



UNITED WAY, INC.

CONSOLIDATED FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

June 30, 2018 and 2017

With Independent Auditor's Report



UNITED WAY, INC.

June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
United Way, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of United Way, Inc. (a non-profit organization), which comprise the consolidated statements of financial position as of June 30, 2018 and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Way, Inc. as of June 30, 2018, and the consolidated changes in their net assets and their consolidated cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Board of Directors
United Way, Inc.

Other Matters

Prior Period Financial Statements and Summarized Comparative Information

The consolidated financial statements of United Way, Inc. as of and for the year ended June 30, 2017, were audited by another auditor whose report thereon, dated October 25, 2017, expressed an unmodified opinion on those consolidated financial statements. The summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Additional Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2018 consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
November 27, 2018

UNITED WAY, INC.

Consolidated Statements of Financial Position

June 30, 2018 and 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 5,310,529	\$ 5,504,696
Pledges receivable, net	5,461,938	4,744,510
Other receivables	193,314	313,282
Other assets	103,095	97,095
Long-term investments	8,227,073	8,231,895
Beneficial interest in perpetual trust	1,235,365	1,185,977
Equipment, net of accumulated depreciation of \$296,173 in 2018 and \$273,388 in 2017	<u>124,897</u>	<u>101,013</u>
Total assets	<u>\$ 20,656,211</u>	<u>\$ 20,178,468</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued liabilities	\$ 390,969	\$ 595,076
Designations payable	3,962,209	3,586,050
Other liabilities	<u>158,022</u>	<u>154,157</u>
Total liabilities	4,511,200	4,335,283
Net assets		
Unrestricted		
Undesignated	2,076,090	2,064,235
Board designated - endowment	<u>4,701,752</u>	<u>4,497,122</u>
	6,777,842	6,561,357
Temporarily restricted	6,119,736	6,072,782
Permanently restricted	<u>3,247,433</u>	<u>3,209,046</u>
Total net assets	<u>16,145,011</u>	<u>15,843,185</u>
Total liabilities and net assets	<u>\$ 20,656,211</u>	<u>\$ 20,178,468</u>

The accompanying notes are an integral part of these consolidated financial statements.

UNITED WAY, INC.

Consolidated Statement of Activities

Year Ended June 30, 2018

	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Campaign results:					
2018 campaign results	\$ -	\$ 212,934	\$ -	\$ 212,934	\$ -
2017 campaign results	-	7,685,091	-	7,685,091	93,034
2016 campaign results	-	3,195	-	3,195	7,770,581
2015 campaign results	-	-	-	-	2,371
Less donor designations, net	-	(1,000,887)	-	(1,000,887)	(1,146,945)
Less provision for uncollectible pledges	-	(253,241)	-	(253,241)	(232,039)
Net campaign results	-	6,647,092	-	6,647,092	6,487,002
Revenues, gains and other support					
Net asset released from restriction:					
2017 campaign	3,126,839	(3,126,839)	-	-	-
2016 campaign	3,400,354	(3,400,354)	-	-	-
Gifts and bequests	30,000	-	-	30,000	146,187
Grant and contract revenue	-	1,845,944	-	1,845,944	1,442,321
Service fees	485,418	30,000	-	515,418	515,738
Investment income	129,705	64,989	-	194,694	193,519
Realized gains on investments	1,039,864	744,944	-	1,784,808	493,021
Unrealized (losses) gains on investments	(798,459)	(571,565)	-	(1,370,024)	290,947
Miscellaneous	93,715	254	-	93,969	95,966
Other assets released from restriction	1,862,211	(1,862,211)	-	-	-
Gain in perpetual trust	-	-	49,387	49,387	68,262
Total revenues	9,369,647	372,254	49,387	9,791,288	9,732,963
Expenses:					
Agency investments/awards	4,570,804	-	-	4,570,804	4,716,240
Less donor designations, net	(1,094,234)	-	-	(1,094,234)	(1,246,964)
Community impact	2,397,638	-	-	2,397,638	2,154,588
Volunteer development	261,576	-	-	261,576	291,067
211 Maine	1,100,165	-	-	1,100,165	875,359
Total program services	7,235,949	-	-	7,235,949	6,790,290
Supporting services - management and general and fundraising	1,917,213	-	-	1,917,213	1,805,217
Total expenses	9,153,162	-	-	9,153,162	8,595,507
Change in net assets, before transfer	216,485	372,254	49,387	638,126	1,137,456
Donor-directed transfer to Maine Community Foundation	-	(325,300)	(11,000)	(336,300)	-
Change in net assets	216,485	46,954	38,387	301,826	1,137,456
Net assets, beginning of year	6,561,357	6,072,782	3,209,046	15,843,185	14,705,729
Net assets, end of year	\$ 6,777,842	\$ 6,119,736	\$ 3,247,433	\$ 16,145,011	\$ 15,843,185

