# UNITED WAY OF THE VALLEY & GREATER UTICA AREA, INC.

**Financial Statements as of**
**June 30, 2016 and 2015**
**Together with**
**Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

Bonadio & Co., LLP
Certified Public Accountants

# INDEPENDENT AUDITOR'S REPORT

September 20, 2016

To the Board of Directors of
United Way of the Valley & Greater Utica Area, Inc.:

We have audited the accompanying financial statements of United Way of the Valley & Greater Utica Area, Inc. (a New York nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of the Valley & Greater Utica Area, Inc. 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.

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# UNITED WAY OF THE VALLEY & GREATER UTICA AREA, INC.

## STATEMENTS OF FINANCIAL POSITION
## JUNE 30, 2016 AND 2015

| | 2016 | 2015 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 1,623,911 | $ 1,567,454 |
| Donated building | - | 54,500 |
| Promises to give, net of allowance | 880,815 | 950,542 |
| Grants receivable | 31,637 | 67,726 |
| Prepaid expenses | 9,341 | 10,876 |
| Total current assets | 2,545,704 | 2,651,098 |
| PROPERTY AND EQUIPMENT, net | - | 2,207 |
| OTHER ASSETS: | | |
| Custodial funds | 12,636 | 10,994 |
| Beneficial interest in agency funds held by third party | 943,459 | 971,971 |
| Total other assets | 956,095 | 982,965 |
| Total assets | $ 3,501,799 | $ 3,636,270 |
| **LIABILITIES AND NET ASSETS** | | |
| CURRENT LIABILITIES: | | |
| Campaign designations payable | $ 509,305 | $ 568,302 |
| Accounts payable | 11,862 | 9,615 |
| Accrued expenses | 64,802 | 46,365 |
| Other current liabilities | 14,235 | 15,780 |
| Total current liabilities | 600,204 | 640,062 |
| CUSTODIAL FUNDS | 12,636 | 10,994 |
| NET ASSETS: | | |
| Unrestricted | 2,284,242 | 2,365,031 |
| Temporarily restricted | 329,564 | 345,030 |
| Permanently restricted | 275,153 | 275,153 |
| Total net assets | 2,888,959 | 2,985,214 |
| Total liabilities and net assets | $ 3,501,799 | $ 3,636,270 |

The accompanying notes are an integral part of these statements.

## UNITED WAY OF THE VALLEY & GREATER UTICA AREA, INC.

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
### FOR THE YEAR ENDED JUNE 30, 2016

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| REVENUES, GAINS, AND OTHER SUPPORT: | | | | |
| Promises to give from current year campaign | $ 2,029,151 | $ - | $ - | $ 2,029,151 |
| Promises to give received from prior year campaigns | 40,006 | - | - | 40,006 |
| Gross campaign results | 2,069,157 | - | - | 2,069,157 |
| Less: Donor designations - funded partners | (156,408) | - | - | (156,408) |
| Less: Donor designations - other agencies | (390,602) | - | - | (390,602) |
| Less: Allowance for uncollectible pledges | (101,458) | - | - | (101,458) |
| Total campaign revenue, net | 1,420,689 | - | - | 1,420,689 |
| OTHER REVENUES, GAINS AND OTHER SUPPORT: | | | | |
| Contributions, net of related expenses | 88,992 | - | - | 88,992 |
| Grants | 143,628 | - | - | 143,628 |
| Investment income (loss), net | (9,696) | (15,466) | - | (25,162) |
| Literacy Coalition Revenue | 23,121 | - | - | 23,121 |
| Collections and management service income | 64,486 | - | - | 64,486 |
| Special events, net of direct expenses of $7,030 | 11,061 | - | - | 11,061 |
| Total other revenues, gains and other support | 321,592 | (15,466) | - | 1,726,815 |
| Net assets released from restrictions | - | - | - | - |
| Total revenues, gains and other support | 1,742,281 | (15,466) | - | 1,726,815 |
| ALLOCATIONS, FUNCTIONAL, AND OTHER EXPENSES: | | | | |
| Allocations to funded partners | 840,387 | - | - | 840,387 |
| Functional expenses - | | | | |
| Program services: | | | | |
| Community impact | 353,560 | - | - | 353,560 |
| 2-1-1 Program | 145,368 | - | - | 145,368 |
| Supporting services - | | | | |
| Management and general | 238,173 | - | - | 238,173 |
| Fundraising | 224,530 | - | - | 224,530 |
| Total functional expenses | 961,631 | - | - | 961,631 |
| Other expenses - | | | | |
| National Organization membership fees | 21,052 | - | - | 21,052 |
| Total expenses | 982,683 | - | - | 982,683 |
| Total allocations, functional, and other expenses | 1,823,070 | - | - | 1,823,070 |
| CHANGE IN NET ASSETS | (80,789) | (15,466) | - | (96,255) |
| NET ASSETS - beginning of period | 2,365,031 | 345,030 | 275,153 | 2,985,214 |
| NET ASSETS - end of period | $ 2,284,242 | $ 329,564 | $ 275,153 | $ 2,888,959 |

