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

Financial Statements as of
June 30, 2018 and 2017
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

January 4, 2019

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, 2018 and 2017, 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 audit 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, 2018 and 2017, 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.

Bonadio & Co., LLP

7936 Seneca Turnpike
Clinton, New York 13323
p (315) 797-7781
f (315) 797-0305

www.bonadio.com

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

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,082,740	$ 1,233,607
Promises to give, net of allowance	680,127	817,208
Grants receivable	152,257	230,469
Prepaid expenses	13,350	11,971
Total current assets	1,928,474	2,293,255
OTHER ASSETS:		
Custodial funds	6,291	13,156
Beneficial interest in agency funds held by third party	1,161,699	1,089,718
Total other assets	1,167,990	1,102,874
Total assets	$ 3,096,464	$ 3,396,129
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Campaign designations payable	$ 359,355	$ 422,680
Accounts payable	15,786	28,351
Accrued expenses	80,658	81,532
Other current liabilities	40,200	20,049
Total current liabilities	495,999	552,612
CUSTODIAL FUNDS	6,291	13,156
NET ASSETS:		
Unrestricted	1,934,226	2,187,985
Temporarily restricted	384,795	367,223
Permanently restricted	275,153	275,153
Total net assets	2,594,174	2,830,361
Total liabilities and net assets	$ 3,096,464	$ 3,396,129

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, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:				
Promises to give from current year campaign	$ 1,636,202	$ -	$ -	$ 1,636,202
Promises to give received from prior year campaigns	6,867	-	-	6,867
Gross campaign results	1,643,069	-	-	1,643,069
Less: Donor designations - funded partners	(100,163)	-	-	(100,163)
Less: Donor designations - other agencies	(258,549)	-	-	(258,549)
Less: Allowance for uncollectible pledges	(96,988)	-	-	(96,988)
Total campaign revenue, net	1,187,369	-	-	1,187,369
OTHER REVENUES, GAINS AND OTHER SUPPORT:				
Contributions, net of related expenses	74,880	-	-	74,880
Grants	365,509	55,000	-	420,509
Investment income, net	35,059	41,343	-	76,402
Miscellaneous revenue	22	-	-	22
Collections and management service income	36,482	-	-	36,482
Special events, net of direct expenses of $12,858	35,813	-	-	35,813
Total other revenues, gains and other support	547,765	96,343	-	644,108
Net assets released from restrictions	78,771	(78,771)	-	-
Total revenues, gains and other support	1,813,905	17,572	-	1,831,477
ALLOCATIONS, FUNCTIONAL, AND OTHER EXPENSES:				
Allocations to funded partners	605,060	-	-	605,060
Functional expenses -				
Program services:				
Community impact	481,834	-	-	481,834
2-1-1 Program	128,999	-	-	128,999
R-4-K Program	100,876	-	-	100,876
ESPRI Program	92,640	-	-	92,640
Supporting services -				
Management and general	275,132	-	-	275,132
Fundraising	363,711	-	-	363,711
Total functional expenses	1,443,192	-	-	1,443,192
Other expenses -				
National Organization membership fees	19,412	-	-	19,412
Total expenses	1,462,604	-	-	1,462,604
Total allocations, functional, and other expenses	2,067,664	-	-	2,067,664
CHANGE IN NET ASSETS	(253,759)	17,572	-	(236,187)
NET ASSETS - beginning of period	2,187,985	367,223	275,153	2,830,361
NET ASSETS - end of period	$ 1,934,226	$ 384,795	$ 275,153	$ 2,594,174

