

MIDDLESEX UNITED WAY, INC.

FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2015 AND 2014

MIDDLESEX UNITED WAY, INC.

FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2015 AND 2014

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9
ADDITIONAL INFORMATION:	
Schedule I - Schedule of Community Partner Grants	23
Schedule II - Schedule of Special Allocations and Other Distributions	24
Schedule III - Schedule of Donor Designations	25

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, 2015 and 2014, 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, 2015 and 2014, 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 23-25 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 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
September 25, 2015

MIDDLESEX UNITED WAY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash and cash equivalents (Notes 1 and 5)	\$ 188,043	\$ 373,678
Campaign pledges receivable, net of allowance of \$140,000 and \$160,000, respectively (Notes 1 and 4)	564,563	526,226
Investments (Notes 1, 6 and 15)	1,459,156	1,411,149
Cash and investments held for endowment purposes (Notes 1, 3, 6 and 15)	187,362	142,686
Beneficial interests in trusts (Note 3)	638,047	670,140
Property and equipment, net (Notes 1 and 12)	17,828	19,484
Other assets	20,492	20,283
	<u>\$ 3,075,491</u>	<u>\$ 3,163,646</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable and accrued expenses	63,912	75,090
Deferred revenue	9,000	8,554
Community partners payable	775,193	775,402
Donor designations payable, net (Notes 1 and 11)	170,201	160,073
	<u>1,018,306</u>	<u>1,019,119</u>
NET ASSETS:		
Unrestricted	1,178,005	1,278,812
Temporarily restricted (Notes 1 and 2)	92,470	95,237
Permanently restricted (Notes 1, 3 and 13):		
Endowment	148,663	100,338
Beneficial interest in trusts	638,047	670,140
	<u>786,710</u>	<u>770,478</u>
	<u>2,057,185</u>	<u>2,144,527</u>
	<u>\$ 3,075,491</u>	<u>\$ 3,163,646</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	(327,528)	-	-	(327,528)
Total contributions	1,040,834	-	-	1,040,834
Less: provision for uncollectible pledges	(80,000)	-	-	(80,000)
Prior year campaign contributions	78,151	-	-	78,151
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	41,282	(41,282)	-	-
Total other revenue and support	331,778	(2,767)	48,325	377,336
Total revenue and support	1,370,763	(2,767)	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	25,924	-	-	25,924
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	167,644	-	-	167,644
Total program and support services	670,401	-	-	670,401
Total distributions and expenses	1,521,630	-	-	1,521,630
Change in net assets from operations	(150,867)	(2,767)	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	(40,870)	-	-	(40,870)
Net realized gains on investments	46,449	-	-	46,449
Total investment income (loss)	50,060	-	(32,093)	17,967
Change in net assets	(100,807)	(2,767)	16,232	(87,342)
Net assets, beginning of year	1,278,812	95,237	770,478	2,144,527
Net assets, end of year	<u>\$ 1,178,005</u>	<u>\$ 92,470</u>	<u>\$ 786,710</u>	<u>\$ 2,057,185</u>

See notes to financial statements.