The accompanying notes are an integral part of these statements.

## UNITED WAY OF THE VALLEY & GREATER UTICA AREA, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**
**FOR THE YEAR ENDED JUNE 30, 2015**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| REVENUES, GAINS, AND OTHER SUPPORT: | | | | |
| Promises to give from current year campaign | $ 2,132,407 | $ - | $ - | $ 2,132,407 |
| Promises to give received from prior year campaigns | 76,439 | - | - | 76,439 |
| Gross campaign results | 2,208,846 | - | - | 2,208,846 |
| Less: Donor designations - funded partners | (130,198) | - | - | (130,198) |
| Less: Donor designations - other agencies | (429,082) | - | - | (429,082) |
| Less: Allowance for uncollectible pledges | (106,620) | - | - | (106,620) |
| Total campaign revenue, net | 1,542,946 | - | - | 1,542,946 |
| OTHER REVENUES, GAINS AND OTHER SUPPORT: | | | | |
| Contributions, net of related expenses | 86,501 | 45,438 | - | 131,939 |
| Grants | 121,784 | - | - | 121,784 |
| Investment income, net | 9,599 | 10,876 | - | 20,475 |
| Literacy Coalition Revenue | 64,381 | - | - | 64,381 |
| Collections and management service income | 54,357 | - | - | 54,357 |
| Special events, net of direct expenses of $8,696 | 8,983 | - | - | 8,983 |
| Total other revenues, gains and other support | 345,605 | 56,314 | - | 1,944,865 |
| Net assets released from restrictions | 16,637 | (16,637) | - | - |
| Total revenues, gains and other support | 1,905,188 | 39,677 | - | 1,944,865 |
| ALLOCATIONS, FUNCTIONAL, AND OTHER EXPENSES: | | | | |
| Allocations to funded partners | 816,112 | - | - | 816,112 |
| Functional expenses - | | | | |
| Program services: | | | | |
| Community impact | 296,447 | - | - | 296,447 |
| 2-1-1 Program | 155,817 | - | - | 155,817 |
| Supporting services - | | | | |
| Management and general | 229,416 | - | - | 229,416 |
| Fundraising | 225,193 | - | - | 225,193 |
| Total functional expenses | 906,873 | - | - | 906,873 |
| Other expenses - | | | | |
| National Organization membership fees | 18,980 | - | - | 18,980 |
| Total expenses | 925,853 | - | - | 925,853 |
| Total allocations, functional, and other expenses | 1,741,965 | - | - | 1,741,965 |
| CHANGE IN NET ASSETS | 163,223 | 39,677 | - | 202,900 |
| NET ASSETS - beginning of period | 2,201,808 | 305,353 | 275,153 | 2,782,314 |
| NET ASSETS - end of period | $ 2,365,031 | $ 345,030 | $ 275,153 | $ 2,985,214 |

The accompanying notes are an integral part of these statements.