The accompanying notes are an integral part of these consolidated financial statements.

UNITED WAY, INC.

Consolidated Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 301,826	\$ 1,137,456
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	33,787	29,647
Net realized and unrealized gains on investments	(414,784)	(783,968)
Gain on perpetual trust	(49,387)	(68,262)
Endowment gifts	-	(41,187)
Changes in operating assets and liabilities		
Pledges receivable	(717,428)	382,250
Other receivables	119,968	(68,020)
Other assets	(6,000)	(2,672)
Accounts payable and accrued liabilities	(204,107)	92,872
Designations payable	376,159	(208,111)
Other liabilities	3,865	11,432
	<hr/>	<hr/>
Net cash (used) provided by operating activities	(556,101)	481,437
Cash flows from investing activities		
Purchase of equipment	(57,671)	(12,574)
Purchase of investments	(4,474,600)	(1,690,936)
Proceeds from sale and maturities of investments	4,894,205	1,657,868
	<hr/>	<hr/>
Net cash provided (used) by investing activities	361,934	(45,642)
Cash flows from financing activities		
Endowment gifts	<hr/> -	<hr/> 41,187
	<hr/>	<hr/>
Net cash provided by financing activities	-	41,187
Net (decrease) increase in cash and cash equivalents	(194,167)	476,982
Cash and cash equivalents, beginning of year	5,504,696	5,027,714
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 5,310,529	\$ 5,504,696

The accompanying notes are an integral part of these consolidated financial statements.

UNITED WAY, INC.

Consolidated Statements of Functional Expenses

Year Ended June 30, 2018

	2018			
	Program Services			
	Essential Programs and Services	Community Impact	Volunteer Development	211 Maine
Gross investments/awards/contracted services	\$ 4,570,804	\$ 783,299	\$ -	\$ 995,930
Less donor designations, net	<u>(1,094,234)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Agency investments/awards/contracted services	3,476,570	783,299	-	995,930
Salaries	-	958,151	143,583	55,377
Employees' health and retirement benefits	-	154,939	30,198	2,334
Payroll taxes	-	71,766	10,836	3,718
Professional fees and contract services	-	88,184	8,921	5,400
Supplies	-	15,295	11,078	418
Telephone	-	9,299	1,584	636
Postage and shipping	-	4,251	916	-
Occupancy	-	107,846	19,580	3,008
Marketing and communications materials	-	24,004	3,832	26,260
Publications and subscription	-	741	131	-
Travel	-	26,089	2,018	3,942
Conferences, conventions and meetings	-	45,989	2,547	848
National agency support	-	32,862	6,071	-
Equipment, rental and maintenance	-	52,024	15,976	-
Insurance	-	5,595	1,034	2,294
Miscellaneous	-	4,005	814	-
Depreciation	-	<u>13,299</u>	<u>2,457</u>	<u>-</u>
Total operations	<u>-</u>	<u>1,614,339</u>	<u>261,576</u>	<u>104,235</u>
Total expense	<u>\$ 3,476,570</u>	<u>\$ 2,397,638</u>	<u>\$ 261,576</u>	<u>\$ 1,100,165</u>

The accompanying notes are an integral part of these consolidated financial statements.