MIDDLESEX UNITED WAY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT:				
Current-year campaign contributions:				
Total amounts raised	\$ 1,417,614	\$ -	\$ -	\$ 1,417,614
Less: amounts raised on behalf of others	(326,128)	-	-	(326,128)
Total contributions	1,091,486	-	-	1,091,486
Less: provision for uncollectible pledges	(90,000)	-	-	(90,000)
Prior year campaign contributions	73,188	-	-	73,188
Net campaign revenue	1,074,674	-	-	1,074,674
Other revenue and support:				
Amounts raised by other agencies	204,931	-	-	204,931
Service fee revenue	39,317	-	-	39,317
Other contributions	12,869	89,857	50,000	152,726
Net assets released from restriction	74,820	(74,820)	-	-
In-kind services	2,564	-	-	2,564
Total other revenue and support	334,501	15,037	50,000	399,538
Total revenue and support	1,409,175	15,037	50,000	1,474,212
DISTRIBUTIONS AND EXPENSES:				
Distributions:				
Community partners	775,402	-	-	775,402
Special allocations and other distributions	93,989	-	-	93,989
Payments to affiliated organizations	26,536	-	-	26,536
Total distributions	895,927	-	-	895,927
Expenses:				
Program services	335,410	-	-	335,410
Support services:				
Fundraising expenses	177,974	-	-	177,974
Management and general expenses	171,127	-	-	171,127
Total program and support services	684,511	-	-	684,511
Total distributions and expenses	1,580,438	-	-	1,580,438
Change in net assets from operations	(171,263)	15,037	50,000	(106,226)
INVESTMENT INCOME (LOSS):				
Net investment income	21,199	-	-	21,199
Investment income - beneficial trusts	27,616	-	-	27,616
Net increase in trust values	-	-	49,048	49,048
Net unrealized gains on investments	170,650	-	-	170,650
Net realized gains on investments	35,294	-	-	35,294
Total investment income (loss)	254,760	-	49,048	303,808
Change in net assets	83,497	15,037	99,048	197,582
Net assets, beginning of year	1,195,315	80,200	671,430	1,946,945
Net assets, end of year	<u>\$ 1,278,812</u>	<u>\$ 95,237</u>	<u>\$ 770,478</u>	<u>\$ 2,144,527</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
Rental and maintenance of equipment	5,020	2,664	2,561	10,245
Postage and shipping	4,687	2,487	2,391	9,565
Printing and publications	3,467	1,840	1,769	7,076
Insurance	3,349	1,777	1,709	6,835
Telephone	2,153	1,142	1,099	4,394
Conferences, conventions and meetings	2,149	1,140	1,097	4,386
Travel and parking	2,032	1,078	1,037	4,147
Miscellaneous	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.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 196,637	\$ 104,338	\$ 100,324	\$ 401,299
Employee benefits	32,520	17,256	16,592	66,368
Payroll taxes	16,931	8,984	8,638	34,553
Total salaries and related expenses	<u>246,088</u>	<u>130,578</u>	<u>125,554</u>	<u>502,220</u>
Occupancy	16,611	8,814	8,475	33,900
Marketing and advertising	16,466	8,737	8,401	33,604
Supplies	12,540	6,654	6,398	25,592
Professional fees	11,922	6,326	6,083	24,331
Printing and publications	5,431	2,882	2,770	11,083
Rental and maintenance of equipment	5,294	2,809	2,701	10,804
Conferences, conventions and meetings	4,108	2,180	2,096	8,384
Insurance	3,588	1,904	1,830	7,322
Postage and shipping	3,331	1,767	1,700	6,798
Travel and parking	2,596	1,377	1,325	5,298
Miscellaneous	2,158	1,145	1,101	4,404
Telephone	1,938	1,029	989	3,956
Total expenses before depreciation and amortization	<u>332,071</u>	<u>176,202</u>	<u>169,423</u>	<u>677,696</u>
Depreciation and amortization	<u>3,339</u>	<u>1,772</u>	<u>1,704</u>	<u>6,815</u>
TOTAL EXPENSES	<u>\$ 335,410</u>	<u>\$ 177,974</u>	<u>\$ 171,127</u>	<u>\$ 684,511</u>

See notes to financial statements.

MIDDLESEX UNITED WAY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (87,342)	\$ 197,582
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Allowance for uncollectible pledges	(20,000)	(15,000)
Depreciation and amortization	7,761	6,815
Loss on disposal of equipment	54	-
Net realized and unrealized gains on investments	(5,579)	(205,944)
Net decrease (increase) in trust values	32,093	(49,048)
Cash received from agency transactions	283	4,264
(Increase) decrease in operating assets:		
Campaign pledges receivable	(18,337)	63,032
Other assets	(209)	(5,724)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(11,461)	3,619
Deferred revenue	446	8,554
Community partners payable	(209)	(59,598)
Donor designations payable	10,128	(9,899)
NET CASH USED IN OPERATING ACTIVITIES	<u>(92,372)</u>	<u>(61,347)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(209,032)	(174,344)
Proceeds from sale of investments	121,928	227,492
Purchase of property and equipment	(6,159)	(7,183)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>(93,263)</u>	<u>45,965</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(185,635)	(15,382)
CASH AND CASH EQUIVALENTS, beginning of year	<u>373,678</u>	<u>389,060</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 188,043</u>	<u>\$ 373,678</u>

See notes to financial statements.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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).

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, 2015 AND 2014

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, 2015 AND 2014

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 2012.

The Organization follows FASB ASC 740-10 which 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 the Organization'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, 2015 or 2014.

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, 2015 and 2014, the Organization did not recognize any interest or penalties related to unrecognized tax benefits.

