

UNITED WAY OF EASTERN MAINE

FINANCIAL STATEMENTS

June 30, 2017

With Independent Auditor's Report

UNITED WAY OF EASTERN MAINE

Table of Contents

June 30, 2017

Independent Auditor's Report on Financial Statements	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-15



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Way of Eastern Maine

We have audited the accompanying financial statements of United Way of Eastern Maine (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Eastern Maine as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the United Way of Eastern Maine's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 24, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Edwards, Faust & Smith

August 23, 2017

United Way of Eastern Maine

Statement of Financial Position

June 30, 2017

(With comparative totals for 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 402,288	\$ 280,766
Pledges receivable	580,007	570,637
Other receivables	32,485	30,104
Prepaid expenses	17,851	15,341
Short-term investments	474,377	471,991
Long-term investments	562,929	521,860
Equipment, net	26,698	36,997
Beneficial interests in assets held by others	350,623	346,079
Interest in assets held by Maine Community Foundation (MCF)	3,044,640	2,797,128
Total assets	\$ 5,491,898	\$ 5,070,903
LIABILITIES		
Accounts payable	\$ 10,325	\$ 16,572
Allocations payable	397,661	361,202
Designations payable	151,875	123,041
Accrued expenses	19,246	21,331
Capital lease obligation	2,702	5,845
Total liabilities	581,809	527,991
NET ASSETS		
Unrestricted		
Designated for:		
Charles F. Bragg 2nd Society fund	164,369	139,163
Stabilization reserve	614,368	623,953
Future allocations and community investments	373,086	121,271
Undesignated	80,909	321,677
Total unrestricted	1,232,732	1,206,064
Temporarily restricted		
Campaign contributions for future periods and funds restricted for purpose	394,713	280,954
Other contributions for future periods	51,750	51,850
Charles F. Bragg 2nd Society fund unappropriated appreciation	529,650	307,344
Total temporarily restricted	976,113	640,148
Permanently restricted		
Beneficial interests in perpetual trust funds	350,623	346,079
Charles F. Bragg 2nd Society fund	2,350,621	2,350,621
Total permanently restricted	2,701,244	2,696,700
Total net assets	4,910,089	4,542,912
Total liabilities and net assets	\$ 5,491,898	\$ 5,070,903

See notes to financial statements

United Way of Eastern Maine

Statement of Activities

Year Ended June 30, 2017
(With comparative totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2017	2016
Public support and revenues					
Gross campaign results	\$	\$ 1,681,309	\$	\$	\$
Less: Donor designations		(261,920)			
Less: Provision for uncollectibles		(100,869)			
Net campaign revenue		1,318,520		1,318,520	1,322,067
Government grants		27,891		27,891	39,624
Sponsorships		35,205		35,205	9,886
Other contributions, grants and bequests	289	149,041		149,330	123,578
In-kind revenues		356,814		356,814	319,767
Total public support and revenues	289	1,887,471	-	1,887,760	1,814,922
Revenues					
Service fees	30,481			30,481	19,982
Perpetual trust beneficiary income	20,555			20,555	12,087
Endowment income distributed	117,770			117,770	116,710
Investment income	44,699			44,699	(6,019)
Net appreciation (depreciation) - beneficial interests	13,011	222,206	4,544	239,761	(202,998)
Other income	3,752			3,752	2,640
Total revenues	230,557	2,109,677	4,544	2,344,778	1,757,324
Net assets released from restrictions:					
Satisfaction of purpose restrictions	442,271	(442,271)		-	-
Satisfaction of time restrictions	1,331,441	(1,331,441)		-	-
Total support and revenue	2,004,269	335,965	4,544	2,344,778	1,757,324
Expenses					
Member agency support	783,815			783,815	743,978
Other agency amounts	357,100			357,100	378,663
General support					
Programs	304,422			304,422	323,017
General and administrative	59,652			59,652	145,178
Fund raising	472,612			472,612	428,188
Total expenses	1,977,601	-	-	1,977,601	2,019,024
Changes in net assets	26,668	335,965	4,544	367,177	(261,700)
Net assets, beginning of period	1,206,064	640,148	2,696,700	4,542,912	4,804,612
Net assets, end of period	\$ 1,232,732	\$ 976,113	\$ 2,701,244	\$ 4,910,089	\$ 4,542,912

See notes to financial statements

United Way of Eastern Maine

Statement of Functional Expenses

Year Ended June 30, 2017
(With comparative totals for 2016)

