

MIDDLESEX UNITED WAY, INC.

FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2016 AND 2015

MIDDLESEX UNITED WAY, INC.

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Middlesex United Way, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Middlesex United Way, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information on pages 22-24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
October 12, 2016

MIDDLESEX UNITED WAY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and cash equivalents (Notes 1 and 5)	\$ 177,900	\$ 188,043
Campaign pledges receivable, net of allowance of \$125,000 and \$140,000, respectively (Notes 1 and 4)	510,208	564,563
Investments (Notes 1, 6 and 15)	1,313,839	1,459,156
Investments held for endowment purposes (Notes 1, 3, 6 and 13)	185,670	187,362
Beneficial interests in trusts (Note 3)	602,524	638,047
Property and equipment, net (Notes 1 and 10)	12,103	17,828
Other assets	10,225	20,492
	<u>\$ 2,812,469</u>	<u>\$ 3,075,491</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES:</u>		
Line of credit (Note 12)	\$ 80,000	\$ -
Accounts payable and accrued expenses	73,079	63,912
Deferred revenue	7,500	9,000
Community partners payable	740,078	775,193
Donor designations payable, net (Notes 1 and 9)	157,820	170,201
	<u>1,058,477</u>	<u>1,018,306</u>
<u>NET ASSETS:</u>		
Unrestricted	923,180	1,139,306
Temporarily restricted (Notes 1 and 2)	79,625	131,169
Permanently restricted (Notes 1, 3 and 11):		
Endowment	148,663	148,663
Beneficial interest in trusts	602,524	638,047
	<u>751,187</u>	<u>786,710</u>
	<u>1,753,992</u>	<u>2,057,185</u>
	<u>\$ 2,812,469</u>	<u>\$ 3,075,491</u>

See notes to financial statements.

MIDDLESEX UNITED WAY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT:				
Current-year campaign contributions:				
Total amounts raised	\$ 1,301,057	\$ -	\$ -	\$ 1,301,057
Less: amounts raised on behalf of others	<u>(293,894)</u>	<u>-</u>	<u>-</u>	<u>(293,894)</u>
Total contributions	1,007,163	-	-	1,007,163
Less: provision for uncollectible pledges	<u>(80,000)</u>	<u>-</u>	<u>-</u>	<u>(80,000)</u>
Prior year campaign contributions	86,420	-	-	86,420
Net campaign revenue	<u>1,013,583</u>	<u>-</u>	<u>-</u>	<u>1,013,583</u>
Other revenue and support:				
ALICE campaign	22,975	-	-	22,975
Amounts raised by other agencies	169,203	-	-	169,203
Service fee revenue	46,679	-	-	46,679
Other contributions	14,613	43,518	-	58,131
Net assets released from restriction	<u>101,061</u>	<u>(101,061)</u>	<u>-</u>	<u>-</u>
Total other revenue and support	<u>354,531</u>	<u>(57,543)</u>	<u>-</u>	<u>296,988</u>
Total revenue and support	<u>1,368,114</u>	<u>(57,543)</u>	<u>-</u>	<u>1,310,571</u>
DISTRIBUTIONS AND EXPENSES:				
Distributions:				
Community partners	740,078	-	-	740,078
Special allocations and other distributions	102,756	-	-	102,756
Payments to affiliated organizations	<u>28,007</u>	<u>-</u>	<u>-</u>	<u>28,007</u>
Total distributions	870,841	-	-	870,841
Expenses:				
Program services	326,902	-	-	326,902
Support services:				
Fundraising expenses	177,664	-	-	177,664
Management and general expenses	<u>206,090</u>	<u>-</u>	<u>-</u>	<u>206,090</u>
Total program and support services	<u>710,656</u>	<u>-</u>	<u>-</u>	<u>710,656</u>
Total distributions and expenses	<u>1,581,497</u>	<u>-</u>	<u>-</u>	<u>1,581,497</u>
Change in net assets from operations	(213,383)	(57,543)	-	(270,926)
INVESTMENT INCOME (LOSS):				
Net investment income	16,856	-	-	16,856
Investment income - beneficial trusts	27,240	-	-	27,240
Net decrease in trust values	-	-	(35,523)	(35,523)
Net unrealized loss on investments	<u>(89,450)</u>	<u>5,999</u>	<u>-</u>	<u>(83,451)</u>
Net realized gains on investments	42,611	-	-	42,611
Total investment income (loss)	<u>(2,743)</u>	<u>5,999</u>	<u>(35,523)</u>	<u>(32,267)</u>
Change in net assets	(216,126)	(51,544)	(35,523)	(303,193)
NET ASSETS:				
Beginning of year	<u>1,139,306</u>	<u>131,169</u>	<u>786,710</u>	<u>2,057,185</u>
End of year	<u>\$ 923,180</u>	<u>\$ 79,625</u>	<u>\$ 751,187</u>	<u>\$ 1,753,992</u>