Contributed Services:

For the years ended June 30, 2015 and 2014, \$- and \$2,564, 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 statement 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.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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

Marketing and Advertising:

Marketing and advertising costs are expensed as incurred. Such costs totaled \$31,354 and \$33,604 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014 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).

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 13).

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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

Reclassifications:

Certain amounts as of June 30, 2014 have been reclassified to conform to the June 30, 2015 presentation. The reclassifications have no material effect on the financial statements.

Subsequent Events:

Management has evaluated subsequent events through September 25, 2015, the date which the financial statements were available for issue.

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>2015</u>	<u>2014</u>
Hurricane Sandy recovery fund	\$ 63,160	\$ 63,160
Women's initiative program	17,311	23,249
Homelessness prevention	10,142	7,432
Young leaders group	<u>1,857</u>	<u>1,396</u>
Total temporarily restricted net assets	<u>\$ 92,470</u>	<u>\$ 95,237</u>

NOTE 3 – PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets consist of following at June 30:

	<u>2015</u>	<u>2014</u>
Endowment funds	\$ 148,663	\$ 100,338
Beneficial interest in trust	<u>638,047</u>	<u>670,140</u>
Total permanently restricted net assets	<u>\$ 786,710</u>	<u>\$ 770,478</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.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 3 – PERMANENTLY RESTRICTED NET ASSETS (Continued):

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, 2015 and 2014, current distributions from the trusts of \$28,923 and \$27,616 respectively, are included in unrestricted assets as investment income. The change in the fair market value in excess of distributions of \$(32,093) and \$49,048, respectively, is recorded in restricted assets as net decrease/increase in trust values.

NOTE 4 – CAMPAIGN PLEDGES RECEIVABLE:

Campaign pledges receivable consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Campaign 2015	\$ 634,677	\$ -
Campaign 2014	68,685	601,963
Campaign 2013	<u>1,201</u>	<u>84,263</u>
Total receivable	<u>704,563</u>	<u>686,226</u>
Allowance for uncollectible pledges:		
Campaign 2015	\$ 80,000	\$ -
Campaign 2014	60,000	90,000
Campaign 2013	<u>-</u>	<u>70,000</u>
Total allowance	<u>140,000</u>	<u>160,000</u>
Net campaign pledges receivable	<u>\$ 564,563</u>	<u>\$ 526,226</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 2015 campaign, an allowance of approximately 4% was used. An allowance of approximately 5% is being used for the 2014 campaign. The pledges receivable at June 30, 2015 and 2014 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.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 5 – CONCENTRATIONS OF CREDIT RISK (Continued):

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, 2015 and 2014, cash may have exceeded the coverage limit. At June 30, 2015 and 2014, there were no uninsured cash balances.

Concentration of Credit Risk Due to Major Donors:

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.

For the 2014 campaign, approximately 17% 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>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>38,699</u>
	<u>\$ 1,162,875</u>	<u>\$ 1,646,518</u>	<u>\$ 483,643</u>
<u>2014</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cumulative Unrealized Gain</u>
Marketable securities	\$ 914,681	\$ 1,411,149	\$ 496,468
Endowment – CFMC	<u>100,338</u>	<u>142,686</u>	<u>42,348</u>
	<u>\$ 1,015,019</u>	<u>\$ 1,553,835</u>	<u>\$ 538,816</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 \$9,984 and \$8,639 for the years ended June 30, 2015 and 2014, respectively, and have been netted against investment revenues in the accompanying Statement of Activities.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 6 – INVESTMENTS (Continued):

	<u>2015</u>	<u>2014</u>
Dividend income	\$ 25,542	\$ 29,838
Investment advisory fees	(9,984)	(8,639)
Net unrealized (loss) gain on investments	(40,870)	170,650
Net realized gain on sale of investments	<u>46,449</u>	<u>35,294</u>
Total investments return	<u>\$ 21,137</u>	<u>\$ 227,143</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 from their date of participation in the plan. Pension expense amounted to \$33,873 and \$32,329 the years ending June 30, 2015 and 2014, respectively and is included in employee benefits on the statement 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.

