

MIDDLESEX UNITED WAY, INC.
FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2012 AND 2011

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Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Middlesex United Way, Inc. (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of Middlesex United Way, Inc. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information on pages 23 to 25 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit 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
September 24, 2012

MIDDLESEX UNITED WAY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Cash and cash equivalents (Notes 1 and 5)	\$ 156,850	\$ 301,590
Campaign pledges receivable, net of allowance of \$160,000 and \$185,000, respectively (Notes 1 and 4)	678,733	649,951
Investments (Notes 1, 6, and 15)	1,393,804	1,493,585
Cash and investments held for endowment purposes (Notes 1, 3, 6, and 15)	78,129	77,306
Beneficial interest in trusts (Note 3)	598,448	618,801
Property and equipment, net (Notes 1 and 12)	18,715	17,226
Other assets	<u>8,033</u>	<u>3,891</u>
	<u>\$ 2,932,712</u>	<u>\$ 3,162,350</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 34,951	\$ 45,533
Deferred revenue	20,000	4,046
Community partners payable	850,000	965,000
Donor designations payable (Notes 1 and 11)	<u>180,275</u>	<u>159,243</u>
	1,085,226	1,173,822
NET ASSETS:		
Unrestricted:		
General operating	1,140,412	1,278,371
Temporarily restricted (Notes 1 and 2)	58,288	42,118
Permanently restricted (Notes 1, 3 and 13):		
Endowment	50,338	49,238
Beneficial interest in trusts	<u>598,448</u>	<u>618,801</u>
	<u>648,786</u>	<u>668,039</u>
	<u>1,847,486</u>	<u>1,988,528</u>
	<u>\$ 2,932,712</u>	<u>\$ 3,162,350</u>

See notes to financial statements.

MIDDLESEX UNITED WAY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE, GAINS AND OTHER SUPPORT:				
Current-year campaign contributions:				
Total amounts raised	\$ 1,601,030	\$ -	\$ -	\$ 1,601,030
Less: amounts raised on behalf of others	(397,227)	-	-	(397,227)
Total contributions	1,175,215	-	-	1,175,215
Less: provision for uncollectible pledges	(90,000)	-	-	(90,000)
Prior year campaign contributions	56,684	-	-	56,684
Net campaign revenue	1,141,899	-	-	1,141,899
Other revenue and support:				
Amounts raised by other agencies	225,171	-	-	225,171
Service fee revenue	27,427	-	-	27,427
Net investment income	8,372	-	-	8,372
Investment income – beneficial trusts	23,723	-	-	23,723
Net decrease in trust values	-	-	(20,353)	(20,353)
Marketing and advertising income	150	-	-	150
Meeting and program reimbursement	6,175	-	-	6,175
Unrealized loss on investments	(42,104)	-	-	(42,104)
Realized gain on sale of investments	17,841	-	-	17,841
Other contributions	13,408	73,922	1,100	88,430
Net assets released from restriction	57,752	(57,752)	-	-
In-kind services	11,033	-	-	11,033
Total other revenue and support	360,792	16,170	(19,253)	357,709
Total revenue, gains and other support	1,502,691	16,170	(19,253)	1,499,608
DISTRIBUTIONS AND EXPENSES:				
Distributions:				
Community partners	850,000	-	-	850,000
Special allocations and other distributions	58,278	-	-	58,278
Payments to United Way of America	15,405	-	-	15,405
Payments to affiliated organizations	12,760	-	-	12,760
Total distributions	936,443	-	-	936,443
Expenses:				
Program services	345,061	-	-	345,061
Support services:				
Fundraising expenses	183,094	-	-	183,094
Management and general expenses	176,052	-	-	176,052
Total program and support services	704,207	-	-	704,207
Total distributions and expenses	1,640,650	-	-	1,640,650
Change in net assets	(137,959)	16,170	(19,253)	(141,042)
Net assets, beginning of year	1,278,371	42,118	668,039	1,988,528
Net assets, end of year	\$ 1,140,412	\$ 58,288	\$ 648,786	\$ 1,847,486

See notes to financial statements.