	Education	Income	Health	Total Programs	Administration	Fund Raising	Totals	
							2017	2016
Expenses								
Member Agencies:								
Gross Funds Awarded/Distributed	\$ 495,678	\$ 255,159	\$ 294,897	\$ 1,045,734	\$	\$	\$ 1,045,734	\$ 968,557
Less: Donor Designations	(124,150)	(63,908)	(73,861)	(261,919)			(261,919)	(224,579)
Net Funds Awarded/Distributed	<u>371,528</u>	<u>191,251</u>	<u>221,036</u>	<u>783,815</u>			<u>783,815</u>	<u>743,978</u>
Other agency amounts								
Inkind		344,542		344,542			344,542	308,376
Other amounts	2,853	2,853	6,852	12,558			12,558	70,287
	<u>2,853</u>	<u>347,395</u>	<u>6,852</u>	<u>357,100</u>			<u>357,100</u>	<u>378,663</u>
General Support								
Salaries & Benefits								
Staff Salaries	58,709	60,125	39,256	158,090	22,116	185,216	365,422	413,952
Wage overheads	14,509	14,859	9,701	39,069	5,466	45,773	90,308	99,336
	<u>73,218</u>	<u>74,984</u>	<u>48,957</u>	<u>197,159</u>	<u>27,582</u>	<u>230,989</u>	<u>455,730</u>	<u>513,288</u>
Professional Fees								
Bank and Credit Card fees	2,367	2,167	2,167	6,702	68,734	1,000	76,436	80,183
Office Supplies	2,515	2,199	1,509	6,223	9,282	3,330	18,835	15,019
Campaign Supplies/Incentives	747	4,154	431	5,332	554	40,923	46,809	23,680
Telephone & Internet					4,063		4,063	2,789
Postage	180	248	74	502	929	4,094	5,525	3,053
Printing, Publications, Video, Media								5,640
Special Events	9	7	7	23	235	16,885	17,143	11,100
Volunteer/Agency Meetings	660	995	277	1,932	1,123	871	3,926	1,153
Staff Volunteer Recognition								3,204
Volunteer Travel								
Staff Travel	1,067	2,605	950	4,622	1,024	2,253	7,899	6,233
Staff Training	1,396	1,710	1,396	4,502	3,308	8,118	15,928	16,904
Dues and subscriptions		750		750	3,162	315	4,227	2,432
Rent					35,708		35,708	51,451
Heat, Utilities, Cleaning					11,161		11,161	9,433
Insurance, Property and Liability					4,999	162	5,161	4,899
Equipment, software and maintenance	1,178	1,272	559	3,009	16,212	568	19,789	19,901
Miscellaneous Expense	33	68	33	134	3,287	94	3,515	678
UWW Dues					18,730		18,730	18,743
Marketing and media expenses						39,360	39,360	41,324
In Kind - Volunteer Gen Fund						3,400	3,400	5,533
Community Impact Funds								18,172
Depreciation					13,390		13,390	11,351
Grant Writer						26,225	26,225	25,718
Allocation of administration	27,484	28,794	17,254	73,532	(167,557)	94,025		
	<u>37,636</u>	<u>44,969</u>	<u>24,657</u>	<u>107,263</u>	<u>32,070</u>	<u>241,623</u>	<u>380,956</u>	<u>383,095</u>
Total Other Expenses								
Total General Support	<u>110,854</u>	<u>119,953</u>	<u>73,614</u>	<u>304,422</u>	<u>59,652</u>	<u>472,612</u>	<u>836,686</u>	<u>896,383</u>
Total Expenses	<u>\$ 485,235</u>	<u>\$ 658,599</u>	<u>\$ 301,502</u>	<u>\$ 1,445,337</u>	<u>\$ 59,652</u>	<u>\$ 472,612</u>	<u>\$ 1,977,601</u>	<u>\$ 2,019,024</u>

See notes to financial statements

United Way of Eastern Maine

Statement of Cash Flows

Year Ended June 30, 2017
(With comparative totals for 2016)