## UNITED WAY OF THE VALLEY & GREATER UTICA AREA, INC.

### STATEMENT OF FUNCTIONAL EXPENSES
### FOR THE YEAR ENDED JUNE 30, 2016

| | Community Impact | 2-1-1 Program | Management and General | Fundraising | Total |
|---|---|---|---|---|---|
| Salaries | $ 165,836 | $ 48,310 | $ 130,245 | $ 152,578 | $ 496,969 |
| Employee benefits | 15,322 | 448 | 13,789 | 9,193 | 38,752 |
| Payroll taxes | 13,241 | 3,884 | 11,916 | 7,944 | 36,985 |
| Retirement plan | 10,761 | - | 9,685 | 6,456 | 26,902 |
| Total salaries and related expenses | 205,160 | 52,642 | 165,635 | 176,171 | 599,608 |
| Professional fees | 9,645 | 76,412 | 8,681 | 5,787 | 100,525 |
| Rent | 29,952 | - | 26,957 | 17,971 | 74,880 |
| Supplies | 27,443 | 13,931 | 1,218 | 812 | 43,404 |
| Outside services | 41,715 | - | - | - | 41,715 |
| Campaign supplies and communications | 11,527 | - | 10,375 | 6,917 | 28,819 |
| Equipment expenses | 10,610 | - | 9,549 | 6,366 | 26,525 |
| Board and staff development | 4,066 | - | 3,659 | 2,440 | 10,165 |
| Insurance | 3,306 | - | 2,976 | 1,984 | 8,266 |
| Telephone and internet service | 2,989 | 135 | 2,690 | 1,794 | 7,608 |
| Travel | 2,121 | 2,221 | 1,909 | 1,272 | 7,523 |
| Membership dues | 2,224 | - | 2,002 | 1,335 | 5,561 |
| Postage | 1,589 | 27 | 1,430 | 953 | 3,999 |
| Depreciation | 882 | - | 795 | 530 | 2,207 |
| Repairs and maintenance | 331 | - | 297 | 198 | 826 |
| Total functional expenses | $ 353,560 | $ 145,368 | $ 238,173 | $ 224,530 | $ 961,631 |

The accompanying notes are an integral part of these statements.

## UNITED WAY OF THE VALLEY & GREATER UTICA AREA, INC.

### STATEMENT OF FUNCTIONAL EXPENSES
### FOR THE YEAR ENDED JUNE 30, 2015

| | Community Impact | 2-1-1 Program | Management and General | Fundraising | Total |
|---|---|---|---|---|---|
| Salaries | $ 164,798 | $ 41,480 | $ 121,714 | $ 121,138 | $ 449,130 |
| Employee benefits | 17,380 | 1,776 | 11,641 | 12,117 | 42,914 |
| Payroll taxes | 10,352 | 3,156 | 9,957 | 8,929 | 32,394 |
| Retirement plan | 7,178 | 1,105 | 6,878 | 7,690 | 22,851 |
| Total salaries and related expenses | 199,708 | 47,517 | 150,190 | 149,874 | 547,289 |
| Professional fees | 1,742 | 99,449 | 16,412 | 2,902 | 120,505 |
| Rent | 17,971 | 984 | 25,973 | 29,952 | 74,880 |
| Supplies | 10,570 | 5,227 | 1,419 | 1,579 | 18,795 |
| Outside services | 41,715 | - | - | - | 41,715 |
| Campaign supplies and communications | 8,327 | - | 12,490 | 13,878 | 34,695 |
| Equipment expenses | 3,791 | 276 | 5,411 | 6,318 | 15,796 |
| Board and staff development | 2,987 | - | 4,480 | 4,978 | 12,445 |
| Insurance | 2,450 | 730 | 2,419 | 3,733 | 9,332 |
| Telephone and internet service | 1,840 | 61 | 2,700 | 3,068 | 7,669 |
| Travel | 1,031 | 1,474 | 1,548 | 1,720 | 5,773 |
| Membership dues | 1,385 | - | 2,078 | 2,309 | 5,772 |
| Postage | 954 | 99 | 1,332 | 1,590 | 3,975 |
| Depreciation | 1,557 | - | 2,335 | 2,594 | 6,486 |
| Repairs and maintenance | 272 | - | 408 | 453 | 1,133 |
| Recognition and other awards | 147 | - | 221 | 245 | 613 |
| Total functional expenses | $ 296,447 | $ 155,817 | $ 229,416 | $ 225,193 | $ 906,873 |

The accompanying notes are an integral part of these statements.