MIDDLESEX UNITED WAY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE, GAINS AND OTHER SUPPORT:				
Current-year campaign contributions:				
Total amounts raised	\$ 1,658,089	\$ -	\$ -	\$ 1,658,089
Less: amounts raised on behalf of others	(392,875)	-	-	(392,875)
Total contributions	1,238,643	-	-	1,238,643
Less: provision for uncollectible pledges	(115,000)	-	-	(115,000)
Prior year campaign contributions	61,485	-	-	61,485
Net campaign revenue	1,185,128	-	-	1,185,128
Other revenue and support:				
Amounts raised by other agencies	267,894	-	-	267,894
Service fee revenue	24,326	-	-	24,326
Net investment income	5,720	-	-	5,720
Investment income – beneficial trusts	22,964	-	-	22,964
Net increase in trust values	-	-	69,323	69,323
Marketing and advertising income	6,000	-	-	6,000
Meeting and program reimbursement	2,875	-	-	2,875
Unrealized gain on investments	219,648	-	-	219,648
Realized gain on sale of investments	16,282	-	-	16,282
Other contributions	15,797	77,777	850	94,424
Net assets released from restriction	81,627	(81,627)	-	-
In-kind services	18,206	-	-	18,206
Total other revenue and support	696,470	(3,850)	70,173	762,793
Total revenue, gains and other support	1,881,598	(3,850)	70,173	1,947,921
DISTRIBUTIONS AND EXPENSES:				
Distributions:				
Community partners	965,000	-	-	965,000
Special allocations and other distributions	93,880	-	-	93,880
Payments to United Way of America	16,226	-	-	16,226
Payments to affiliated organizations	13,392	-	-	13,392
Total distributions	1,088,498	-	-	1,088,498
Expenses:				
Program services	355,323	-	-	355,323
Support services:				
Fundraising expenses	195,790	-	-	195,790
Management and general expenses	174,036	-	-	174,036
Total program and support services	725,149	-	-	725,149
Total distributions and expenses	1,813,647	-	-	1,813,647
Change in net assets	67,951	(3,850)	70,173	134,274
Net assets, beginning of year	1,210,420	45,968	597,866	1,854,254
Net assets, end of year	\$ 1,278,371	\$ 42,118	\$ 668,039	\$ 1,988,528

See notes to financial statements.

MIDDLESEX UNITED WAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2012

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 206,091	\$ 109,354	\$ 105,149	\$ 420,594
Employee benefits	28,939	15,356	14,765	59,060
Payroll taxes	<u>19,012</u>	<u>10,088</u>	<u>9,700</u>	<u>38,800</u>
Total salaries and related expenses	254,042	134,798	129,614	518,454
Marketing and advertising	13,706	7,273	6,993	27,972
Professional fees	12,922	6,857	6,593	26,372
Supplies	11,546	6,124	5,889	23,559
Printing and publications	7,470	3,964	3,811	15,245
Telephone	1,639	870	836	3,345
Postage and shipping	3,694	1,960	1,885	7,539
Occupancy	15,876	8,424	8,100	32,400
Rental and maintenance of equipment	8,454	4,486	4,313	17,253
Travel and parking	3,549	1,883	1,811	7,243
Conferences, conventions and meetings	3,147	1,670	1,606	6,423
Insurance	3,266	1,733	1,667	6,666
Miscellaneous	<u>2,142</u>	<u>1,137</u>	<u>1,093</u>	<u>4,372</u>
Total expenses before depreciation	341,453	181,179	174,211	696,843
Depreciation and amortization	<u>3,608</u>	<u>1,915</u>	<u>1,841</u>	<u>7,364</u>
TOTAL EXPENSES	<u>\$ 345,061</u>	<u>\$ 183,094</u>	<u>\$ 176,052</u>	<u>\$ 704,207</u>

See notes to financial statements.

MIDDLESEX UNITED WAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 208,014	\$ 114,620	\$ 101,885	\$ 424,519
Employee benefits	30,247	16,667	14,815	61,729
Payroll taxes	<u>17,753</u>	<u>9,782</u>	<u>8,695</u>	<u>36,230</u>
Total salaries and related expenses	256,014	141,069	125,395	522,478
Marketing and advertising	19,500	10,745	9,551	39,796
Professional fees	8,445	4,653	4,136	17,234
Supplies	16,152	8,900	7,911	32,963
Printing and publications	7,980	4,397	3,909	16,286
Telephone	2,167	1,194	1,062	4,423
Postage and shipping	4,187	2,307	2,051	8,545
Occupancy	15,876	8,748	7,776	32,400
Rental and maintenance of equipment	8,921	4,916	4,369	18,206
Travel and parking	3,239	1,785	1,586	6,610
Conferences, conventions and meetings	3,160	1,741	1,548	6,449
Insurance	3,273	1,803	1,603	6,679
Miscellaneous	<u>3,284</u>	<u>1,810</u>	<u>1,609</u>	<u>6,703</u>
Total expenses before depreciation	352,198	194,068	172,506	718,772
Depreciation and amortization	<u>3,125</u>	<u>1,722</u>	<u>1,530</u>	<u>6,377</u>
TOTAL EXPENSES	<u>\$ 355,323</u>	<u>\$ 195,790</u>	<u>\$ 174,036</u>	<u>\$ 725,149</u>

See notes to financial statements.