See notes to financial statements.

MIDDLESEX UNITED WAY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT:				
Current-year campaign contributions:				
Total amounts raised	\$ 1,368,362	\$ -	\$ -	\$ 1,368,362
Less: amounts raised on behalf of others	<u>(327,528)</u>	<u>-</u>	<u>-</u>	<u>(327,528)</u>
Total contributions	1,040,834	-	-	1,040,834
Less: provision for uncollectible pledges	(80,000)	-	-	(80,000)
Prior year campaign contributions	<u>78,151</u>	<u>-</u>	<u>-</u>	<u>78,151</u>
Net campaign revenue	1,038,985	-	-	1,038,985
Other revenue and support:				
ALICE campaign	22,875	-	-	22,875
Amounts raised by other agencies	210,507	-	-	210,507
Service fee revenue	42,083	-	-	42,083
Other contributions	15,031	38,515	48,325	101,871
Net assets released from restriction	<u>47,045</u>	<u>(47,045)</u>	<u>-</u>	<u>-</u>
Total other revenue and support	<u>337,541</u>	<u>(8,530)</u>	<u>48,325</u>	<u>377,336</u>
Total revenue and support	1,376,526	(8,530)	48,325	1,416,321
DISTRIBUTIONS AND EXPENSES:				
Distributions:				
Community partners	775,193	-	-	775,193
Special allocations and other distributions	50,112	-	-	50,112
Payments to affiliated organizations	<u>25,924</u>	<u>-</u>	<u>-</u>	<u>25,924</u>
Total distributions	851,229	-	-	851,229
Expenses:				
Program services	328,466	-	-	328,466
Support services:				
Fundraising expenses	174,291	-	-	174,291
Management and general expenses	<u>167,644</u>	<u>-</u>	<u>-</u>	<u>167,644</u>
Total program and support services	<u>670,401</u>	<u>-</u>	<u>-</u>	<u>670,401</u>
Total distributions and expenses	<u>1,521,630</u>	<u>-</u>	<u>-</u>	<u>1,521,630</u>
Change in net assets from operations	(145,104)	(8,530)	48,325	(105,309)
INVESTMENT INCOME (LOSS):				
Net investment income	15,558	-	-	15,558
Investment income - beneficial trusts	28,923	-	-	28,923
Net decrease in trust values	-	-	(32,093)	(32,093)
Net unrealized loss on investments	(42,983)	2,113	-	(40,870)
Net realized gains on investments	<u>46,449</u>	<u>-</u>	<u>-</u>	<u>46,449</u>
Total investment income (loss)	<u>47,947</u>	<u>2,113</u>	<u>(32,093)</u>	<u>17,967</u>
Change in net assets	(97,157)	(6,417)	16,232	(87,342)
NET ASSETS:				
Beginning of year	1,278,812	95,237	770,478	2,144,527
Reclassification	<u>(42,349)</u>	<u>42,349</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 1,139,306</u>	<u>\$ 131,169</u>	<u>\$ 786,710</u>	<u>\$ 2,057,185</u>

See notes to financial statements.

MIDDLESEX UNITED WAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

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

See notes to financial statements.