## UNITED WAY OF THE VALLEY & GREATER UTICA AREA, INC.

### STATEMENTS OF CASH FLOWS
### FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

| | 2016 | 2015 |
|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Change in net assets | $ (96,255) | $ 202,900 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 2,207 | 6,486 |
| Bad debts | 101,458 | 106,620 |
| Realized loss on investments | 368 | 674 |
| Contributions of donated assets | (10,558) | (71,964) |
| Change in beneficial interest in agency funds | 28,513 | (18,388) |
| Changes in: | | |
| Promises to give | (31,731) | (227,188) |
| Grants receivable | 36,089 | (67,726) |
| Prepaid expenses | 1,535 | 1,078 |
| Campaign designations payable | (58,997) | (10,962) |
| Accounts payable | 2,247 | 7,438 |
| Accrued expenses | 18,437 | (180) |
| Other current liabilities | (1,545) | 8,109 |
| Net cash flow from operating activities | (8,232) | (63,103) |
| CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Proceeds from sales of investments | 64,689 | 16,790 |
| Net cash flow from investing activities | 64,689 | 16,790 |
| CHANGE IN CASH AND CASH EQUIVALENTS | 56,457 | (46,313) |
| CASH AND CASH EQUIVALENTS - beginning of year | 1,567,454 | 1,613,767 |
| CASH AND CASH EQUIVALENTS - end of year | $ 1,623,911 | $ 1,567,454 |

The accompanying notes are an integral part of these statements.

## 1. NATURE OF ACTIVITIES

United Way of the Valley & Greater Utica Area, Inc. (the United Way) is a local member of United Way Worldwide. The United Way was formed to develop resources needed to address the health and human service needs of the community.

Annual campaigns are conducted each year to raise support for allocation to human service agencies. Such allocations are distributed in the subsequent year.

The program services of the United Way are referred to as Community Impact, which improves lives by mobilizing communities to create sustained changes in the community conditions. It includes the following services: building community partnerships and coalitions, assessment of community needs, and fund distribution.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**
Financial statement presentation conforms to accounting principles generally accepted in the United States (GAAP). Under GAAP, the United Way is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Cash and Cash Equivalents**
The United Way considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. For purposes of determining cash and cash equivalents the United Way excludes cash and cash equivalents included in investments and restricted cash. There are no cash equivalents as of June 30, 2016 and 2015.

**Promises to Give**
Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Because there is a new campaign every year, unconditional promises to give are treated as current year promises. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The United Way estimates an allowance for uncollectible promises to give based on historical collections data and current economic conditions. Although management has reviewed the collection history while projecting the allowance, it is reasonably possible that actual uncollectible pledges may differ from the estimated allowance. Open accounts are written off after all collection efforts have been exhausted and the pledge is determined to be uncollectible.

The United Way records promises to give when there is sufficient evidence in the form of verifiable documentation that a promise was made. Accordingly, as of June 30, 2016 and 2015, the United Way reflects those promises to give that meet such criteria.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments

In accordance with GAAP, investments in equity securities with readily determinable fair values, investments held in investment pools and all investments in debt securities are measured at fair value in the Statements of Financial Position. Investment income or loss (including realized and unrealized gains or losses on investments, interest and dividends) is included in unrestricted income unless the income or loss is restricted by donor or law.

### Beneficial Interest in Agency Funds Held by Third Party

The United Way is the beneficiary under a Designated Agency Fund Agreement with The Community Foundation of Herkimer & Oneida Counties, Inc. The agency fund has been recorded in accordance with GAAP which states that if a community foundation receives assets from a nonprofit organization that specifies itself or its affiliate as the beneficiary, the transfer is not a contribution received by the community foundation even if the variance power is explicitly stated in the gift instrument. The assets of the fund are included in the Statements of Financial Position of the United Way as a beneficial interest in agency fund held by third party. Distributions are to be paid at least annually, or as the two organizations may from time to time agree upon. In addition, the fund is charged a .125% administrative fee quarterly on the fund balance.

### Property and Equipment

Property and equipment purchased is recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Major additions and improvements to property and equipment which extend the lives or increase the value of the assets are capitalized to the respective asset accounts while replacements, maintenance and repairs which do not improve or extend the life of the assets are expensed as incurred. The United Way's capitalization policy is to capitalize only those expenditures in excess of $500. When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in operations.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset 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. Absent donor stipulations regarding how long those donated assets must be maintained, the United Way reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The United Way reclassifies temporarily restricted net assets as unrestricted net assets at that time.