MIDDLESEX UNITED WAY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (141,042)	\$ 134,274
Adjustments to reconcile net assets to net cash provided by operating activities:		
Allowance for uncollectible pledges	(25,000)	(40,000)
Depreciation and amortization	7,364	6,377
Net realized and unrealized (gains) losses on investments	24,263	(235,930)
Net decrease (increase) in trust values	20,353	(69,323)
Cash distributed from agency transactions	(12,241)	(11,106)
Decrease (increase) in campaign pledges receivable	(3,782)	20,106
Decrease (increase) in other assets	(4,142)	8,808
Increase in accounts payable	1,659	2,741
Increase (decrease) in deferred revenue	15,954	(181)
Increase (decrease) in community partners payable	(115,000)	45,696
Increase in donor designations payable	<u>21,032</u>	<u>10,852</u>
NET CASH BY OPERATING ACTIVITIES	(210,582)	(127,686)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(26,353)	(151,886)
Proceeds from sale of investments	101,049	121,355
Acquisition of property and equipment	<u>(8,854)</u>	<u>(6,795)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>65,842</u>	<u>(37,326)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(144,740)	(165,012)
CASH AND CASH EQUIVALENTS, beginning	<u>301,590</u>	<u>466,602</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 156,850</u>	<u>\$ 301,590</u>

See notes to financial statements.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

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 (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 (Note 3).

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

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

Use of Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 using the straight-line method. Maintenance and repairs are charged to expense as incurred.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

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

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.

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.

The Organization follows FASB ASC 740-10. FASB ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. After review of Middlesex United Way, Inc.'s tax positions and in light of the fact that they are a tax-exempt organization under Section 501(c)(3), no liabilities were recorded for unrecognized tax benefits as of June 30, 2012 or June 30, 2011.

The Organization recognizes interest accrued related to unrecognized tax benefits, if any, in interest expense and penalties in operating expense. During the years ended June 30, 2012 and 2011, the Organization did not recognize any interest or penalties.

Contributed Facilities and Services:

For the years ended June 30, 2012 and 2011, \$11,033 and \$18,206, respectively, has been recognized as revenue in the financial statements for contributed facilities and 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 no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers have donated significant amounts of time in the management and fund raising efforts of the Organization.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

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

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial 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 \$27,972 and \$39,796 for the years ended June 30, 2012 and 2011, 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.

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, 2012 and 2011 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 15).

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

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

Fair Value of Financial Instruments (Continued):

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. FASB ASC 958-205 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).

Effective in 2007, the State of Connecticut enacted the UPMIFA, the provisions of which apply to funds existing on or established after that date. A key component of the FSP 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. The United Way adopted the FSP as of July 1, 2008. The disclosure requirements of the FSP are set forth in Note 13.

Reclassifications:

Certain amounts as of June 30, 2011 have been reclassified to conform to the June 30, 2012 presentation. The reclassifications have no material effect on the financial statements.

NOTE 2 – TEMPORARILY RESTRICTED ASSETS:

Substantially all of the restrictions on temporarily restricted assets relate to restrictions on funds received for ongoing activities. At June 30, 2012 and 2011, temporarily restricted net assets consist of:

	<u>2012</u>	<u>2011</u>
Homelessness prevention	\$ 46,810	\$ 29,053
Women's initiative program	11,172	13,065
Young leaders group	<u>306</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 58,288</u>	<u>\$ 42,118</u>

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 3 – PERMANENTLY RESTRICTED NET ASSETS:

At June 30, 2012 and 2011, permanently restricted net assets consist of:

	<u>2012</u>	<u>2011</u>
Endowment funds	\$ 50,338	\$ 49,238
Beneficial interest in trust	<u>598,448</u>	<u>618,801</u>
Total restricted net assets	<u>\$ 648,786</u>	<u>\$ 668,039</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 Middlesex County Community Foundation, Inc. (MCCF) under an Organizational Fund Agreement.