Supporting Services					
<u>Total</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>	<u>Total 2018</u>	<u>Total 2017</u>
\$ 6,350,033 <u>(1,094,234)</u>	\$ - <u>-</u>	\$ - <u>-</u>	\$ - <u>-</u>	\$ 6,350,033 <u>(1,094,234)</u>	\$ 6,211,048 <u>(1,246,964)</u>
5,255,799	-	-	-	5,255,799	4,964,084
1,157,111	490,033	683,178	1,173,211	2,330,322	2,124,695
187,471	29,879	126,575	156,454	343,925	282,151
86,320	38,408	48,568	86,976	173,296	158,562
102,505	51,889	56,194	108,083	210,588	263,329
26,791	4,640	7,861	12,501	39,292	36,754
11,519	3,477	8,271	11,748	23,267	20,207
5,167	2,238	3,546	5,784	10,951	12,226
130,434	53,955	86,799	140,754	271,188	256,265
54,096	10,630	18,194	28,824	82,920	79,029
872	389	576	965	1,837	4,321
32,049	4,204	6,878	11,082	43,131	39,690
49,384	12,104	23,847	35,951	85,335	117,739
38,933	17,975	26,579	44,554	83,487	81,968
68,000	28,339	41,894	70,233	138,233	91,162
8,923	3,060	4,525	7,585	16,508	14,297
4,819	1,664	2,813	4,477	9,296	19,381
<u>15,756</u>	<u>7,274</u>	<u>10,757</u>	<u>18,031</u>	<u>33,787</u>	<u>29,647</u>
<u>1,980,150</u>	<u>760,158</u>	<u>1,157,055</u>	<u>1,917,213</u>	<u>3,897,363</u>	<u>3,631,423</u>
<u>\$ 7,235,949</u>	<u>\$ 760,158</u>	<u>\$ 1,157,055</u>	<u>\$ 1,917,213</u>	<u>\$ 9,153,162</u>	<u>\$ 8,595,507</u>

UNITED WAY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

1. Description of Organization and Summary of Significant Accounting Policies

Organization

United Way, Inc., d/b/a United Way of Greater Portland (the Organization) improves people's lives by mobilizing the caring power of our communities. With financial, volunteer and in-kind support, United Way works with community partners to address the most pressing health and human service issues in Greater Portland.

The Organization is the sole member of 211 Maine, Inc., a Maine nonprofit corporation (211 Maine). 211 Maine was established to offer comprehensive health and human services information and referral services for the State of Maine.

Reporting Entity and Consolidation

The accompanying consolidated financial statements include the accounts of United Way, Inc. and 211 Maine, Inc. All intercompany balances and transactions have been eliminated in consolidation.

Operations

Annual United Way campaigns are conducted in the fall of each year. Undesignated campaign contributions are used to support local health and human service programs of partner agencies; to support other community programs and initiatives; to make grants in support of education, financial stability, health, and diversity and inclusion strategies; and to pay the Organization's operating expenses. Donors may choose to designate their pledges to a partner agency, a non-partner agency that provides health and human services within the State of Maine, or another out-of-area United Way.

Annual fall campaigns are reduced by pledges that are designated to other organizations, and by a provision for uncollectible pledges. The resulting net pledges are reflected as temporarily restricted until released from restriction and expended. Approximately one half of the prior and current years' campaign results are released from restrictions in the current year's statement of activities. The balance of the current year's net pledges is included in temporarily restricted net assets at year-end. Specific Care donations, net of an administrative fee and provisions for uncollectible pledges, have been recorded as designations payable in the consolidated statement of financial position and have not been recorded as revenue or expense in the consolidated statements of activities.

The Organization also processes pledges and collects and distributes funds outside of greater Portland from employees of several companies. Like specific care pledges raised locally, these donations, net of an administrative fee and provisions for uncollectible pledges, have been recorded as designations payable in the consolidated statement of financial position and have not been recorded as revenue or expense in the consolidated statements of activities. See Note 7.

In addition to annual campaign contributions, donors can utilize various planned giving vehicles including bequests, gifts of securities, and life insurance to support the Organization's long-term

UNITED WAY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

operations. Such contributions are assets of the Organization. Endowment assets are managed by the Organization's Finance Committee in accordance with an Investment Policy approved by the Board of Directors.

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 the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt securities with original maturities of three months or less when purchased, excluding investments held in trust.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value based on quoted market prices in the consolidated statements of financial position.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment balances and the amounts reported in the consolidated statements of financial position.