### Custodial Funds

Custodial funds consist of funds held by the United Way to facilitate multi-organization events conducted in the area. These funds are received and disbursed on behalf of the event and are not part of any program operated by the United Way. Custodial funds held as of June 30, 2016 and 2015, were $12,636 and $10,994, respectively.

### Donor Designations

Under GAAP, when a recipient organization accepts assets from a donor and agrees to use those assets on behalf of a specified beneficiary or disburse those assets, the return on investment on those assets, or both to that beneficiary, the recipient organization has not received a contribution. In this instance, the United Way is required to recognize a liability to the specified beneficiary when it recognizes the assets received from the donor. The amounts are recorded in the Statements of Financial Position as campaign designations payable and are measured at fair market value at the date of donation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Restricted and Unrestricted Revenue and Support**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restriction.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP 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.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets and in the Statements of Functional Expenses. Certain costs have been allocated among the programs and supporting services benefited based on time and facilities usage. Allocations to funded agencies are all considered program expenses.

**Income Tax Status**

The United Way is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the United Way qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

**Advertising**

The United Way expenses advertising costs as incurred. Advertising expense was $2,125 and $4,656 for the years ended June 30, 2016 and 2015, respectively.

## 3. INVESTMENTS

From time to time, the United Way receives donations of marketable securities in satisfaction of campaign pledges. The United Way's policy is to sell such securities immediately. There were no marketable securities held at June 30, 2016 and 2015.

Investment return is summarized as follows for the years ended June 30:

| | 2016 | 2015 |
|---|---|---|
| Interest income | $ 3,718 | $ 2,761 |
| Realized loss | (368) | (674) |
| Change in beneficial interest in agency fund investment income - investment return less annual fees (See Note 8) | (28,512) | 18,388 |
| Net investment income | $ (25,162) | $ 20,475 |

## 4. PROMISES TO GIVE

All promises to give are expected to be received within one year. At June 30, promises to give consist of the following:

| | 2016 | 2015 |
|---|---|---|
| Promises to give - prior year campaign | $ 81,580 | $ 105,178 |
| Promises to give - current year campaign | 982,273 | 1,057,162 |
| Total promises to give | 1,063,853 | 1,162,340 |
| Less: Allowance for uncollectibles: | | |
| Prior year campaign | (81,580) | (105,178) |
| Current year campaign | (101,458) | (106,620) |
| Net promises to give | $ 880,815 | $ 950,542 |

## 5. PROPERTY AND EQUIPMENT

At June 30, property and equipment consist of the following:

| | 2016 | 2015 |
|---|---|---|
| Furniture, fixtures and equipment | 46,059 | 46,059 |
| Less: Accumulated depreciation | (46,059) | (43,852) |
| Net property and equipment | $ - | $ 2,207 |

Depreciation expense for the years ended June 30, 2016 and 2015, was $2,207 and $6,486, respectively.

## 6. CAMPAIGN DESIGNATIONS PAYABLE

At June 30, campaign designations payable consist of the following:

| | 2016 | 2015 |
|---|---|---|
| Funded partners | $ 156,408 | $ 130,197 |
| State Employees Federated Appeal | 142,870 | 214,809 |
| Contract payable | - | 641 |
| Other United Ways | 54,251 | 54,264 |
| Other Agencies | 155,776 | 168,391 |
| Campaign designations payable | $ 509,305 | $ 568,302 |

## 7. DONATED SERVICES AND FACILITIES

Donated services are recognized as contributions in accordance with GAAP, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the United Way. Many volunteers provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under GAAP was not met. Also, numerous agencies have donated significant advertising materials and airtime. No amounts for these services have been recorded in the financial statements.

In 2016 and 2015, the use of the facilities where the United Way operates was donated by Utica Mutual Insurance Company which owns the real property and most of the personal property at the site. Amounts have been recognized as revenues and expenses in the accompanying statement of activities and changes in net assets for the fair market value of the donated facilities ($74,880 for the years ended June 30, 2016 and 2015). All operating and maintenance expenses for the facilities are the responsibility of Utica Mutual Insurance Company. The lease agreement for the donated facilities expired on June 30, 2016 and was renewed through June 30, 2017.