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, 2012 and 2011, current distributions from the trusts of \$23,723 and \$22,964 respectively, are included in unrestricted assets as investment income. The increase (decrease) in the fair market value in excess of distributions of \$(20,353) and \$69,323, respectively, is recorded in restricted assets as net increase (decrease) in trust values.

NOTE 4 – CAMPAIGN PLEDGES RECEIVABLE:

Campaign pledges receivable consist of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Campaign 2012	\$ 762,300	\$ -
Campaign 2011	76,433	762,545
Campaign 2010	-	<u>72,406</u>
Total receivable	<u>838,733</u>	<u>834,951</u>

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 4 – CAMPAIGN PLEDGES RECEIVABLE (Continued):

Allowance for uncollectible pledges:	<u>2012</u>	<u>2011</u>
Campaign 2012	\$ 90,000	\$ -
Campaign 2011	70,000	115,000
Campaign 2010	<u>-</u>	<u>70,000</u>
Total allowance	<u>160,000</u>	<u>185,000</u>
 Net campaign pledges receivable	 <u>\$ 678,733</u>	 <u>\$ 649,951</u>

It is the United Way'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 2012 campaign, an allowance of approximately 5% was used. An allowance of approximately 7% is being used for the 2011 campaign. The pledges receivable at June 30, 2012 and 2011 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. Effective December 31, 2010, Federal Deposit Insurance Corporation (FDIC) coverage was expanded to provide unlimited coverage of noninterest bearing transaction accounts. Prior to this change in policy, FDIC coverage was limited to \$250,000 at each financial institution. At various times during the years ended June 30, 2012 and 2011, cash may have exceeded the coverage limit.

Concentration of Credit Risk Due to Major Donors:

For the 2012 campaign, approximately 13% of the Organization's support was provided by contributions from one local corporation through its employee campaign and corporate gifts.

For the 2011 campaign, approximately 18% of the Organization's support was provided by contributions from one local corporation through its employee campaign and corporate gifts.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 6 – INVESTMENTS:

Investments are carried at the quoted market value. Cost and unrealized appreciation at June 30, 2012 and 2011 is as follows:

<u>June 30, 2012</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cumulative Unrealized Gain</u>
Marketable securities	\$ 1,039,307	\$ 1,393,804	\$ 354,497
Endowment – MCCF	<u>50,338</u>	<u>78,129</u>	<u>27,791</u>
	<u>\$ 1,089,645</u>	<u>\$ 1,471,933</u>	<u>\$ 382,288</u>
<u>June 30, 2011</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cumulative Unrealized Gain</u>
Marketable securities	\$ 1,094,999	\$ 1,493,585	\$ 398,586
Endowment – MCCF	<u>49,238</u>	<u>77,306</u>	<u>28,068</u>
	<u>\$ 1,144,237</u>	<u>\$ 1,570,891</u>	<u>\$ 426,654</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 – Middlesex County Community Foundation investments consist of funds held by Middlesex County Community Foundation. Expenses related to investment revenues, including custodial fees and investment advisory fees, amount to \$8,372 and \$6,470 for the years ended June 30, 2012 and 2011, respectively, and have been netted against investment revenues in the accompanying Statement of Activities.

	<u>2012</u>	<u>2011</u>
Dividend income	\$ 28,588	\$ 27,321
Investment advisory fees	(8,372)	(6,470)
Net unrealized gain (loss) on investments	(42,104)	219,648
Realized gain on sale of investments	<u>17,841</u>	<u>16,282</u>
Total investment return	<u>\$ (4,047)</u>	<u>\$ 256,781</u>

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

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 from their date of participation in the plan. Pension expense amounted to \$32,380 and \$33,186 the years ending June 30, 2012 and 2011, respectively.

NOTE 8 – LEASES:

In December 2002, the Organization entered into a five-year lease for the rental of their new offices. During 2008, the Organization opted to renew the lease at a rate of \$2,500 per month which includes heat and air conditioning. The lease expires on November 30, 2012. As of June 30, 2012, the Organization had minimum future rental payments of \$13,500 for the year ending June 30, 2013.

Rental expense for each of the years ended June 30, 2012 and 2011 totaled \$30,000.