Future minimum lease payments for each of the years succeeding June 30, 2015 under the non-cancelable operating lease are as follows:

<u>Year</u>	<u>Lease Payments</u>
2016	\$ 35,400
2017	37,200
2018	<u>15,500</u>
Total	<u>\$ 88,100</u>

Rental expense for each of the years ended June 30, 2015 and 2014 totaled \$34,776 and \$33,900, respectively.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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>2015</u>	<u>2014</u>
Supporting services functional expenses:		
Management and general	\$ 179,095	\$ 181,129
Fundraising	<u>176,266</u>	<u>179,470</u>
Numerator total	<u>\$ 355,361</u>	<u>\$ 360,599</u>
<u>Denominator</u>		
Total campaign and all other revenue sources – Form 990, Part I, Line 12	<u>\$ 1,844,709</u>	<u>\$ 1,890,525</u>
Overhead ratio expressed as a percentage	19.26%	19.07%

Reconciliation of Denominator – Financial Statements to Form 990

	<u>2015</u>	<u>2014</u>
Total revenue and support per financial statements	\$ 1,416,321	\$ 1,474,212
Total investment income per financial statements	<u>17,967</u>	<u>303,808</u>
Total revenue per financial statements	1,434,288	1,778,020
Investment advisory expenses	9,984	8,639
Unrealized losses (gains) losses	40,870	(170,650)
Net decrease (increase) decrease in trust values	32,093	(49,048)
In-kind contributions	-	(2,564)
Amounts raised on behalf of others	327,528	326,128
Loss on disposal of equipment	<u>(54)</u>	<u>-</u>
Total campaign and all other revenue sources – Form 990 – Part I – Line 12	<u>\$ 1,844,709</u>	<u>\$ 1,890,525</u>

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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:

	<u>2015</u>	<u>2014</u>
<u>Numerator</u>		
Total fundraising costs	\$ 176,266	\$ 179,470
Due to affiliates	<u>25,924</u>	<u>26,536</u>
Numerator total	<u>\$ 202,190</u>	<u>\$ 206,006</u>
<u>Denominator</u>		
Total Direct Public Support	<u>\$ 1,730,689</u>	<u>\$ 1,786,075</u>
Fundraising costs expressed as a percentage	11.68%	11.53%

NOTE 11 – 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, 2015 and 2014, donor designations payable on the statement of financial position are stated net of the related service fees of \$26,544 and \$24,916, respectively.

NOTE 12 – PROPERTY AND EQUIPMENT:

As of June 30, 2015 and 2014, property and equipment consisted of the following:

	<u>2015</u>	<u>2014</u>
Property and equipment	\$ 56,650	\$ 62,945
Software	16,008	13,564
Accumulated depreciation and amortization	<u>(54,830)</u>	<u>(57,025)</u>
	<u>\$ 17,828</u>	<u>\$ 19,484</u>

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 13 – 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 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 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.

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.

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

<u>2015</u>	<u>Permanently Restricted</u>
Endowment net assets – beginning	\$ 100,338
Contributions	<u>48,325</u>
Endowment net assets - ending	<u>\$ 148,663</u>
<u>2014</u>	<u>Permanently Restricted</u>
Endowment net assets – beginning	\$ 50,338
Contributions	<u>50,000</u>
Endowment net assets - ending	<u>\$ 100,338</u>

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 14 – LINE OF CREDIT:

The Organization has a line of credit from a financial institution which can be renewed annually and matures in December 2015. The line of credit carries a limit 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, 2015 and 2014, there was no outstanding borrowings on the line of credit.

NOTE 15 – 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.

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.

MIDDLESEX UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 15 – FAIR VALUE MEASUREMENTS (Continued):

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.

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	–	187,362	–	187,362
	<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, 2015 AND 2014

NOTE 15 – 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, 2014, including the fair value measurements and the level of inputs used in determining those fair values:

June 30, 2014

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in trusts	\$ –	\$ –	\$ 670,140	\$ 670,140
Available-for-Sale and Held-to-Maturity Securities:				
Fixed income	464,791	–	–	464,791
Equity large cap	338,023	–	–	338,023
Equity mid-cap	227,954	–	–	227,954
Equity international	175,951	–	–	175,951
Equity small cap	144,059	–	–	144,059
Fixed income international	60,371	–	–	60,371
Endowment - CFMC	–	142,686	–	142,686
	<u>\$ 1,411,149</u>	<u>\$ 142,686</u>	<u>\$ 670,140</u>	<u>\$ 2,223,975</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, 2015 and 2014, 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 Plan 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, 2015 and 2014:

Balance July 1, 2013	\$ 621,092
Net increase in trust values	49,048
Transfers	–
Balance June 30, 2014	<u>670,140</u>
Net decrease in trust values	(32,093)
Transfers	–
Balance June 30, 2015	<u>\$ 638,047</u>

ADDITIONAL INFORMATION

MIDDLESEX UNITED WAY, INC.