Equipment

Equipment is carried at cost or, if acquired by gift, at appraised value at date of gift. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used for a specific purpose, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the Organization has been limited by donors to a specific time period or purpose. Such net assets may also include unexpended investment gains related to permanently restricted net assets, in accordance with Maine law. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity. The Board of Directors has interpreted State of Maine law as requiring the preservation of the original fair value of the gift absent donor stipulations to the contrary.

UNITED WAY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the State of Maine requires appreciation on investments of permanently restricted funds, unless the donor has otherwise indicated in the gift instrument, be considered donor restricted until appropriated by the Organization's Board.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently 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 as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Organization also follows this reporting practice for donor-restricted gifts whose restrictions are met in the same reporting period.

Grant and Contract Revenue

The Organization also undertakes other specific initiatives periodically in connection with its goals for the education, financial stability, and health of the greater Portland community. These initiatives are funded by operating dollars from the sources referenced above as well as grants from foundations and corporations.

Expenditure-driven grant revenue is recognized in the period expenditures are incurred in connection with the grant. Other grant and contract revenue is recognized as earned under the terms of the grant and contract agreements.

Expenses Allocations

Expenses are allocated to both programs and support services. Salaries and wages are allocated based on estimates of time spent by members of the staff. Expenses that are not directly attributable to one category are allocated based on full-time equivalents.

Subsequent Events

Management has evaluated subsequent events through November 27, 2018, the date the accompanying consolidated financial statements were available to be issued.

2. Pledges Receivable

The Organization serves and conducts its annual campaign in the Greater Portland, Maine region. The ability and willingness of individuals and corporations to honor their pledges is generally dependent on current economic conditions within the geographic area. The Organization estimates the allowance for uncollectible pledges using historical loss factors and current economic conditions. All pledges receivable are due in one year.

UNITED WAY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

As of June 30, 2018 and 2017, the balance of pledges receivable, net of allowance for uncollectible pledges by campaign year is as follows:

2018			
<u>Campaign Year</u>	<u>Gross Pledges Receivable</u>	<u>Allowance</u>	<u>Net Pledges Receivable</u>
2018	\$ 136,640	\$ -	\$ 136,640
2017	2,946,255	274,190	2,672,065
2016	262,251	262,251	-
2015	<u>226,778</u>	<u>226,778</u>	<u>-</u>
	3,571,924	763,219	2,808,705
Specific Care pledges	<u>2,965,109</u>	<u>311,876</u>	<u>2,653,233</u>
	<u>\$ 6,537,033</u>	<u>\$ 1,075,095</u>	<u>\$ 5,461,938</u>
2017			
<u>Campaign Year</u>	<u>Gross Pledges Receivable</u>	<u>Allowance</u>	<u>Net Pledges Receivable</u>
2017	\$ 9,024	\$ -	\$ 9,024
2016	2,558,168	276,931	2,281,237
2015	233,048	233,048	-
2014	<u>204,582</u>	<u>204,582</u>	<u>-</u>
	3,004,822	714,561	2,290,261
Specific Care pledges	<u>2,751,798</u>	<u>297,549</u>	<u>2,454,249</u>
	<u>\$ 5,756,620</u>	<u>\$ 1,012,110</u>	<u>\$ 4,744,510</u>

The Organization processes campaign pledges for other organizations outside the local service area as described in Note 1. Such Specific Care pledges are included in pledges receivable and designations payable in the accompanying consolidated statements of financial position.

UNITED WAY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

3. Investments

The long-term investments are governed by an investment policy and endowment spending policy as approved periodically by the Organization's Board of Directors. The investment policies include guidance on investment objectives, asset allocation, investment quality and diversification, and performance measurement and reporting. Such policies attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. The portfolio is invested in a manner that is intended to generate annual returns of the Consumer Price Index increase plus 5%, net of expenses, while assuming a moderate level of risk. The Board uses outside professionals to manage its investment portfolio. The endowment spending policy specifies a range of 3% to 5% of invested funds annually. Such spending totaled approximately \$258,000 and \$265,000 in fiscal 2018 and 2017, respectively.