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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:				
Promises to give from current year campaign	$ 1,924,641	$ -	$ -	$ 1,924,641
Promises to give received from prior year campaigns	8,946	-	-	8,946
Gross campaign results	1,933,587	-	-	1,933,587
Less: Donor designations - funded partners	(102,548)	-	-	(102,548)
Less: Donor designations - other agencies	(333,382)	-	-	(333,382)
Less: Allowance for uncollectible pledges	(116,497)	-	-	(116,497)
Total campaign revenue, net	1,381,160	-	-	1,381,160
OTHER REVENUES, GAINS AND OTHER SUPPORT:				
Contributions, net of related expenses	84,141	-	-	84,141
Grants	405,679	-	-	405,679
Investment income, net	65,954	84,008	-	149,962
Miscellaneous revenue	570	-	-	570
Collections and management service income	47,367	-	-	47,367
Special events, net of direct expenses of $13,299	12,289	-	-	12,289
Total other revenues, gains and other support	616,000	84,008	-	700,008
Net assets released from restrictions	46,349	(46,349)	-	-
Total revenues, gains and other support	2,043,509	37,659	-	2,081,168
ALLOCATIONS, FUNCTIONAL, AND OTHER EXPENSES:				
Allocations to funded partners	834,560	-	-	834,560
Functional expenses -				
Program services:				
Community impact	411,538	-	-	411,538
2-1-1 Program	126,111	-	-	126,111
R-4-K Program	86,520	-	-	86,520
ESPRI Program	123,966	-	-	123,966
Supporting services -				
Management and general	266,191	-	-	266,191
Fundraising	269,477	-	-	269,477
Total functional expenses	1,283,803	-	-	1,283,803
Other expenses -				
National Organization membership fees	21,403	-	-	21,403
Total expenses	1,305,206	-	-	1,305,206
Total allocations, functional, and other expenses	2,139,766	-	-	2,139,766
CHANGE IN NET ASSETS	(96,257)	37,659	-	(58,598)
NET ASSETS - beginning of period	2,284,242	329,564	275,153	2,888,959
NET ASSETS - end of period	$ 2,187,985	$ 367,223	$ 275,153	$ 2,830,361

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, 2018

	Program Services					Supporting Services			
	Community Impact	2-1-1	R-4-K	ESPRI	Total	Management and General	Fundraising	Total 2018	Total 2017
Salaries	$ 144,944	$ 58,379	$ 64,097	$ 39,002	$ 306,422	$ 150,337	$ 224,300	$ 681,059	$ 672,497
Employee benefits	16,719	655	12,533	3,021	32,928	11,985	28,099	73,012	66,229
Payroll taxes	8,462	4,324	5,026	2,397	20,209	20,159	15,472	55,840	47,660
Retirement plan	6,799	70	-	-	6,869	6,347	11,223	24,439	26,602
Total salaries and related expenses	176,924	63,428	81,656	44,420	366,428	188,828	279,094	834,350	812,988
Professional fees	49,389	60,713	-	45,993	156,095	30,181	13,286	199,562	131,330
Rent	29,952	-	-	-	29,952	26,957	17,971	74,880	74,880
Supplies	67,182	1,987	18,061	1,381	88,611	2,932	3,122	94,665	48,423
Outside services	142,602	-	-	-	142,602	-	-	142,602	121,417
Campaign supplies and communications	2,502	-	-	-	2,502	4,354	27,933	34,789	31,279
Equipment expenses	4,918	158	-	-	5,076	7,618	8,124	20,818	18,615
Board and staff development	2,030	202	-	-	2,232	2,456	1,608	6,296	12,672
Insurance	2,157	-	-	-	2,157	3,235	3,595	8,987	7,845
Telephone and internet service	1,277	299	-	469	2,045	1,791	2,128	5,964	6,127
Travel	934	1,990	1,159	228	4,311	1,374	1,567	7,252	6,105
Membership dues	1,286	180	-	-	1,466	2,133	4,141	7,740	5,861
Postage	327	42	-	149	518	2,741	552	3,811	5,111
Repairs and maintenance	354	-	-	-	354	532	590	1,476	1,150
Total functional expenses	$ 481,834	$ 128,999	$ 100,876	$ 92,640	$ 804,349	$ 275,132	$ 363,711	$ 1,443,192	$ 1,283,803