SCHEDULE I- SCHEDULE OF COMMUNITY PARTNER GRANTS

YEARS ENDED JUNE 30, 2015 AND 2014

	Approved <u>2015</u>	Approved <u>2014</u>	Paid <u>2014</u>
Health	\$ 468,621	\$ 468,621	\$ 468,621
Education	127,600	127,600	127,600
Housing	112,403	112,403	112,403
Income	52,828	52,828	52,828
211/ infoline	13,741	13,950	13,849
	<u>\$ 775,193</u>	<u>\$ 775,402</u>	<u>\$ 775,301</u>

MIDDLESEX UNITED WAY, INC.

SCHEDULE II- SCHEDULE OF SPECIAL ALLOCATIONS AND OTHER DISTRIBUTIONS

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Middlesex County Homeless Prevention	\$ 16,933	30,211
Women's Initiative Grant	16,341	12,218
Other designations	7,154	-
Sponsorship designations	3,500	3,500
Young Leaders Group	3,258	2,337
Additional allocations/(unfunded grants)	2,926	9,918
Hurricane Sandy Recovery	-	35,805
	<u>\$ 50,112</u>	<u>\$ 93,989</u>

MIDDLESEX UNITED WAY, INC.

SCHEDULE III- SCHEDULE OF DONOR DESIGNATIONS

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Amazing Grace	\$ 23,707	\$ 16,593
Boy Scouts, Connecticut River Council	653	2,088
Child & Family Agency of Southeastern Connecticut, Inc.	1,287	777
Clinton Board of Education	4,474	1,216
Clinton Youth & Family Service Bureau	1,840	449
Community Health Center, Inc.	502	1,011
Connection, Inc.	390	1,141
Connection, Inc. – Eddy Shelter	1,842	2,076
Cromwell Board of Education	1,409	907
Durham / Middlefield Youth & Family Services	1,108	1,398
East Haddam Board of Education – Early Childhood Council	459	884
East Haddam Youth & Family Services	1,387	496
East Hampton Board of Education	2,709	1,168
Gateway Counseling Service, Inc.	3,273	2,829
Girl Scouts, Connecticut Trails Council	312	130
HOPE Partnership – Old Saybrook	-	723
John J. Driscoll United Labor Agency	869	598
Kuhn Employment Opportunities, Inc.	392	484
Literacy Volunteers of America – Valley Shore	-	239
MARC: Community Resources	6,901	4,331
Middlesex Hospital Homecare	500	-
Middlesex County Coalition on Housing & Homelessness	1,764	1,782
Middlesex Habitat for Humanity	2,761	3,758
Middletown Adult Education – Even Start	473	567
Middletown Youth Services Bureau	78	100
Northern Middlesex Young Men’s Christian Association	3,679	3,426
Oddfellows Playhouse, Inc.	7,336	8,797
Old Saybrook Youth & Family Services	1,246	703
Old Saybrook & Family Services – HCHY	987	1,353
Opportunity Knocks Program of Middlesex Hospital	450	2,274
Perinatal Program of Middlesex Hospital	7,734	2,976
Portland Youth Services	1,194	970
Portland Youth Services – HCHY	1,933	3,001
Regional School District #13 (Durham/Middlefield)	234	416
Regional School District #4 Early Childhood Council	68	553
Rushford Center, Inc.	1,885	2,005
St. Luke’s Eldercare Solutions of Central CT	1,481	3,645
Shoreline Soup Kitchens and Pantries	4,859	3,080
Tri-Town Youth Services (Chester, Deep River, Essex)	1,040	1,033
United Way of Connecticut – 211	216	245
Westbrook Early Childhood Council	324	-
Westbrook Public Schools Healthy Comm./Youth	-	294
Women and Families – Central CT SACS	3,049	3,477
Youth & Family Services of Haddam/Killingworth – Healthy Comm.	1,504	2,226
Youth & Family Services of Haddam/Killingworth	746	1,801
Other Agencies and United Ways	97,690	96,969
	<hr/>	<hr/>
	196,745	184,989
Less: Service fees	(26,544)	(24,916)
	<hr/>	<hr/>
	\$ 170,201	\$ 160,073