A summary of investments at June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Marketable equity securities	\$ -	\$ 3,013,928
U.S. Treasury notes and obligations of government agencies	393,377	305,032
Mutual funds - equity	6,082,713	3,364,629
Money market accounts	447,430	103,551
Corporate bonds	<u>1,303,553</u>	<u>1,444,755</u>
	<u>\$ 8,227,073</u>	<u>\$ 8,231,895</u>

Such investments are allocated as follows:

	<u>2018</u>	<u>2017</u>
United Way endowments		
Board-designated net assets	\$ 4,701,752	\$ 4,497,122
Temporarily restricted net assets	1,355,231	1,557,547
Permanently restricted net assets	<u>2,012,068</u>	<u>2,023,069</u>
	8,069,051	8,077,738
Agency endowments (Note 5)	<u>158,022</u>	<u>154,157</u>
	<u>\$ 8,227,073</u>	<u>\$ 8,231,895</u>

UNITED WAY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

The changes in United Way endowment funds by net asset category for the years ended June 30, 2018 and 2017 are as follows

	<u>Board- Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balances, June 30, 2016	\$ 4,024,895	\$ 1,287,600	\$ 1,981,882	\$ 7,294,377
Investment income	78,012	62,523	-	140,535
Net appreciation in fair value	435,649	348,357	-	784,006
Additions	105,000	-	41,187	146,187
Appropriation for expenditure	<u>(146,434)</u>	<u>(118,465)</u>	<u>-</u>	<u>(264,899)</u>
Balances, June 30, 2017	<u>4,497,122</u>	<u>1,580,015</u>	<u>2,023,069</u>	<u>8,100,206</u>
Investment income	82,122	58,885	-	141,007
Net appreciation (depreciation) in fair value	241,406	(176,324)	-	65,082
Additions (transfers)	31,346	-	(11,001)	20,345
Appropriation for expenditure	<u>(150,244)</u>	<u>(107,345)</u>	<u>-</u>	<u>(257,589)</u>
Balances, June 30, 2018	<u>\$ 4,701,752</u>	<u>\$ 1,355,231</u>	<u>\$ 2,012,068</u>	<u>\$ 8,069,051</u>

4. Beneficial Interest in Perpetual Trust

The Organization is the income beneficiary of an irrevocable perpetual trust. These funds are held and controlled by Bank of America, as trustee. The Organization is entitled to 85% of the income from the trust. The Organization has recorded an asset in the consolidated statements of financial position at the present value of estimated future distributions which approximates the fair value of United Way's share of trust assets at the consolidated statement of financial position date.

5. Net Assets

Unrestricted net assets at June 30 are as follows:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 2,076,090	\$ 2,064,235
Board-designated - endowment	<u>4,701,752</u>	<u>4,497,122</u>
	<u>\$ 6,777,842</u>	<u>\$ 6,561,357</u>

UNITED WAY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Undesignated net assets are unrestricted and available for programs and support services of the Organization. The Board of Directors has designated unrestricted net assets for long-term purposes labeled above as endowment. The income earned on these investments will be used for charitable purposes including initiatives.

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

	<u>2018</u>	<u>2017</u>
Campaign contributions	\$ 3,613,287	\$ 3,493,388
Endowment funds (including unrealized gains)	1,355,231	1,580,015
Grant funds	404,741	166,931
211 Maine	746,477	832,019
How fund	-	429
	<u>\$ 6,119,736</u>	<u>\$ 6,072,782</u>

Permanently restricted net assets at June 30 are as follows:

	<u>2018</u>	<u>2017</u>
Beneficial interest in perpetual trust - How (Note 4)	\$ 1,235,365	\$ 1,185,977
Endowment funds	<u>2,012,068</u>	<u>2,023,069</u>
	<u>\$ 3,247,433</u>	<u>\$ 3,209,046</u>

Other agency relationships:

The Preble Street Self Sufficiency Fund is an relationship and is both an asset (included in investments) and liability in the consolidated statements of financial position. The fund totaled \$158,022 and \$154,157 at June 30, 2018 and 2017, respectively

6. Employee Benefits

The Organization has established a Tax Deferred Annuity Plan in accordance with Section 403(b) of the Internal Revenue Code (the Code), which covers all employees. Employees may elect to defer a portion of their compensation of which a certain percent (6% in 2018 and 2017) determined annually by the Board is matched dollar for dollar by the Organization. In addition, the Plan provides for discretionary contributions by the Organization. The amounts deferred by the employee vest immediately and the Organization's contributions vest over a four year period. The Organization's contribution to the Plan in 2018 and 2017 was \$82,891 and \$84,723, respectively.