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 367,177	\$ (261,700)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	13,389	11,351
Net (appreciation) / depreciation in investments	(248,388)	188,285
Net investment fees from investment account	876	952
Change in perpetual trust	(4,544)	20,300
Decrease (increase) in		
Accounts receivable	(2,381)	747
Pledges receivable	(9,370)	23,855
Prepaid expenses	(2,511)	3,095
Increase (decrease) in		
Accounts payable	(6,247)	2,824
Allocations payable	36,459	16,054
Designations payable	28,834	(9,195)
Accrued expenses	(2,085)	10,377
Net cash from operating activities	171,209	6,945
Cash flows from investing activities		
Purchases of fixed assets	(3,089)	(20,215)
Change in short-term investments	(2,386)	(1,601)
Change in long-term investments	(41,069)	(8,399)
Net cash from investing activities	(46,544)	(30,215)
Cash flows from financing activities		
Principal payments on capital lease obligation	(3,143)	(2,960)
Net cash from financing activities	(3,143)	(2,960)
Net change in cash	121,522	(26,230)
Cash and cash equivalents, beginning of year	280,766	306,996
Cash and cash equivalents, end of year	\$ 402,288	\$ 280,766

See notes to financial statements

UNITED WAY OF EASTERN MAINE

Notes to Financial Statements

June 30, 2017

1. Significant accounting policies

Nature of Operations

The United Way of Eastern Maine (the organization) is a not-for-profit organization that was founded in 1937, and is governed by a volunteer board of directors. The purposes of the organization are:

1. To improve our community through education, income (financial stability), and health. Through these three building blocks, we see families and individuals tackle crises, turn challenges around, become self-sufficient, and strive to be better citizens and foster a safe and healthy home for everyone.
2. To serve as a catalyst for helping solve community health and human care problems through periodically assessing the need for various services, assisting in the development of human service programs, promoting preventive activities, fostering cooperation among agencies serving the community, and other similar programs and activities as may be determined by the Board of Directors.
3. To encourage collaboration and deploy financial support and volunteer resources to maximize the effectiveness of health and human service agencies and to support the organization's work to build stronger and healthier communities.
4. To conduct a single, community-wide, fundraising campaign annually and develop as fully as possible the financial resources needed to meet the human care needs of the community.
5. To mobilize a systematic communications program that promotes community support for and commitment to the entire United Way program and which both speaks and listens to the citizens, agencies, and donors.
6. To receive by gift, grant, devise, bequest or otherwise, and from any private or public sources, personal or real property, and to hold, administer, sell, invest, reinvest, manage, use, disburse and distribute, and apply the income and/or principal of the same in accordance with the directions and intent of the donor or donors of such property, or in the absence of such directions, as the organization may deem best from time to time, for the promotion of any or all of the foregoing purposes and objectives.
7. To engage in any other lawful activity, either alone or in cooperation with other organizations or institutions, which it may deem necessary or proper in order to carry out any or all of the foregoing objects or purposes.

Financial Statement Presentation

The organization follows the financial statement presentation found in professional accounting standards. Accordingly, the information regarding its financial position and activities is reported under three classes of net assets; unrestricted, temporarily restricted and permanently restricted net assets. Assets and liabilities are recorded and revenues and expenses are recognized by the accrual method of accounting.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. These assets may be designated by the Board of Directors for specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. Undesignated pledges from each annual campaign are considered to be released from their restrictions over the course of the following calendar year. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. These net assets may also include funds that are subject to legal restrictions, such as the unappropriated appreciation of donor-restricted endowment funds.

UNITED WAY OF EASTERN MAINE

Notes to Financial Statements

June 30, 2017

1. Significant accounting policies

Financial Statement Presentation

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization in an endowment fund or be held and administered by an outside trustee for the benefit of the organization that permits the organization to use up or expend part or all of the income derived from the donated assets.

The organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Cash and Equivalents

The organization considers securities having a maturity of three months or less to be cash equivalents for purposes of the statement of cash flows. The organization maintains its cash in bank deposit accounts which may, at times, exceed federally insured limits. It has not experienced any losses in these accounts. The organization believes that it is not exposed to any significant credit risk on its cash.

Pledges Receivable

A provision for uncollectible pledges is calculated based on a three-year historical average of gross campaign results adjusted by management estimates of current economic factors.

Investments

Investments are reflected on the statement of financial position at fair value with changes in unrealized gains and losses resulting from changes in fair value reflected in the statement of activities. Investments in securities traded on a national securities exchange are stated at the closing price on the day of valuation.

Equipment

Equipment valued over \$1,000 with lives exceeding one year are carried at cost at purchase date or fair value at time of contribution. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, generally 3 to 10 years. Maintenance and repairs are charged to expense when incurred. The equipment and the related accumulated depreciation are removed from the accounts upon disposition.

UNITED WAY OF EASTERN MAINE

Notes to Financial Statements

June 30, 2017

1. Significant accounting policies

Beneficial Interests in Assets Held by Others

The organization is a beneficiary of three perpetual trust funds. The Danforth and Whitney Trusts are held and administered by Bank of America, and the Park Trust is held and administered by Acadia Trust. Fair market values have been determined each year as of June 30.