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, 2017

	Program Services					Supporting Services		
	Community Impact	2-1-1 Program	R-4-K	ESPRI	Total	Management and General	Fundraising	Total
Salaries	$ 173,173	$ 54,616	$ 57,215	$ 67,648	$ 352,652	$ 157,089	$ 162,756	$ 672,497
Employee benefits	16,435	598	9,430	4,740	31,203	17,008	18,018	66,229
Payroll taxes	12,780	3,972	4,133	2,496	23,381	11,891	12,388	47,660
Retirement plan	10,057	-	-	-	10,057	8,225	8,320	26,602
Total salaries and related expenses	212,445	59,186	70,778	74,884	417,293	194,213	201,482	812,988
Professional fees	14,795	60,270	-	40,284	115,349	7,570	8,411	131,330
Rent	29,952	-	-	-	29,952	26,957	17,971	74,880
Supplies	10,937	4,148	15,536	8,372	38,993	4,467	4,963	48,423
Outside services	121,417	-	-	-	121,417	-	-	121,417
Campaign supplies and communications	7,507	-	-	-	7,507	11,260	12,512	31,279
Equipment expenses	4,468	-	-	-	4,468	6,701	7,446	18,615
Board and staff development	3,041	-	-	-	3,041	4,562	5,069	12,672
Insurance	1,883	-	-	-	1,883	2,824	3,138	7,845
Telephone and internet service	1,386	313	-	41	1,740	2,078	2,309	6,127
Travel	806	2,172	202	375	3,555	1,208	1,342	6,105
Membership dues	1,407	-	-	-	1,407	2,110	2,344	5,861
Postage	1,218	22	4	10	1,254	1,827	2,030	5,111
Repairs and maintenance	276	-	-	-	276	414	460	1,150
Total functional expenses	$ 411,538	$ 126,111	$ 86,520	$ 123,966	$ 748,135	$ 266,191	$ 269,477	$ 1,283,803

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ (236,187)	$ (58,598)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Bad debts	96,988	116,497
Realized loss on investments	351	717
Contributions of donated assets	(26,147)	(23,802)
Change in beneficial interest in agency funds	(71,981)	(146,260)
Changes in:		
Promises to give	40,093	(52,890)
Grants receivable	78,212	(198,832)
Prepaid expenses	(1,379)	(2,630)
Campaign designations payable	(63,325)	(86,625)
Accounts payable	(12,565)	16,489
Accrued expenses	(874)	16,730
Other current liabilities	20,151	5,814
Net cash flow from operating activities	(176,663)	(413,390)
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	25,796	23,086
Net cash flow from investing activities	25,796	23,086
CHANGE IN CASH AND CASH EQUIVALENTS	(150,867)	(390,304)
CASH AND CASH EQUIVALENTS - beginning of year	1,233,607	1,623,911
CASH AND CASH EQUIVALENTS - end of year	$ 1,082,740	$ 1,233,607

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 funds 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, 2018 and 2017.

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, 2018 and 2017, 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, 2018 and 2017, were $6,291 and $13,156, 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.

Reclassifications
Certain 2017 amounts have been reclassified to conform with the 2018 financial statement presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

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).

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, 2018 and 2017.

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

	2018	2017
Interest income	$ 4,772	$ 4,419
Realized loss	(351)	(717)
Change in beneficial interest in agency fund investment income - investment return less annual fees (See Note 8)	71,981	146,260
	$ 76,402	$ 149,962

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:

	2018	2017
Promises to give:		
2015 – 2016 campaign	$ -	$ 121,723
2016 – 2017 campaign	111,410	913,440
2017 – 2018 campaign	761,937	-
Total promises to give	873,347	1,035,163
Less: Allowance for uncollectibles:		
2015 – 2016 campaign	-	(121,723)
2016 – 2017 campaign	(111,410)	(96,232)
2017 – 2018 campaign	(81,810)	-
Net promises to give	$ 680,127	$ 817,208

5. PROPERTY AND EQUIPMENT

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

	2018	2017
Furniture, fixtures and equipment	$ 46,059	$ 46,059
Less: Accumulated depreciation	(46,059)	(46,059)
Net property and equipment	$ -	$ -

Depreciation expense for the years ended June 30, 2018 and 2017 was $0.