UNITED WAY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

7. Calculation of Operating Expense Ratio

	<u>2018</u>	<u>2017</u>
Support service		
Fundraising	\$ 1,157,055	\$ 1,136,253
Management and general	<u>760,158</u>	<u>668,964</u>
Total supporting services	\$ <u>1,917,213</u>	\$ <u>1,805,217</u>
Revenue		
Campaign results, net	7,647,979	7,633,947
Gifts and bequests	30,000	146,187
Grant and other revenue	1,570,882	1,154,150
Investment income	194,694	193,519
Realized gains on investment	<u>1,784,808</u>	<u>493,021</u>
Total revenue	\$ <u>11,228,363</u>	\$ <u>9,620,824</u>
Operating expense ratio	<u>17.2%</u>	<u>18.8%</u>

The above calculation of the operating expense ratio is in accordance with United Way Worldwide's Functional Expense and Overhead Reporting Standards for United Ways. This calculation includes expenses associated with soliciting, collecting, and distributing over \$5.8 and \$5.6 million in out-of-area pledges in 2018 and 2017, respectively. Revenues associated with these pledges are excluded from this calculation. Similarly, dollars raised on behalf of 211 Maine are excluded from the above calculation, while some costs incurred in soliciting those dollars are included above.

The below calculation, which includes all funds processed by United Way of Greater Portland, better represents the Organization's operational efficiency.

	<u>2018</u>	<u>2017</u>
Support service		
Fundraising	\$ 1,157,055	\$ 1,136,253
Management and general	<u>760,158</u>	<u>668,964</u>
Total supporting services	\$ <u>1,917,213</u>	\$ <u>1,805,217</u>
Revenue		
Sources listed above	11,228,363	9,620,824
Out-of-area pledges	5,783,777	5,612,118
211 Maine revenue	<u>874,235</u>	<u>786,671</u>
Total sources	\$ <u>17,886,375</u>	\$ <u>16,019,613</u>
Operating expense ratio	<u>10.8%</u>	<u>11.3%</u>

UNITED WAY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

8. Leases

The Organization has a lease agreement for office space. The agreement carries an initial ten-year term through 2020 and two five-year options. Total rent expense amounted to \$222,788 and \$210,684 for the years ended June 30, 2018 and 2017, respectively.

Minimum future rental payments under the lease are as follows:

2019	\$ 218,175
2020	<u>218,175</u>
	<u>\$ 436,350</u>

9. Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Code and as such is exempt from federal and state income taxes.

Management has evaluated the Organization's tax positions and concluded that the Organization has maintained its tax-exempt status, does not have any significant unrelated business income and has taken no uncertain tax positions that require adjustment to the consolidated financial statements.

10. Volunteer Services

During the years ended June 30, 2018 and 2017, volunteers provided 16,566 and 19,529 hours of service to Organization programs, respectively. The volunteers provide various nonspecialized services to the Organization, none of which have been recognized as revenue or expense in the consolidated statements of activities.

11. Commitments

The Organization has an agreement with The Opportunity Alliance, a nonprofit corporation, through June 30, 2019 (subject to termination by either party in certain events). The Opportunity Alliance provides call center services and other administrative services for 211 Maine. Expenses for these services totaled \$995,930 and \$778,196 in fiscal 2018 and 2017, respectively. At June 30, 2018 and 2017, 211 Maine owed The Opportunity Alliance \$233 and \$66,981, respectively, which is included in accounts payable and accrued liabilities on the consolidated statements of financial position.