NOTE 9 – OVERHEAD RATIO (Unaudited):

The United Way of America policies state that overhead should be based on the Organization's income tax return (Form 990). The overhead ratio is calculated as follows, using the net method set forth in *Functional Expenses and Overhead Reporting Standards*, United Way of America:

<u>Numerator</u>	<u>2012</u>	<u>2011</u>
Supporting services functional expenses:		
Management and general	\$ 184,358	\$ 179,328
Fundraising	<u>183,715</u>	<u>195,226</u>
Numerator total	<u>\$ 368,073</u>	<u>\$ 374,554</u>
<u>Denominator</u>		
Total campaign and all other revenue sources – Form 990, Part I, Line 12	<u>\$ 1,956,631</u>	<u>\$ 2,040,090</u>
Overhead ratio expressed as a percentage	18.81%	18.36%

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 9 – OVERHEAD RATIO (Unaudited) (Continued):

Reconciliation of Denominator – Financial Statements to Form 990

	<u>2012</u>	<u>2011</u>
Total revenue per financial statements	\$ 1,499,608	\$ 1,947,921
Investment advisory expenses	8,372	6,471
Unrealized (gains) losses	42,104	(219,648)
Net (increase) decrease in trust values	20,353	(69,323)
In-kind contributions	(11,033)	(18,206)
Amounts raised on behalf of others	<u>397,227</u>	<u>392,875</u>
Total campaign and all other revenue sources – Form 990 – Part I – Line 12	<u>\$ 1,956,631</u>	<u>\$ 2,040,090</u>

NOTE 10 – FUNDRAISING COSTS (Unaudited):

The Board of Trustees of United Way of America adopted a uniform standard for deducting fundraising expenses. The following is the Organization's fundraising costs for the years ending June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
<u>Numerator</u>		
Total fundraising costs	\$ 183,715	\$ 195,226
Due to affiliates	<u>28,165</u>	<u>29,617</u>
Numerator total	<u>\$ 211,880</u>	<u>\$ 224,843</u>
 <u>Denominator</u>		
Total Direct Public Support	<u>\$ 1,539,126</u>	<u>\$ 1,578,003</u>
Fundraising costs expressed as a percentage	13.77%	14.25%

NOTE 11 – DONOR DESIGNATIONS:

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, 2012 and 2011, donor designations payable on the statement of financial position are stated net of the related service fee of \$27,427 and \$24,326, respectively.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 12 – PROPERTY AND EQUIPMENT:

As of June 30, 2012 and 2011, property and equipment consisted of the following:

	<u>2012</u>	<u>2011</u>
Property and equipment	\$ 70,443	\$ 83,317
Software	19,112	18,769
Accumulated depreciation and amortization	<u>(70,840)</u>	<u>(84,860)</u>
Property and equipment, net	<u>\$ 18,715</u>	<u>\$ 17,226</u>

NOTE 13 – ENDOWMENT FUNDS:

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

MCCF, 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 MCCF 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, 2012 AND 2011

NOTE 13 – ENDOWMENT FUNDS (Continued):

The following summarizes changes in endowment net assets for the year ended June 30, 2012:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets – beginning	\$ -	\$ 49,238	\$ 49,238
Contributions	<u>-</u>	<u>1,100</u>	<u>1,100</u>
Endowment net assets - ending	<u>\$ -</u>	<u>\$ 50,338</u>	<u>\$ 50,338</u>

The following summarizes changes in endowment net assets for the year ended June 30, 2011:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets – beginning	\$ -	\$ 48,388	\$ 48,388
Contributions	<u>-</u>	<u>850</u>	<u>850</u>
Endowment net assets - ending	<u>\$ -</u>	<u>\$ 49,238</u>	<u>\$ 49,238</u>

NOTE 14 – LINE OF CREDIT:

As of June 30, 2009, the Organization has a line of credit from a financial institution which can be renewed annually and matures in September 2012. The line of credit is for a maximum of \$200,000 with a variable interest rate at the prime rate. Interest on the line of credit is payable monthly with all principal and interest due at maturity. At June 30, 2012 and 2011, there was no balance on the line of credit.

NOTE 15 – FAIR VALUE MEASUREMENTS:

The Organization follows Financial Accounting Standards Codification No. 820, *Fair Value Measurements and Disclosures* (FASB ASC 820), 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.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 15 – FAIR VALUE MEASUREMENTS (Continued):

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

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

The following section describes the valuation methodologies used by the Organization to measure different financial instruments (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.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 15 – FAIR VALUE MEASUREMENTS (Continued):

The following tables present information about the Organization's respective assets and liabilities measured at fair value on a recurring basis at June 30, 2012, and 2011, including the fair value measurements and the level of inputs used in determining those fair values:

June 30, 2012

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable securities	\$ 1,393,804	\$ –	\$ –	\$ 1,393,804
Endowment - MCCF	78,129	–	–	78,129
	<u>\$ 1,471,933</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 1,471,933</u>

June 30, 2011

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable securities	\$ 1,493,585	\$ –	\$ –	\$ 1,493,585
Endowment - MCCF	77,306	–	–	77,306
	<u>\$ 1,570,891</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 1,570,891</u>

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, 2012 or 2011, there were no significant transfers into and out of each level of the fair value hierarchy for assets measured at fair value.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 24, 2012, the date which the financial statements were available for issue.