The organization is also an income beneficiary of assets held by Maine Community Foundation (MCF) as a result of making nonreciprocal transfers of assets to MCF and specifying itself as the beneficiary. As such, the organization receives distributions from these assets each year. However, the Board of Trustees of the MCF (Board) has the power to modify, consistent with State law including seeking the approval of the appropriate court or Attorney General, any restriction or condition on the distribution of funds to the organization if, in the sole judgment of the Board (without the necessity of the approval of any participating trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

Annual distributions from these trust assets are reported as revenue. The estimated fair market value of the beneficial interests in the assets is determined based on the underlying fair value of the assets in the trusts discussed above, which approximate the present values of expected future cash flows from the assets.

Pass-through Revenues Designated

The financial statements have excluded amounts that were raised for organizations specifically designated by the donors from the revenue campaign. The same amount is also excluded from program service expenses. Amounts received but not yet distributed are reflected as designations payable in the financial statements.

Allocations Payable

Organizations receive funding based on a June year, and the amount committed for the next 6 months is reflected as an allocation payable to them since it is deemed to result from the current campaign. The balance of the funding is deemed to result from the next year's campaign.

Donated Services

Support contributions and in-kind services in a form other than cash are recorded at fair market value on the date provided. Donated services are only recognized if they require specialized skills, are provided by those individuals or companies that possess those skills, and would need to be purchased if they were not donated. Volunteers contribute approximately 15,000 hours each year.

Functional Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the statement of activities based on an analysis of personnel time utilized for the related activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

UNITED WAY OF EASTERN MAINE

Notes to Financial Statements

June 30, 2017

1. Significant accounting policies

Income Taxes

The organization qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not liable for income taxes.

2. Pledges Receivable and Support

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Substantially all pledges are expected to be realized in one year or less. The following schedule summarizes the pledges receivable at June 30, 2017 and 2016:

Pledges receivable are as follows:

	<u>2017</u>	<u>2016</u>
Pledges receivable	\$ 680,106	\$ 662,604
Less: Allowance for uncollectible pledges	<u>(100,099)</u>	<u>(91,967)</u>
	<u>\$ 580,007</u>	<u>\$ 570,637</u>

The following schedule summarizes the results of the annual campaigns for the fiscal years ended June 30, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
2015 Campaign	\$	\$ 1,593,748
2016 Campaign	<u>1,681,309</u>	
Total campaign results	1,681,309	1,593,748
Less: Designations	(261,920)	(224,579)
Less: Uncollectible pledges	<u>(100,869)</u>	<u>(47,102)</u>
Net campaign results	<u>\$ 1,318,520</u>	<u>\$ 1,322,067</u>

3. Investments

Investments are separated into short-term and long-term categories. All short-term investments are held in a brokerage account containing cash, money market mutual funds and short term bond mutual funds. Long-term investments are held in a brokerage account that is invested in cash equivalents, equity and fixed income mutual funds. All short-term and long-term investments are recorded based on Level 1 inputs and measured on a recurring basis. See Note 11 which groups the investments by input level.

UNITED WAY OF EASTERN MAINE

Notes to Financial Statements

June 30, 2017

3. Investments

	2017	2016
Short-term investments		
Cash and money market funds	\$ 280,246	\$ 370,326
Corporate Fixed Income	91,439	
Short-term bond mutual funds	102,692	101,665
Total short-term investments	474,377	471,991
Long-term investments		
Cash and money market funds	61,369	27,443
Equity securities	75,308	70,366
Equity mutual funds	195,083	191,091
Specialty funds – realty & hedged funds		
Fixed income mutual funds	45,529	15,768
Exchange-traded & Closed-End Funds	133,514	122,745
Government Securities	52,126	94,447
Total long-term investments	562,929	521,860
	\$ 1,037,306	\$ 993,851

The long-term investments are managed by a broker to maximize long-term gain while minimizing volatility. These investments are maintained as a stabilization reserve in the event that the regular annual campaign encounters shortfalls.