UNITED WAY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

12. Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurement*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets measured at fair value on a recurring basis are summarized below.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2018</u>				
Investments:				
U.S. Treasury notes and obligations of government agencies	\$ 393,377	\$ -	\$ 393,377	\$ -
Mutual funds				
Foreign equity funds	1,805,942	1,805,942	-	-
Domestic equity funds	4,276,771	4,276,771	-	-
Money market accounts	447,430	447,430	-	-
Corporate bonds	<u>1,303,553</u>	<u>-</u>	<u>1,303,553</u>	<u>-</u>
Total investments	<u>\$ 8,227,073</u>	<u>\$ 6,530,143</u>	<u>\$ 1,696,930</u>	<u>\$ -</u>
Beneficial interest in perpetual trust	<u>\$ 1,235,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,235,365</u>

UNITED WAY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2017</u>				
Investments:				
Marketable equity securities				
Basic industry	\$ 338,923	\$ 338,923	\$ -	\$ -
Consumer products	1,228,557	1,228,557	-	-
Energy	104,759	104,759	-	-
Financial institutions	650,563	650,563	-	-
Technology	691,126	691,126	-	-
U.S. Treasury notes and obligations of government agencies	305,032	-	305,032	-
Mutual funds				
Foreign equity funds	1,237,292	1,237,292	-	-
Domestic equity funds	2,127,337	2,127,337	-	-
Money market accounts	103,551	103,551	-	-
Corporate bonds	<u>1,444,755</u>	<u>-</u>	<u>1,444,755</u>	<u>-</u>
	<u>\$ 8,231,895</u>	<u>\$ 6,482,108</u>	<u>\$ 1,749,787</u>	<u>\$ -</u>
Beneficial interest in perpetual trust	<u>\$ 1,185,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,185,977</u>

Level 2 measurements consist of corporate bonds and government obligations valued based on quoted prices for similar assets.

The Level 3 beneficial interest in perpetual trust is valued based on the present value of expected cash flows using quoted market prices of the assets in the trust multiplied by the Organization's share of the trust.

The following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value:

Balance, July 1, 2016	\$ 1,117,715
Change in value of trust	<u>68,262</u>
Balance, June 30, 2017	1,185,977
Change in value of trust	<u>49,388</u>
Balance, June 30, 2018	<u>\$ 1,235,365</u>

SUPPLEMENTARY INFORMATION

UNITED WAY, INC.

Consolidating Statement of Financial Position

June 30, 2018

ASSETS

	<u>United Way, Inc.</u>	<u>211 Maine, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash and cash equivalents	\$ 4,721,503	\$ 589,026	\$ -	\$ 5,310,529
Pledges receivable, net	5,461,938	-	-	5,461,938
Other receivables	27,621	166,012	(319)	193,314
Other assets	101,988	1,107	-	103,095
Long-term investments	8,227,073	-	-	8,227,073
Beneficial interest in perpetual trust	1,235,365	-	-	1,235,365
Equipment, less accumulated depreciation	<u>124,897</u>	<u>-</u>	<u>-</u>	<u>124,897</u>
 Total assets	 <u>\$ 19,900,385</u>	 <u>\$ 756,145</u>	 <u>\$ (319)</u>	 <u>\$ 20,656,211</u>

LIABILITIES AND NET ASSETS

Liabilities				
Accounts payable and accrued liabilities	\$ 381,620	\$ 9,349	\$ -	\$ 390,969
Designations payable	3,962,209	-	-	3,962,209
Other liabilities	<u>158,022</u>	<u>319</u>	<u>(319)</u>	<u>158,022</u>
Total liabilities	4,501,851	9,668	(319)	4,511,200
 Unrestricted	 2,076,090	 -	 -	 2,076,090
Board designated - endowment	<u>4,701,752</u>	<u>-</u>	<u>-</u>	<u>4,701,752</u>
	6,777,842	-	-	6,777,842
 Temporarily restricted	 5,373,259	 746,477	 -	 6,119,736
Permanently restricted	<u>3,247,433</u>	<u>-</u>	<u>-</u>	<u>3,247,433</u>
 Total liabilities and net assets	 <u>\$ 19,900,385</u>	 <u>\$ 756,145</u>	 <u>\$ (319)</u>	 <u>\$ 20,656,211</u>

UNITED WAY, INC.