MIDDLESEX UNITED WAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 196,478	\$ 104,255	\$ 100,246	\$ 400,979
Employee benefits	28,231	14,980	14,404	57,615
Payroll taxes	15,991	8,485	8,159	32,635
Total salaries and related expenses	<u>240,700</u>	<u>127,720</u>	<u>122,809</u>	<u>491,229</u>
Occupancy	17,040	9,042	8,694	34,776
Marketing and advertising	15,363	8,152	7,839	31,354
Supplies	13,504	7,166	6,890	27,560
Professional fees	13,281	7,047	6,776	27,104
Printing and publications	5,020	2,664	2,561	10,245
Rental and maintenance of equipment	4,687	2,487	2,391	9,565
Conferences, conventions and meetings	3,467	1,840	1,769	7,076
Insurance	3,349	1,777	1,709	6,835
Postage and shipping	2,153	1,142	1,099	4,394
Travel and parking	2,149	1,140	1,097	4,386
Miscellaneous	2,032	1,078	1,037	4,147
Telephone	1,918	1,018	1,033	3,969
Total expenses before depreciation and amortization	<u>324,663</u>	<u>172,273</u>	<u>165,704</u>	<u>662,640</u>
Depreciation and amortization	<u>3,803</u>	<u>2,018</u>	<u>1,940</u>	<u>7,761</u>
TOTAL EXPENSES	<u>\$ 328,466</u>	<u>\$ 174,291</u>	<u>\$ 167,644</u>	<u>\$ 670,401</u>

See notes to financial statements.

MIDDLESEX UNITED WAY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (303,193)	\$ (87,342)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Allowance for uncollectible pledges	(15,000)	(20,000)
Depreciation and amortization	6,536	7,761
Loss on disposal of equipment	-	54
Net realized and unrealized (gains) losses on investments	40,840	(5,579)
Net decrease in trust values	35,523	32,093
Cash received from agency transactions	6,492	283
(Increase) decrease in operating assets:		
Campaign pledges receivable	69,355	(18,337)
Other assets	10,267	(209)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	2,675	(11,461)
Deferred revenue	(1,500)	446
Community partners payable	(35,115)	(209)
Donor designations payable	(12,381)	10,128
NET CASH USED IN OPERATING ACTIVITIES	<u>(195,501)</u>	<u>(92,372)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(19,713)	(209,032)
Proceeds from sale of investments	125,882	121,928
Purchase of property and equipment	(811)	(6,159)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>105,358</u>	<u>(93,263)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	<u>80,000</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>80,000</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,143)	(185,635)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>188,043</u>	<u>373,678</u>
End of year	<u>\$ 177,900</u>	<u>\$ 188,043</u>

See notes to financial statements.

MIDDLESEX UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

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

Organization:

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

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

Method of Accounting:

The financial statements have been prepared on the accrual basis of accounting.

Financial Statement Presentation:

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

Unrestricted Net Assets:

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

Temporarily Restricted Net Assets:

Temporarily restricted net assets represent contributions and grants that are restricted by the donor / grantor either as to purpose or time of expenditure (See Note 2).

Permanently Restricted Net Assets:

Permanently restricted net assets represent donor restricted gifts and bequests to provide a permanent source of income which could be used to fund general Organization activities (See Note 3).

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States America (US GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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

Promises to Give:

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

Contributions:

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

Investments:

Investments are carried at the quoted market value. Donated investments are reflected as contributions at their market values at date of receipt.

Property and Equipment:

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

Donated Property and Equipment:

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

MIDDLESEX UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

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

Income Tax:

The Organization is a Connecticut not-for-profit corporation exempt from state and federal income tax under Section 501(c)(3) of the United States of America Internal Revenue Code. Accordingly, no provision for income taxes has been provided in the accompanying financial statements. The Organization files an informational return in the U.S. Federal jurisdiction. The Organization is no longer subject to U.S. Federal income tax examinations by tax authorities for years before 2013.

Contributed Services:

For the years ended June 30, 2016 and 2015, \$15,500 and \$17,500, respectively, has been recognized as revenue in the financial statements for contributed services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations and various committee assignments. No amounts have been recorded in the financial statements for these donated volunteer services since the services do not require any specialized skills. Nevertheless, a substantial number of volunteers have donated significant amounts of time in the management and fund raising efforts of the Organization.

