262
Advertising	22,460	1,000	23,460	158	14,752	-	38,370
Campaign expenses	18,606	2,391	20,997	797	7,156	-	28,950
Contract labor	2,461	-	2,461	180	1,236	-	3,877
Dues, fees, and subscriptions	2,873	-	2,873	622	322	11,094	14,911
Equipment lease, repair and maintenance	13,260	-	13,260	3,155	-	-	16,415
Insurance	2,359	-	2,359	783	-	-	3,142
Occupancy	8,646	-	8,646	2,081	-	-	10,727
Office expense	12,352	-	12,352	6,141	2,710	-	21,203
Printing	5,895	-	5,895	364	4,269	-	10,528
Professional fees	-	-	-	8,900	-	-	8,900
Program expenses	500	7,926	8,426	-	-	-	8,426
Travel, training, and conferences	2,773	19	2,792	295	977	-	4,064
Depreciation	11,550	-	11,550	2,555	-	-	14,105
Other	533	-	533	117	-	-	650
	\$ 943,044	\$ 15,901	\$ 958,945	\$ 114,335	\$ 119,692	\$ 11,094	\$ 1,204,066

The accompanying notes are an integral part of these financial statements.

HAMPSHIRE COMMUNITY UNITED WAY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	(Restated) <u>2015</u>
<b><u>Cash Flows from Operating Activities:</u></b>		
Change in net assets	\$ (124,413)	\$ (41,009)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	10,974	14,105
Realized and unrealized gains on investments	30,081	11,947
Donations of stock	(35,181)	(56,214)
(Increase) decrease in assets:		
Pledges receivable	7,838	3,849
Pledges receivable - UMACC	(142,135)	-
Other receivables	-	8,189
Prepaid expenses and other current assets	5,429	236
Increase (decrease) in liabilities:		
Designations payable	(21,123)	(29,159)
Designations payable - UMACC	204,247	-
Accounts payable	1,941	(3,746)
Accrued expenses	<u>3,796</u>	<u>1,553</u>
Cash used for operating activities	<u>(58,546)</u>	<u>(90,249)</u>
<b><u>Cash Flows from Investing Activities:</u></b>		
Cash paid for purchases of property and equipment	-	(7,620)
Proceeds from sales of investments	120,660	83,215
Cash paid for purchases of investments	<u>(122,906)</u>	<u>(347,415)</u>
Cash used by investing activities	<u>(2,246)</u>	<u>(271,820)</u>
Net change in cash	(60,792)	(362,069)
Cash at beginning of year	<u>148,411</u>	<u>510,480</u>
Cash at end of year	<u>\$ 87,619</u>	<u>\$ 148,411</u>

The accompanying notes are an integral part of these financial statements.



# HAMPSHIRE COMMUNITY UNITED WAY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

### 1. *NATURE OF ACTIVITIES*

The Hampshire Community United Way's (the United Way) goal is to advance the common good through sustaining and strengthening a network of local agencies prepared to respond to the needs of the local and surrounding communities.

This year the United Way served as the Financial Administrator for UMass Amherst's employee giving campaign (UMACC). This involved the receipt, administration and distribution of employee designated contributions to a broad range of charitable organizations.

### 2. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

Method of Accounting - The financial statements have been prepared using the accrual basis of accounting which recognizes income as it is earned and expenses as they are incurred.

Basis of Presentation - The United Way is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents - The United Way considers securities with maturities of three months or less at the time of purchase to be cash equivalents.

Pledges Receivable - Pledges receivable are stated at the amount management expects to collect from outstanding promises to give. Management provides for probable uncollectible amounts through a provision for bad debts and an adjustment to a valuation allowance based upon its assessment of the current status of the account. The allowance for uncollectible pledges for the years ending June 30, 2016 and 2015 was \$50,000 and \$70,000, respectively. The full amount of pledges receivable is collectible within 12 months.