Investment returns were as follows:

	2017	2016
Investment income (loss)	\$ 44,699	\$ (432)

4. Beneficial Interests in Assets Held by Others

The following schedule summarizes the market value of the beneficial interests in assets held by others at June 30, 2017 and 2016:

	2017	2016
Danforth perpetual trust fund held by Bank of America	\$ 163,878	\$ 154,063
Whitney perpetual trust fund held by Bank of America	134,846	133,378
Park perpetual trust fund held by Acadia Trust, N.A.	51,899	58,638
Total of perpetual trusts	350,623	346,079
United Way of Eastern Maine Charles F. Bragg 2nd Society fund held by Maine Community Foundation	3,044,640	2,797,128
Total beneficial interests	\$ 3,395,263	\$ 3,143,207

UNITED WAY OF EASTERN MAINE

Notes to Financial Statements

June 30, 2017

4. Beneficial Interests in Assets Held by Others

The Maine Community Foundation (MCF) is utilized to fund the permanent and board designated endowment funds. The MCF has variance power over these assets.

The board of directors has interpreted that Maine's Uniform Prudent Management of Institutional Funds Act (UPMIFA), absent donor stipulations to the contrary, requires appreciation of original permanent endowment funds be considered temporarily restricted until appropriated. Restrictions related to endowment investments (including board designated amounts) are as follows:

	2017	2016
Endowment fund principal – permanently restricted	\$ 2,350,621	\$ 2,350,621
Endowment fund appreciation – temporarily restricted	529,650	307,344
Board designated for future operations	164,369	139,163
 Total MCF endowment investments	 \$ 3,044,640	 \$ 2,797,128

Following is a summary of endowment activity:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Investments at beginning of 2016	\$ 137,359	\$ 481,846	\$ 2,350,621	\$ 2,969,826
Contributions	10,000			10,000
Income received	664	13,392		14,056
Gains (losses)	(2,486)	(54,969)		(57,455)
Fees	(964)	(21,625)		(22,589)
Appropriations – regular	(5,410)	(111,300)		(116,710)
Investments at end of 2016	\$ 139,163	\$ 307,344	\$ 2,350,621	\$ 2,797,128
Contributions	12,294			12,294
Income received	1,242	22,763		24,005
Gains (losses)	18,260	333,567		351,827
Fees	(1,160)	(21,684)		(22,844)
Appropriations – regular	(5,430)	(112,340)		(117,770)
Investments at end of 2017	\$ 164,369	\$ 529,650	\$ 2,350,621	\$ 3,044,640

UNITED WAY OF EASTERN MAINE

Notes to Financial Statements

June 30, 2017

4. Beneficial Interests in Assets Held by Others

The organization's endowments consist of funds established to support the organization and its programs. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. 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 has reported its endowment net assets as the Charles F. Bragg 2nd Society fund, formerly known as the Forever Fund.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historic dollar value of the donors' contributions. These deficiencies result from unfavorable market fluctuations and from continued appropriation of the capital appreciation for programs as deemed prudent by the Board of Directors. Deficiencies of this nature are reported in unrestricted net assets. Future capital appreciation must first restore unrestricted net assets to the extent of the prior net cumulative losses recognized before the Board may appropriate any appreciation of these funds. None of the endowments had deficiencies at June 30, 2017.

Endowment Investment Information

The organization has transferred its endowment funds to the Maine Community Foundation (MCF) and relies on MCF's investment policies for endowment assets that attempt to provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the endowment assets. The MCF invests the endowment assets to provide a reasonable, prudent balance between risk and return. The organization expects its endowment funds, over time, to produce an average rate of more than 5% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the MCF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The MCF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The organization has a policy of appropriating for distribution each year no more than 4% of the endowment funds' average fair value over the prior 12 calendar quarters. However, in accordance with state law, the organization does not appropriate amounts that would cause the value of the endowment funds to fall below the historic dollar value of the donors' restricted contributions without notifying the Attorney General at least 60 days before such an appropriation. Over the long term, the organization expects its current spending policy to allow its endowments to grow.

5. Equipment

Equipment consists of the following:

	<u>2017</u>	<u>2016</u>
Office furniture and equipment	\$ 143,984	\$ 140,894
Less accumulated depreciation	<u>(117,286)</u>	<u>(103,897)</u>
	<u>\$ 26,698</u>	<u>\$ 36,997</u>

6. Line of Credit

The organization has a \$75,000 bank line of credit of which \$0 was outstanding at June 30, 2017, and 2016. The agreement is renewed annually.

UNITED WAY OF EASTERN MAINE

Notes to Financial Statements

June 30, 2017

7. Leases

Effective July 1, 2015, the organization canceled an existing lease and entered into a five year operating lease for a facility in Bangor. Rent expense totaled \$29,000 in 2017 and \$36,463 in 2016.