Cash and Cash Equivalents:

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

Functional Expenses:

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

Marketing and Advertising:

Marketing and advertising costs are expensed as incurred. Such costs totaled \$29,684 and \$31,354 for the years ended June 30, 2016 and 2015, respectively.

Agency Transactions:

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

MIDDLESEX UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

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

Donor Designated Pledges:

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

Fair Value of Financial Instruments:

The Organization has a number of financial instruments and none are held for trading purposes. The Organization estimates that the fair value of all financial instruments as of June 30, 2016 and 2015 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

The Organization, using available market information and appropriate valuation methodologies, has determined the estimated fair value amounts (See Note 13).

Considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Endowment:

The Organization follows FASB ASC 958-205 which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). A key component of FASB ASC 958-205 is a requirement to classify the portion of investment return from donor-restricted endowment funds that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure (See Note 11).

Reclassifications:

Certain amounts as of June 30, 2015 have been reclassified to conform to the June 30, 2016 presentation. The reclassifications have no material effect on the financial statements.

Subsequent Events:

Management has evaluated subsequent events through October 12, 2016, the date which the financial statements were available for issue.

MIDDLESEX UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 2 – TEMPORARILY RESTRICTED ASSETS:

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

	<u>2016</u>	<u>2015</u>
Earnings from endowment	\$ 37,007	\$ 38,699
Hurricane Sandy recovery fund	14,437	63,160
Women's initiative program	19,875	17,311
Homelessness prevention	4,982	10,142
Young leaders group	<u>3,324</u>	<u>1,857</u>
Total temporarily restricted net assets	<u>\$ 79,625</u>	<u>\$ 131,169</u>

NOTE 3 – PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets consist of following at June 30:

	<u>2016</u>	<u>2015</u>
Endowment funds	\$ 148,663	\$ 148,663
Beneficial interest in trust	<u>602,524</u>	<u>638,047</u>
Total permanently restricted net assets	<u>\$ 751,187</u>	<u>\$ 786,710</u>

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

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

The Organization will never receive the assets of the trust so the trusts are therefore recorded as permanently restricted net assets. The trusts are recorded at fair market value as determined by the Trustees. For the years ended June 30, 2016 and 2015, current distributions from the trusts of \$27,240 and \$28,923 respectively, are included in unrestricted assets as investment income. The change in the fair market value in excess of distributions of \$(35,523) and \$(32,093), respectively, is recorded in restricted assets as net decrease in trust values.

MIDDLESEX UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 4 – CAMPAIGN PLEDGES RECEIVABLE:

Campaign pledges receivable consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Campaign 2016	\$ 580,008	\$ –
Campaign 2015	52,303	634,677
Campaign 2014	2,897	68,685
Campaign 2013	<u>–</u>	<u>1,201</u>
Total receivable	<u>635,208</u>	<u>704,563</u>
Allowance for uncollectible pledges:		
Campaign 2016	80,000	–
Campaign 2015	45,000	80,000
Campaign 2014	<u>–</u>	<u>60,000</u>
Total allowance	<u>125,000</u>	<u>140,000</u>
Net campaign pledges receivable	<u>\$ 510,208</u>	<u>\$ 564,563</u>

It is the Organization's policy to establish an allowance for uncollectible pledges based on a percentage of annual campaign support. This percentage is reviewed annually and adjusted when necessary based on actual collections and present economic conditions. For the 2016 campaign, an allowance of approximately 6% was used. An allowance of approximately 5% is being used for the 2015 campaign. The pledges receivable at June 30, 2016 and 2015 are all due within one year.

NOTE 5 – CONCENTRATIONS OF CREDIT RISK:

Concentration of Credit Risk Due to Geographical Location:

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

Concentration of Credit Risk Arising From Cash Deposits in Excess of Insured Limits:

The Organization maintains its cash balances at several financial institutions in Connecticut. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times during the years ended June 30, 2016 and 2015, cash may have exceeded the coverage limit. At June 30, 2016 and 2015, there were no uninsured cash balances.