Investment Policy - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. The fair value of the investment is determined by reference to quoted market prices. Investment income or loss (including interest and dividends) and gain on sale of investments are included in the statement of activities as unrestricted unless the income or loss is restricted by the donor or law.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

Property, Equipment and Depreciation - Furniture, fixtures, and equipment in amounts of \$2,500 or more that have a useful life of more than one year are capitalized. Property and equipment are recorded at cost if purchased or at fair market value if donated. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives.

Building	40 years
Office equipment	3 - 10 years
Computer equipment	3 - 7 years

Designations Payable - United Way offers contributors the opportunity to designate their contributions to specific agencies. Contributions over which the United Way has little or no discretion in determining how funds are to be used are considered an agency relationship and, therefore, are a liability of the United Way. Donor choice payable is net of an eighteen percent service fee. UMACC donors choice payable is net of a seven percent service fee.

Campaign Contributions - Annual campaigns commence in the fall of each year to raise support for charitable distributions which are distributed in the next fiscal year. An unconditional promise to give is recognized as revenue at the time of the pledge, net of an allowance for uncollectible amounts.

Contributions with donor-imposed restrictions, such as time or purpose restrictions, are recorded as temporarily restricted net assets. When donor-imposed time restrictions expire, or a donor-imposed purpose restriction is fulfilled, the temporarily restricted net assets are reclassified to unrestricted net assets. This reclassification is reported as net assets released from restrictions.

In-Kind Contributions - United Way records in-kind contributions for donations such as meeting space, advertising, marketing materials and program materials. In-kind expenses are included in advertising and program expense.

Contributed Services - A substantial number of unpaid volunteers have made significant contributions of their time to support the United Way's campaign and allocation process. The value of their time is not recorded in the accompanying financial statements since it does not meet the criteria for recognition under U.S. generally accepted accounting principles.

Income Taxes - United Way is a nonprofit corporation organized under Massachusetts General Law and is exempt from federal and state income tax under Internal Revenue Code (IRC) 501(c)(3) and is not classified as a private foundation.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

Functional Expenses - Expenses are summarized on a functional basis. Salaries and related expenses are distributed based on the estimated portion of time spent for each function. Direct costs are charged to the function to which they relate. All other expenses are allocated among program and supporting service classifications on the same basis as staff time. The following is a summary description of United Way's functional expense categories:

Community Impact - Those costs associated with UWHC's core mission of strengthening the local network of programs and agencies that respond to those in need, as achieved through capacity-building, convening, problem-solving and direct investment in programs.

Other Programs - Those costs associated with programmatic activities that fall outside of the purview of the Community Impact process due to their scope, duration or regional nature.

Fundraising - Those costs associated with the solicitation and procurement of funding through the annual community campaign, grant writing and other fundraising activities.

**3. INVESTMENTS**

Investments are comprised of the following at June 30,:

<u>2016</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cumulative Unrealized Gain/Loss</u>
Bond funds	\$ 300,529	\$ 303,093	\$ 2,564
Equity funds	312,491	330,080	17,589
Commodities	19,730	25,674	5,944
Pooled investment fund	<u>44,708</u>	<u>69,556</u>	<u>24,848</u>
Total investments	<u>\$ 677,458</u>	<u>\$ 728,403</u>	<u>\$ 50,945</u>
		(Restated)	
<u>2015</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cumulative Unrealized Gain/Loss</u>
Bond funds	\$ 300,165	\$ 299,594	\$ (571)
Equity funds	273,499	323,692	50,193
Commodities	19,730	22,811	3,081
Pooled investment fund	<u>46,088</u>	<u>74,960</u>	<u>28,872</u>
Total investments	<u>\$ 639,482</u>	<u>\$ 721,057</u>	<u>\$ 81,575</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### *INVESTMENTS (CONTINUED)*

Investment income for the years ended June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Dividends and interest	\$ 37,890	\$ 21,845
Realized losses	(4,485)	(466)
Unrealized losses	(25,596)	(11,481)
Investment fees	<u>(543)</u>	<u>(689)</u>
	<u>\$ 7,266</u>	<u>\$ 9,209</u>

#### 4. *FAIR VALUE MEASUREMENTS*

Generally accepted accounting principles in the United States define fair value as 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of fair value hierarchy are described below:

Level 1 - based upon unadjusted quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.