## 8. BENEFICIAL INTEREST IN AGENCY FUNDS HELD BY THIRD PARTY

The changes in the agency funds are as follows for the years ended June 30:

| | 2016 | 2015 |
|---|---|---|
| Beneficial interest - beginning of period | $ 971,971 | $ 953,583 |
| Change in value of beneficial interest: | | |
| Investment returns, net | (23,841) | 23,142 |
| Administrative fee | (4,671) | (4,754) |
| Beneficial interest - end of period | $ 943,459 | $ 971,971 |

The components of the agency funds are as follows as of June 30:

| | 2016 | 2015 |
|---|---|---|
| Operating funds (unrestricted) | $ 95,124 | $ 97,998 |
| Building fund (unrestricted) | 306,440 | 315,701 |
| Raymonda Scholarship (temporarily restricted) | 193 | 199 |
| Mohawk Valley Community Crisis (temporarily restricted) | 5,927 | 6,106 |
| Endowment earnings (temporarily restricted) | 260,622 | 276,814 |
| Endowment fund (permanently restricted) | 275,153 | 275,153 |
| Total beneficial interest | $ 943,459 | $ 971,971 |

## 9. FAIR VALUE MEASUREMENTS

GAAP states that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. GAAP also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described below:

*Level 1:* Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities. Level 1 includes debt and equity securities that are traded in an active exchange market, as well as U.S. treasury securities.

*Level 2:* Inputs, other than quoted prices in active markets, that are observable either directly or indirectly and fair value is determined through the use of models or other valuation methodologies. This category generally includes certain U.S. government and agency obligations and fixed income securities.

*Level 3:* Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

The following table sets forth the United Way's investments that were accounted for at fair value at June 30, 2016 and 2015. Investments are classified in their entirety based on the lower level of input that is significant to the fair value measurements:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| June 30, 2016 | | | | |
| Beneficial interest in Community Foundation | $ - | $ 943,459 | $ - | $ 943,459 |
| Total | $ - | $ 943,459 | $ - | $ 943,459 |
| June 30, 2015 | | | | |
| Beneficial interest in Community Foundation | $ - | $ 971,971 | $ - | 971,971 |
| Total | $ - | $ 971,971 | $ - | $ 971,971 |

The fair value of the United Way's beneficial interest in the Community Foundation's investment pool was provided by the Community Foundation based on the fair value of the underlying assets using quoted market prices as well as observable inputs from the Community Foundation's investment custodian. There were no changes in the valuation methodology in 2016 and 2015.

## 10. NET ASSETS

### Unrestricted

From time to time, the board designates unrestricted net assets for specific purposes. Unrestricted net assets consisted of the following amounts as of June 30:

| | 2016 | 2015 |
|---|---|---|
| Designated by Board for: | | |
| Building fund | $ 306,440 | $ 315,701 |
| Contingent allocations | 834,560 | 854,560 |
| Other | 1,143,242 | 1,194,770 |
| Total unrestricted net assets | $ 2,284,242 | $ 2,365,031 |

### Temporarily Restricted

Temporarily restricted net assets at June 30 are available for the following activities:

| | 2016 | 2015 |
|---|---|---|
| Mohawk Valley Community Crisis | $ 22,400 | $ 22,579 |
| Children's Health in the Valley | 46,349 | 45,438 |
| Raymonda Scholarship | 193 | 199 |
| Endowment earnings | 260,622 | 276,814 |
| Total temporarily restricted net assets | $ 329,564 | $ 345,030 |

### Permanently Restricted

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. These funds are currently held by the Community Foundation of Herkimer & Oneida Counties, Inc. The income from these funds is to be used for operations.

### Endowment Funds

The United Way's beneficial interest in endowment fund consists of funds held by The Community Foundation of Herkimer & Oneida Counties, Inc. The endowment consists of donor-restricted endowment. As required by 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 Board of Directors has interpreted the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA) 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 and maintained as such for appropriation for expenditure by the United Way in a manner consistent with the standard of prudence prescribed by NYPMIFA and donors' restrictions on use. In accordance with the NYPMIFA, the United Way considers the following factors in making a determination to appropriate or accumulate endowment funds:

## 10. NET ASSETS (Continued)

- The duration and preservation of the fund
- The purposes of the United Way and the endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the United Way
- Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution; and
- The investment policies of the United Way

**Investment Return Objectives, Risk Parameters and Strategies**
The United Way has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 3.5%, while growing the funds if possible. Therefore, the United Way expects its endowment assets, over time, to produce an average rate of return in excess of the distribution rate. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**Spending Policy**
The United Way has a policy of appropriating for distribution each year up to 3.5% of its endowment fund's average fair value of the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the United Way considered the long-term expected return on its investment assets, the nature and duration of the endowment fund, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The United Way expects the current spending policy to allow its endowment funds to grow on an annual basis. This is consistent with the United Way's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Appropriations from the Endowment Fund were $0 and $16,637 for 2016 and 2015.