MIDDLESEX UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 5 – CONCENTRATIONS OF CREDIT RISK (Continued):

Concentration of Credit Risk Due to Major Donors:

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

For the 2015 campaign, approximately 15% of the Organization's support was provided by contributions from one local corporation through its employee campaign and corporate gifts.

NOTE 6 – INVESTMENTS:

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

<u>2016</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cumulative Unrealized Gain</u>
Marketable securities	\$ 968,368	\$ 1,313,839	\$ 345,471
Endowment – CFMC	<u>148,663</u>	<u>185,670</u>	<u>37,007</u>
	<u>\$ 1,117,031</u>	<u>\$ 1,499,509</u>	<u>\$ 382,478</u>
			<u>Cumulative Unrealized Gain</u>
<u>2015</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cumulative Unrealized Gain</u>
Marketable securities	\$ 1,014,212	\$ 1,459,156	\$ 444,944
Endowment – CFMC	<u>148,663</u>	<u>187,362</u>	<u>38,643</u>
	<u>\$ 1,162,875</u>	<u>\$ 1,646,518</u>	<u>\$ 483,643</u>

Marketable securities consist of various common stocks and mutual funds with readily determinable fair values. Endowment investments consist of a variety of mutual funds that are allocated between stock and fixed income funds. Endowment – CFMC investments consist of funds held by CFMC. Expenses related to investment revenues, including custodial fees and investment advisory fees, amount to \$10,338 and \$9,984 for the years ended June 30, 2016 and 2015, respectively, and have been netted against investment revenues in the accompanying Statements of Activities.

MIDDLESEX UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 6 – INVESTMENTS (Continued):

	<u>2016</u>	<u>2015</u>
Dividend income	\$ 27,194	\$ 25,542
Investment advisory fees	(10,338)	(9,984)
Net unrealized (loss) gain on investments	(83,451)	(40,870)
Net realized gain on sale of investments	<u>42,611</u>	<u>46,449</u>
 Total investments return	 <u>\$ (23,984)</u>	 <u>\$ 21,137</u>

NOTE 7 – PENSION PLAN:

The Organization has a defined contribution pension plan in place covering substantially all employees. The Organization's contribution is based on 7% of each eligible participant's monthly compensation as defined by the Plan. Employees are fully and immediately vested in all contributions from their date of participation in the Plan. Pension expense amounted to \$35,340 and \$33,873 the years ending June 30, 2016 and 2015, respectively and is included in employee benefits on the statements of functional expenses.

NOTE 8 – LEASES:

In December 2002, the Organization entered into a lease for the rental of their offices. In September 2012, the Organization extended its lease on office space for six years commencing on December 1, 2012 and expiring on November 30, 2018. Effective December 1, 2012, the base rent was \$2,825 per month, increasing to \$2,950 per month on December 1, 2014, and increasing to \$3,100 per month on December 1, 2016. Rental expense for each of the years ended June 30, 2016 and 2015 totaled \$35,400 and \$34,776, respectively.

The Organization leases office equipment under operating leases that expire at various times through 2020. For the years ended June 30, 2016 and 2015, expense under these leases amounted to \$7,104 and \$2,796, respectively.

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

<u>Year</u>	<u>Lease Payments</u>
2017	\$ 43,554
2018	19,808
2019	4,308
2020	4,308
2021	<u>1,077</u>
Total	<u>\$ 73,055</u>

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 9 – DONOR DESIGNATIONS PAYABLE:

Donor designations represent cash contributions the Organization received that were passed through to the appropriate agency as specified by the donor. The total donor designated pledges received during the current year campaign will be paid in the following fiscal year as the funds are received. For the years ending June 30, 2016 and 2015, donor designations payable on the statement of financial position are stated net of the related service fees of \$25,684 and \$26,544, respectively.