Level 2 - based upon quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, either directly or by correlation or other means.

Level 3 - inputs for Level 3 fair values are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. Such inputs are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The United Way's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

***FAIR VALUE MEASUREMENTS (CONTINUED)***

Fair value of assets measured on recurring basis at June 30, 2016 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Bond funds	\$ 303,093	\$ 303,093	\$ -	\$ -
Equity funds	330,080	330,080	-	-
Commodities	25,674	25,674	-	-
Pooled investment fund	<u>69,556</u>	<u>-</u>	<u>69,556</u>	<u>-</u>
Total assets subject to fair value measurement	<u>\$ 728,403</u>	<u>\$ 658,847</u>	<u>\$ 69,556</u>	<u>\$ -</u>

Fair value of assets measured on recurring basis at June 30, 2015 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Bond funds	\$ 299,594	\$ 299,594	\$ -	\$ -
Equity funds	323,692	323,692	-	-
Commodities	22,811	22,811	-	-
Pooled investment fund	<u>74,960</u>	<u>-</u>	<u>74,960</u>	<u>-</u>
Total assets subject to fair value measurement	<u>\$ 721,057</u>	<u>\$ 646,097</u>	<u>\$ 74,960</u>	<u>\$ -</u>

Fair value for investments is determined by reference to quoted market prices and other relevant information generated by market transactions.

Fair value for the pooled investment fund is measured quarterly using market quotes for underlying investments.

**5. *PROPERTY AND EQUIPMENT***

Property and equipment consisted of the following at June 30,:

	<u>2016</u>	<u>2015</u>
Building	\$ 139,403	\$ 139,403
Office furniture and equipment	22,793	22,793
Computer equipment	<u>32,114</u>	<u>32,114</u>
Total property and equipment	194,310	194,310
Less: accumulated depreciation	<u>(128,276)</u>	<u>(117,302)</u>
Property and equipment, net	<u>\$ 66,034</u>	<u>\$ 77,008</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**6. *BANK LINE OF CREDIT***

The United Way maintains a secured line of credit from a bank with a total borrowing capacity of \$100,000. The interest rate is variable and based on the *Wall Street Journal* prime, plus zero with a maximum percentage rate of 6%. The line of credit had a zero balance at June 30, 2016.

**7. *CONCENTRATIONS OF CREDIT RISK***

The majority of funding for the United Way is through pledges from corporations, educational institutions and individuals. Accordingly, there is no guarantee that such funding will continue and the probability of pledges being honored is significantly influenced by general economic conditions.

**8. *FY 2016 PARTNER ALLOCATIONS***

The United Way has authorized grants to 30 community programs and initiatives, totaling \$701,500 to be paid over the next year, contingent on the fulfillment of campaign pledge commitments through pledge payments received throughout FY 2016 and FY 2017.

**9. *RETIREMENT PLANS***

The United Way maintains a simplified employee pension plan (the SEP). Participation in the plan is available to all employees commencing January 1 of the year following the start of employment. Five percent of the employees' salary is contributed by the United Way, and there are no contributions from the employees. The cost to the United Way for the years ended June 30, 2016 and 2015 was \$16,042 and \$13,975.

The United Way also maintains a 403(b) tax deferred annuity plan for employee salary reduction contributions. There is no employer contribution to this plan.

**10. *TEMPORARILY RESTRICTED NET ASSETS***

Total net assets released from time restrictions were \$8,100 and \$8,000 for the years ended June 30, 2016 and 2015, respectively. The following net assets are restricted for time:

	<u>2016</u>	<u>2015</u>
Campaign contributions	\$ -	\$ 5,000
Unappropriated earnings on endowment	<u>13,895</u>	<u>19,299</u>
	<u>\$ 13,895</u>	<u>\$ 24,299</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 11. *ENDOWMENTS*

The Financial Accounting Standards Board issued FASB ASC 958-205, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds". FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958-205 also requires additional disclosures about an organization's endowment funds whether or not the organization is subject to UPMIFA. The United Way reports its endowments based on FASB ASC 958-205.