Consolidating Statement of Activities

Year Ended June 30, 2018

	<u>United Way, Inc.</u>			<u>Total</u>	<u>211 Maine, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>				
Campaign results	\$ -	\$ 7,901,220	\$ -	\$ 7,901,220	\$ -	\$ -	\$ 7,901,220
Less donor designations, net	-	(1,000,887)	-	(1,000,887)	-	-	(1,000,887)
Less provision for uncollectible pledges	<u>-</u>	<u>(253,241)</u>	<u>-</u>	<u>(253,241)</u>	<u>-</u>	<u>-</u>	<u>(253,241)</u>
Net campaign results	-	6,647,092	-	6,647,092	-	-	6,647,092
Revenue, gains and other support							
Net assets released from restriction							
2017 campaign	3,126,839	(3,126,839)	-	-	-	-	-
2016 campaign results	3,400,354	(3,400,354)	-	-	-	-	-
Gifts and bequests	30,000	-	-	30,000	-	-	30,000
Grant and contract revenue	-	1,001,963	-	1,001,963	984,369	(140,388)	1,845,944
Services fees	485,418	-	-	485,418	30,000	-	515,418
Investment income	129,705	64,989	-	194,694	-	-	194,694
Realized gains on investments	1,039,864	744,944	-	1,784,808	-	-	1,784,808
Unrealized losses on investments	(798,459)	(571,565)	-	(1,370,024)	-	-	(1,370,024)
Miscellaneous	93,715	-	-	93,715	254	-	93,969
Other assets released from restriction	902,434	(902,434)	-	-	-	-	-
Loss on perpetual trust	<u>-</u>	<u>-</u>	<u>49,387</u>	<u>49,387</u>	<u>-</u>	<u>-</u>	<u>49,387</u>
Total revenues	<u>\$ 8,409,870</u>	<u>\$ 457,796</u>	<u>\$ 49,387</u>	<u>\$ 8,917,053</u>	<u>\$ 1,014,623</u>	<u>\$ (140,388)</u>	<u>\$ 9,791,288</u>

(Continued)

UNITED WAY, INC.

Consolidating Statement of Activities (Concluded)

Year Ended June 30, 2018

	United Way, Inc.						
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>211 Maine, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
Expenses							
Agency investments/awards	\$ 4,711,192	\$ -	\$ -	\$ 4,711,192	\$ -	\$ (140,388)	\$ 4,570,804
Less donor designations, net	(1,094,234)	-	-	(1,094,234)	-	-	(1,094,234)
Community impact	2,397,638	-	-	2,397,638	-	-	2,397,638
Volunteer development	261,576	-	-	261,576	-	-	261,576
211 Maine	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,100,165</u>	<u>-</u>	<u>1,100,165</u>
Total program services	6,276,172	-	-	6,276,172	1,100,165	(140,388)	7,235,949
Supporting services - management and general fundraising	<u>1,917,213</u>	<u>-</u>	<u>-</u>	<u>1,917,213</u>	<u>-</u>	<u>-</u>	<u>1,917,213</u>
Total expenses	<u>8,193,385</u>	<u>-</u>	<u>-</u>	<u>8,193,385</u>	<u>1,100,165</u>	<u>(140,388)</u>	<u>9,153,162</u>
Change in net assets, before transfer	216,485	457,796	49,387	723,668	(85,542)	-	638,126
Donor-directed transfer to Maine Community Foundation	<u>-</u>	<u>(325,300)</u>	<u>(11,000)</u>	<u>(336,300)</u>	<u>-</u>	<u>-</u>	<u>(336,300)</u>
Change in net assets	216,485	132,496	38,387	387,368	(85,542)	-	301,826
Net assets, beginning of year	<u>6,561,357</u>	<u>5,240,763</u>	<u>3,209,046</u>	<u>15,011,166</u>	<u>832,019</u>	<u>-</u>	<u>15,843,185</u>
Net assets, end of year	<u>\$ 6,777,842</u>	<u>\$ 5,373,259</u>	<u>\$ 3,247,433</u>	<u>\$ 15,734,834</u>	<u>\$ 746,477</u>	<u>\$ -</u>	<u>\$ 16,145,011</u>