NOTE 10 – PROPERTY AND EQUIPMENT:

As of June 30, 2016 and 2015, property and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>
Property and equipment	\$ 56,162	\$ 56,650
Software	16,008	16,008
Accumulated depreciation and amortization	<u>(60,067)</u>	<u>(54,830)</u>
	<u>\$ 12,103</u>	<u>\$ 17,828</u>

NOTE 11 – ENDOWMENT FUNDS:

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

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

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

MIDDLESEX UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 11 – ENDOWMENT FUNDS (Continued):

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2014	\$ -	\$ 42,349	\$ 100,338	\$ 142,687
Contributions	-	-	48,325	48,325
Investment earnings	-	2,113	-	2,113
Appropriation	-	(5,763)	-	(5,763)
Endowment net assets, June 30, 2015	-	38,699	148,663	187,362
Contributions	-	-	-	-
Investment earnings	-	5,999	-	5,999
Appropriation	-	(7,691)	-	(7,691)
Endowment net assets, June 30, 2016	<u>\$ -</u>	<u>\$ 37,007</u>	<u>\$ 148,663</u>	<u>\$ 185,670</u>

NOTE 12 – LINE OF CREDIT:

The Organization has a line of credit from a financial institution which can be renewed annually and matures in December 2016. The line of credit carries a limit of \$200,000 with a variable interest rate at the prime rate (4.0% at June 30, 2016). Interest on the line of credit is payable monthly with all principal and interest due at maturity. At June 30, 2016 and 2015, there was an outstanding balance of \$80,000 and \$-0-, respectively, on the line of credit.

NOTE 13 – FAIR VALUE MEASUREMENTS:

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

FASB ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 13 – FAIR VALUE MEASUREMENTS (Continued):

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

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

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

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

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

Endowment – CFMC – the Organization's investments held at CFMC consist of a variety of stock and fixed income mutual funds. The fair value of the assets are determined from information provided by CFMC based on relevant information generated by market transactions.

Beneficial interest in trusts – the fair value of perpetual trusts held, administered and controlled by third parties represents the Organization's percentage interest in the current market value of the trust assets.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 13 – FAIR VALUE MEASUREMENTS (Continued):

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

June 30, 2016

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

The following table presents information about the Organization's respective assets and liabilities measured at fair value on a recurring basis at June 30, 2015, including the fair value measurements and the level of inputs used in determining those fair values:

June 30, 2015

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in trusts	\$ -	\$ -	\$ 638,047	\$ 638,047
Available-for-Sale and Held-to-Maturity Securities:				
Fixed income	538,920	-	-	538,920
Equity large cap	319,610	-	-	319,610
Equity mid-cap	237,123	-	-	237,123
Equity international	173,325	-	-	173,325
Equity small cap	133,738	-	-	133,738
Fixed income international	56,440	-	-	56,440
Endowment - CFMC	<u>-</u>	<u>187,362</u>	<u>-</u>	<u>187,362</u>
	<u>\$ 1,459,156</u>	<u>\$ 187,362</u>	<u>\$ 638,047</u>	<u>\$ 2,284,565</u>

MIDDLESEX UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 13 – FAIR VALUE MEASUREMENTS (Continued):

Transfers between Levels 1 and 2 generally relate to whether a market becomes active or inactive. Transfers between Levels 2 and 3 generally relate to whether, for various reasons, significant inputs become observable or unobservable. During the years ended June 30, 2016 and 2015, there were no significant transfers into and out of each level of the fair value hierarchy for assets measured at fair value.

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

Changes in Level 3 assets measured at fair value were as follows for the years ended June 30, 2016 and 2015:

Balance July 1, 2014	\$ 670,140
Net decrease in trust values	(32,093)
Transfers	<u>-</u>
Balance June 30, 2015	638,047
Net decrease in trust values	(35,523)
Transfers	<u>-</u>
Balance June 30, 2016	<u>\$ 602,524</u>

ADDITIONAL INFORMATION

MIDDLESEX UNITED WAY, INC.