The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the United Way classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the United Way, in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the United Way considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes 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 the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

Endowment Investment and Spending Policies - The United Way has investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide funding to the organization while seeking to maintain the purchasing power of the endowment fund over the long-term. The United Way's spending and investment policies work together to achieve this objective. The spending policy allows for the income earned by the funds to be used by the United Way for general programs.

Certain endowment funds have been placed with the Community Foundation of Western Massachusetts and the United Way has not given any variance powers to that organization.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

***ENDOWMENTS (CONTINUED)***

Changes in endowment funds for the year ended June 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment, beginning of year	\$ -	\$ 19,299	\$ 65,354	\$ 84,653
Contributions	-	-	-	-
Investment income	-	1,244	-	1,244
Unrealized loss on investment	-	(2,829)	-	(2,829)
Investment fees	-	(719)	-	(719)
Amounts appropriated for expenditure	<u>-</u>	<u>(3,100)</u>	<u>-</u>	<u>(3,100)</u>
 Total	 <u>\$ -</u>	 <u>\$ 13,895</u>	 <u>\$ 65,354</u>	 <u>\$ 79,249</u>

Changes in endowment funds for the year ended June 30, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment, beginning of year	\$ -	\$ 21,527	\$ 55,661	\$ 77,188
Contributions	-	-	9,693	9,693
Investment income	-	1,247	-	1,247
Unrealized gain on investment	-	214	-	214
Investment fees	-	(689)	-	(689)
Amounts appropriated for expenditure	<u>-</u>	<u>(3,000)</u>	<u>-</u>	<u>(3,000)</u>
 Total	 <u>\$ -</u>	 <u>\$ 19,299</u>	 <u>\$ 65,354</u>	 <u>\$ 84,653</u>



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**12. ADMINISTRATIVE AND FUNDRAISING EXPENSES AND TOTAL REVENUE**

Total calculation of administrative and fundraising expenses as a percentage of revenue is summarized below:

	<u>2016</u>	<u>2015</u>
Gross campaign contributions	\$ 1,099,081	\$ 1,120,088
UMACC campaign results, net	379,144	-
In-kind contributions	40,951	20,686
Bank and investment income	7,266	9,209
Other contributions and special events	27,543	13,733
Service fees	8,557	19,318
Service fees - UMACC	22,967	-
Grants	<u>-</u>	<u>5,111</u>
 Total Revenue	 <u>\$ 1,585,509</u>	 <u>\$ 1,188,145</u>
 Administrative and fundraising expenses	 <u>\$ 247,257</u>	 <u>\$ 234,027</u>
 Administrative and fundraising percentage as a percentage of revenue	 15.6%	 19.7%

**13 RELATED PARTY TRANSACTIONS**

Three board members were also key employees of United Way's partner agencies. Those partner agencies received a total of \$84,000 and \$109,000 for the years ended June 30, 2016 and 2015, respectively.

The United Way's conflict of interest policy requires that all board members disclose, in writing, any potential conflicts of interest on an annual basis. Additionally, it requires members to verbally disclose any conflict of interest prior to debate and/or discussion in meetings on related matters, and that they be excused from the meeting prior to the vote on such matters.

**14. RECLASSIFICATION**

An account in the prior year statement of financial position has been reclassified from cash to investments to conform to the current year presentation. The reclassification had no effect on previously reported total assets.

**15. SUBSEQUENT EVENTS**

Management has evaluated the United Way's related events and transactions that occurred during the period from the date of the Statement of Financial Position through October 27, 2016, the date the financial statements were available to be issued. During this period, the United Way did not have any material subsequent events to be reported, except as noted below.