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

| | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|
| Donor-restricted endowment funds | $ 260,622 | $ 275,153 | $ 535,775 |

Endowment net asset composition by type of fund as of June 30, 2015 is as follows:

| | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|
| Donor-restricted endowment funds | $ 276,814 | $ 275,153 | $ 551,967 |

## 10. NET ASSETS (Continued)

Changes in endowment net assets for the years ended June 30, 2016 and 2015 are as follows:

| | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|
| Endowment net assets, beginning of year, 2015 | $ 282,695 | $ 275,153 | $ 557,848 |
| 2015 Changes in endowment: | | | |
| Investment return | 10,756 | - | 10,756 |
| Appropriations | (16,637) | - | (16,637) |
| Endowment net assets, end of year, 2015 | $ 276,814 | $ 275,153 | $ 551,967 |
| 2016 Changes in endowment: | | | |
| Investment return | (16,192) | - | (16,192) |
| Endowment net assets, end of year, 2016 | $ 260,622 | $ 275,153 | $ 535,775 |

## 11. CONCENTRATION OF CREDIT RISK

**Cash**
Funds at each financial institution were insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). Cash and cash equivalents exceeding federally insured limits total $838,016 and $717,901 at June 30, 2016 and 2015, respectively. The United Way does not require additional collateral, has not experienced any losses in these accounts and believes it is not exposed to any significant risks with respect to cash and cash equivalents.

**Promises to Give**
The United Way solicits promises to give for its annual campaign within the Mohawk Valley and the greater Utica area and its surrounding suburbs. The vast majority of those promises received represent promises to pay at a later date either directly or through payroll deductions. Although the United Way has a diversified promise base, a substantial portion of its donors' ability to honor their promises is dependent upon general economic conditions of the governmental and commercial sectors within the Utica area.

## 12. RETIREMENT PLAN

The United Way has established a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code. The plan covers all employees of the United Way who meet certain age, hours, and length of service requirements. Each plan year the United Way contributes 5% of gross salaries for qualified employees of the plan. Employees may make contributions to the plan which must be matched by the United Way equal to the lessor of 50% of the salary reduction amount during the plan year or 2.5% of compensation received during the plan year. Retirement plan expense was $26,902 and $22,851 for the years ended June 30, 2016 and 2015, respectively.

## 13. COMMITMENTS

**Unemployment Insurance**
The United Way is self-insured with respect to New York State Unemployment Benefits. Under the reimbursement option, the United Way is required to pay all approved unemployment claims as presented. There were no claims paid under this arrangement for the years ended June 30, 2016 and 2015. Management believes the self-funding arrangement will result in reduced unemployment costs for the United Way based on previous claims experience. The accompanying financial statements do not reflect any liability for future claims as management believes that there are no significant pending claims.

**Funding Agreement**
The United Way has entered into an agreement for the Central New York Labor Agency to provide a community services liaison that will assist with promoting the United Way campaign and providing community assistance services in return for financial support from the United Way. The future payments under this agreement are as follows at June 30, 2016:

| | |
|---|---|
| 2017 | $ 41,715 |
| Total | $ 41,715 |

**Operating Leases**
The United Way leases equipment and office space under operating leases and charges the costs to expense as incurred. The amount charged to expense for the years ended June 30, 2016 and 2015 was $4,008. Future minimum payments under all operating leases are as follows for the years ending June 30:

| | |
|---|---|
| 2017 | $ 4,008 |
| 2018 | 2,204 |
| Total | $ 6,212 |

## 14. SUBSEQUENT EVENTS

The United Way has evaluated subsequent events through September 20, 2016, which is the date the financial statements were available to be issued.