6. CAMPAIGN DESIGNATIONS PAYABLE

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

	2018	2017
Funded partners	$ 100,163	$ 102,549
State Employees Federated Appeal	112,896	132,796
Other United Ways	46,546	54,466
Other Agencies	99,750	132,869
Campaign designations payable	$ 359,355	$ 422,680

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 2018 and 2017, 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, 2018 and 2017). 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, 2018 and was renewed through June 30, 2019.

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:

	2018	2017
Beneficial interest - beginning of period	$ 1,089,718	$ 943,459
Change in value of beneficial interest:		
Investment returns, net	77,678	151,243
Administrative fee	(5,697)	(4,984)
Beneficial interest - end of period	$ 1,161,699	$ 1,089,718

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

	2018	2017
Operating funds (unrestricted)	$ 117,128	$ 109,870
Building fund (unrestricted)	377,326	353,946
Raymonda Scholarship (temporarily restricted)	237	223
Mohawk Valley Community Crisis (temporarily restricted)	7,297	6,845
Endowment earnings (temporarily restricted)	384,558	343,681
Endowment fund (permanently restricted)	275,153	275,153
Total beneficial interest	$ 1,161,699	$ 1,089,718

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 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.

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.

The following table sets forth the United Way's investments that were accounted for at fair value at June 30, 2018 and 2017. 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, 2018				
Beneficial interest in Community Foundation	$ -	$ 1,161,699	$ -	$ 1,161,699
Total	$ -	$ 1,161,699	$ -	$ 1,161,699
June 30, 2017				
Beneficial interest in Community Foundation	$ -	$ 1,089,718	$ -	$ 1,089,718
Total	$ -	$ 1,089,718	$ -	$ 1,089,718

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 2018 and 2017.

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:

	2018	2017
Designated by Board for:		
Building fund	$ 377,326	$ 353,946
Contingent allocations	598,560	598,560
Undesignated	958,340	1,235,479
Total unrestricted net assets	$ 1,934,226	$ 2,187,985

Temporarily Restricted

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

	2018	2017
Mohawk Valley Community Crisis	$ -	$ 23,319
Raymonda Scholarship	237	223
Endowment earnings	384,558	343,681
Total temporarily restricted net assets	$ 384,795	$ 367,223

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 for 2018 and 2017.

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 384,558	$ 275,153	$ 659,711

Endowment net asset composition by type of fund as of June 30, 2017 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 343,681	$ 275,153	$ 618,834

10. NET ASSETS (Continued)

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year, 2017	$ 260,622	$ 275,153	$ 535,775
2017 Changes in endowment:			
Investment return	83,059	-	83,059
Endowment net assets, end of year, 2017	$ 343,681	$ 275,153	$ 618,834
2018 Changes in endowment:			
Investment return	40,877	-	40,877
Endowment net assets, end of year, 2018	$ 384,558	$ 275,153	$ 659,711

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 $471,611 and $627,897 at June 30, 2018 and 2017, 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 $24,439 and $26,602 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017. 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.

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, 2018 and 2017 was $4,008. Future minimum payments under all operating leases are as follows for the years ending June 30:

2019	$ 4,032
2020	4,032
2021	4,032
2022	4,032
2023	3,858
Total	$ 19,986

14. SUBSEQUENT EVENTS

The United Way has evaluated subsequent events through January 4, 2019, which is the date the financial statements were available to be issued.