Minimum annual payments under all leases as of June 30, 2017, for the next five years are as follows:

2018	\$	29,000
2019		29,000
2020		29,000
2021		-
Thereafter		-

8. Retirement Plan

The organization offers a defined contribution plan to its employees. The organization makes a matching contribution of 50% of each participant's contribution of up to 3% of the participant's annual compensation. In addition, a discretionary contribution may also be made. This plan is available to all employees who have been employed for one year or more. There is a three-year vesting period before benefits become non-forfeitable. Plan expense for the years ended June 30, 2017 and 2016, was \$8,386 and \$8,283, respectively.

9. Commitment

In May 2017, the organization made a two-year commitment to fund certain programs of its member agencies. Amounts committed for the period July 1, 2017, through December 31, 2017, were based on the 2016 campaign results and have been recorded as a liability of \$397,661 in these financial statements, but the remaining commitment of \$397,661 has not been recorded because it is contingent upon future campaign results, members' compliance with United Way guidelines, and continued success of the community agencies' programs.

10. Related Party Transactions

The organization received marketing services from a company owned by a member of the Board of Directors. Amounts paid for these services totaled approximately \$37,000, and an additional \$8,900 of marketing services was provided as an in-kind donation.

11. Fair Values

Certain assets are recorded at fair value to provide additional insight into the organization's financial position. These certain assets are measured on a recurring basis. Assets are grouped in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine value. A brief description of each follows:

- Level 1 – Valuation is based on quoted prices for identical instruments in active markets.
- Level 2 – Valuation is based on quoted prices for similar instruments or on prices determined from inactive markets or on model-based techniques
- Level 3 – Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market

UNITED WAY OF EASTERN MAINE

Notes to Financial Statements

June 30, 2017

11. Fair Values

Fair values of assets measured on a recurring basis are as follows:

	2017	2016
	Fair Value	Fair Value
Quoted Prices in Active Markets (Level 1)		
Cash and money market funds	\$ <u>433,054</u>	\$ <u>397,768</u>
Equity securities		
Common stocks	<u>75,308</u>	<u>70,366</u>
Equity mutual funds		
US large cap	80,204	80,538
30%- 70% equity	46,457	36,767
Foreign large growth	30,349	27,491
Exchange traded – various	<u>77,657</u>	<u>63,022</u>
Total equity mutual funds	<u>234,667</u>	<u>207,818</u>
Alternative investments		
Commodities, real estate and other specialty funds	<u>93,930</u>	<u>54,241</u>
Fixed income mutual funds		
Short-term bond mutual funds	102,692	101,665
Government Securities	52,126	94,447
Intermediate and other	45,529	41,677
Exchange-traced & closed-end funds	<u>25,869</u>	<u>25,869</u>
Total fixed income mutual funds	<u>200,347</u>	<u>263,658</u>
Significant Other Observable Inputs (Level 2)		
Significant Unobservable Inputs (Level 3)		
Beneficial interests in assets held by others – prior year	346,079	366,379
Net appreciation (depreciation) – beneficial interests – current	<u>4,544</u>	<u>(20,300)</u>
	350,623	346,079
Interest in assets held by Maine Community Foundation (see note 4 for summarized activity)	<u>3,044,640</u>	<u>2,797,128</u>
Total interests in beneficial trusts	<u>3,395,263</u>	<u>3,143,207</u>
Total	\$ <u>4,432,569</u>	\$ <u>4,137,058</u>

12. New Pronouncements

Fair Value Measurement:

In May 2015, the FASB issued Accounting Standards Update (ASU) 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (Topic 820). The main provision in this update removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. This update is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted.

UNITED WAY OF EASTERN MAINE

Notes to Financial Statements

June 30, 2017

12. New Pronouncements

Presentation of financial statements of not-for-profit entities:

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958). The main provisions of this update are that not-for-profit organizations will no longer be required to distinguish between resources with temporary and permanent restrictions on the face of their financial statements, meaning they will present two classes of net assets instead of three. They will be required to present expenses by their natural and functional classification and present investment returns net of external and direct internal investment expenses. Nonprofits also will be required to provide more information about their available resources and liquidity. The standard will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted.

Leases:

On February 25, 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). Under the new standard, lessees will be required to recognize lease assets and liabilities for most leases on their statements of financial position. The new standard will be effective for fiscal years ending June 30, 2021. Early adoption is permitted.

13. Subsequent Events

Subsequent events have been evaluated through August 23, 2017 which is the date the financial statements were available to be issued, and no additional matters were determined to require adjustment or disclosure.