SCHEDULE I- SCHEDULE OF COMMUNITY PARTNER GRANTS

YEARS ENDED JUNE 30, 2016 AND 2015

	Approved <u>2016</u>	Approved <u>2015</u>	Paid <u>2015</u>
Health	\$ 447,393	\$ 468,621	\$ 468,621
Education	121,820	127,600	127,600
Housing	107,311	112,403	112,403
Income	50,435	52,828	52,828
211/ infoline	13,119	13,741	14,127
	<u>\$ 740,078</u>	<u>\$ 775,193</u>	<u>\$ 775,579</u>

MIDDLESEX UNITED WAY, INC.

SCHEDULE II- SCHEDULE OF SPECIAL ALLOCATIONS AND OTHER DISTRIBUTIONS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Hurricane Sandy recovery	\$ 48,723	\$ -
Middlesex County homeless prevention	23,668	16,933
Women's initiative grant	17,519	16,341
Additional allocations/(unfunded grants)	3,886	2,926
Sponsorship designations	3,500	3,500
Young leaders group	3,460	3,258
Strategic planning	2,000	-
Other designations	-	7,154
	<u>\$ 102,756</u>	<u>\$ 50,112</u>

MIDDLESEX UNITED WAY, INC.

SCHEDULE III- SCHEDULE OF DONOR DESIGNATIONS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Amazing Grace	\$ 22,197	\$ 23,707
Boy Scouts, Connecticut River Council	961	653
Child & Family Agency of Southeastern Connecticut, Inc.	240	1,287
Clinton Board of Education	4,869	4,474
Clinton Youth & Family Service Bureau	2,126	1,840
Community Health Center, Inc.	103	502
Connecticut Legal Services	52	-
Connection, Inc.	850	390
Connection, Inc. – Eddy Shelter	2,739	1,842
Cromwell Board of Education	1,674	1,409
Durham / Middlefield Youth & Family Services	1,354	1,108
East Haddam Board of Education – Early Childhood Council	260	459
East Haddam Youth & Family Services	1,406	1,387
East Hampton Board of Education	1,623	2,709
Gateway Counseling Service, Inc.	3,790	3,273
Girl Scouts, Connecticut Trails Council	1,352	312
HOPE Partnership – Old Saybrook	619	-
John J. Driscoll United Labor Agency	259	869
Kuhn Employment Opportunities, Inc.	651	392
MARC: Community Resources	6,158	6,901
Middlesex Hospital Homecare	-	500
Middlesex County Coalition on Housing & Homelessness	1,764	1,764
Middlesex Habitat for Humanity	3,736	2,761
Middletown Adult Education – Even Start	798	473
Middletown Youth Services Bureau	1,616	78
Northern Middlesex Young Men’s Christian Association	4,307	3,679
Oddfellows Playhouse, Inc.	7,083	7,336
Old Saybrook Youth & Family Services	608	1,246
Old Saybrook & Family Services – HCHY	1,125	987
Opportunity Knocks Program of Middlesex Hospital	1,130	450
Perinatal Program of Middlesex Hospital	52	7,734
Portland Youth Services	618	1,194
Portland Youth Services – HCHY	3,020	1,933
Regional School District #13 (Durham/Middlefield)	326	234
Regional School District #4 Early Childhood Council	130	68
Rushford Center, Inc.	874	1,885
St. Luke’s Eldercare Solutions of Central CT	1,517	1,481
Shoreline Soup Kitchens and Pantries	5,544	4,859
Tri-Town Youth Services (Chester, Deep River, Essex) HCHY	667	1,040
Tri-Town Youth Services (Chester, Deep River, Essex) Early Childhood	1,284	-
United Way of Connecticut – 211	130	216
Westbrook Early Childhood Council	-	324
Westbrook Public Schools Healthy Comm./Youth	312	-
Women and Families – Central CT SACS	4,386	3,049
Youth & Family Services of Haddam/Killingworth – Healthy Comm.	692	1,504
Youth & Family Services of Haddam/Killingworth	152	746
Other Agencies and United Ways	88,350	97,690
	<u>183,504</u>	<u>196,745</u>
Less: Service fees	<u>(25,684)</u>	<u>(26,544)</u>
	<u>\$ 157,820</u>	<u>\$ 170,201</u>