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 will be \$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.

ADDITIONAL INFORMATION

MIDDLESEX UNITED WAY, INC.

SCHEDULES OF COMMUNITY PARTNER GRANTS

YEARS ENDED JUNE 30, 2012 AND 2011

	Approved <u>2012</u>	Approved <u>2011</u>	Paid <u>2011</u>
Health	\$ 499,630	\$ 440,480	\$ 440,480
Education	146,756	190,756	185,495
Housing	130,433	130,433	130,433
Income	56,200	141,350	141,350
211 / infoline	14,644	16,285	16,108
Other approved	<u>2,337</u>	<u>45,696</u>	<u>51,660</u>
	<u>\$ 850,000</u>	<u>\$ 965,000</u>	<u>\$ 965,526</u>

MIDDLESEX UNITED WAY, INC.

SCHEDULES OF SPECIAL ALLOCATIONS AND OTHER DISTRIBUTIONS

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Middlesex County Homelessness Prevention	\$ 49,831	\$ 77,331
Women's Initiative Grant	7,188	4,296
Young Leaders Group	733	-
Additional allocations	<u>526</u>	<u>12,253</u>
	<u>\$ 58,278</u>	<u>\$ 93,880</u>

MIDDLESEX UNITED WAY, INC.

SCHEDULES OF DONOR DESIGNATIONS

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Amazing Grace	\$ 17,425	\$ 21,416
American Red Cross, Middlesex County Chapter	1,930	3,422
Boy Scouts, Connecticut Rivers Council	2,868	1,770
Child & Family Agency of Southeastern Connecticut, Inc.	2,958	111
Clinton Board of Education	3,318	905
Clinton Youth & Family Service Bureau	1,583	528
Community Health Center, Inc.	1,017	3,022
Connection, Inc.	3,231	3,751
Connection, Inc. – Eddy Shelter	1,606	936
Cromwell Board of Education	462	130
Durham / Middlefield Youth & Family Services	776	130
East Haddam Youth & Family Services	2,322	1,526
East Hampton Board of Education	1,903	1,894
Gateway Counseling Service, Inc.	1,959	2,358
Girl Scouts, Connecticut Trails Council	998	3,513
HOPE Partnership – Old Saybrook	469	250
John J. Driscoll United Labor Agency	801	365
Kuhn Employment Opportunities, Inc.	604	401
Literacy Volunteers of America – Valley Shore	566	571
MARC: Community Resources	2,853	1,684
Middlesex County Coalition on Housing & Homelessness	2,630	1,555
Middlesex Habitat for Humanity	5,079	4,855
Middletown Adult Education – Even Start	2,418	809
Middletown Youth Services Bureau	36	651
Nehemiah Housing Corp.	533	115
Northern Middlesex Young Men’s Christian Association	5,621	5,626
Oddfellows Playhouse, Inc.	11,471	13,515
Old Saybrook Youth & Family Services	1,456	1,242
Opportunity Knocks Program of Middlesex Hospital	1,520	465
Perinatal Program of Middlesex Hospital	1,998	502
Portland Youth Services	1,408	1,197
Regional School District #13 (Durham/Middlefield)	1,844	1,029
Regional School District #17 (Haddam/Killingworth)	576	202
Rushford Center, Inc.	1,533	593
St. Luke’s Eldercare Solutions of Central CT	5,077	1,991
Shoreline Soup Kitchens and Pantries	4,320	4,368
Tri-Town Youth Services (Chester, Deep River, Essex)	1,432	1,552
United Way of Connecticut – 211	857	725
Westbrook Early Childhood Council	260	920
Westbrook Public Schools Healthy Comm./Youth	130	-
Women and Families – Central CT SACS	5,044	3,084
Youth & Family Services of Haddam/Killingworth – Healthy Comm.	348	-
Youth & Family Services of Haddam/Killingworth	2,209	1,507
Other Agencies and United Ways	<u>100,253</u>	<u>88,383</u>
	207,702	183,569
Less: Service fees	(27,427)	(24,326)
	<u>\$ 180,275</u>	<u>\$ 159,243</u>