UNITED WAY OF THE VALLEY & GREATER UTICA AREA, INC.

Financial Statements as of
June 30, 2019 and 2018
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

February 7, 2020

To the Board of Directors of
United Way of the Valley & Greater Utica Area, Inc.:

We have audited the accompanying financial statements of United Way of the Valley & Greater Utica Area, Inc. (a New York nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, 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 United Way of the Valley & Greater Utica Area, Inc. as of June 30, 2019 and 2018, 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.

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Change in Accounting Principle

As described in Note 2 to the financial statements, United Way of the Valley & Greater Utica Area, Inc. implemented Financial Accounting Standards Board Accounting Standards Update 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*, and the effects have been included in these financial statements. Our opinion is not modified with respect to this matter.

Bonadio & Co., LLP

UNITED WAY OF THE VALLEY & GREATER UTICA AREA, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 941,972	$ 1,082,740
Promises to give, net of allowance	675,938	680,127
Grants receivable	83,975	152,257
Prepaid expenses	14,255	13,350
Total current assets	1,716,140	1,928,474
OTHER ASSETS:		
Custodial funds	5,788	6,291
Beneficial interest in agency funds held by third party	1,199,828	1,161,699
Total other assets	1,205,616	1,167,990
Total assets	$ 2,921,756	$ 3,096,464
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Campaign designations payable	$ 227,310	$ 359,355
Accounts payable	85,917	15,786
Accrued expenses	81,008	80,658
Other current liabilities	51,790	40,200
Total current liabilities	446,025	495,999
CUSTODIAL FUNDS	5,788	6,291
Total liabilities	451,813	502,290
NET ASSETS:		
Without donor restrictions	1,788,334	1,934,226
With donor restrictions	681,609	659,948
Total net assets	2,469,943	2,594,174
Total liabilities and net assets	$ 2,921,756	$ 3,096,464

The accompanying notes are an integral part of these statements.

UNITED WAY OF THE VALLEY & GREATER UTICA AREA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Promises to give from current year campaign	$ 1,503,337	$ -	$ 1,503,337
Promises to give received from prior year campaigns	48,306	-	48,306
Gross campaign results	1,551,643	-	1,551,643
Less: Donor designations - funded partners	(83,224)	-	(83,224)
Less: Donor designations - other agencies	(138,922)	-	(138,922)
Less: Allowance for uncollectible pledges	(75,012)	-	(75,012)
Total campaign revenue, net	1,254,485	-	1,254,485
OTHER REVENUES, GAINS AND OTHER SUPPORT:			
Contributions, net of related expenses	74,880	-	74,880
Grants	805,010	-	805,010
Investment income, net	23,138	21,661	44,799
Miscellaneous revenue	455	-	455
Collections and management service income	43,161	-	43,161
Special events, net of direct expenses of $29,710	48,878	-	48,878
Total other revenues, gains and other support	995,522	21,661	1,017,183
Total revenues, gains and other support	2,250,007	21,661	2,271,668
ALLOCATIONS, FUNCTIONAL, AND OTHER EXPENSES:			
Allocations to funded partners	598,560	-	598,560
Functional expenses -			
Program services:			
Community impact	624,700	-	624,700
2-1-1 Program	145,208	-	145,208
R-4-K Program	224,586	-	224,586
ESPRI Program	98,146	-	98,146
VITA Program	56,949	-	56,949
Supporting services -			
Management and general	246,253	-	246,253
Fundraising	383,903	-	383,903
Total functional expenses	1,779,745	-	1,779,745
Other expenses -			
National Organization membership fees	17,594	-	17,594
Total expenses	1,797,339	-	1,797,339
Total allocations, functional, and other expenses	2,395,899	-	2,395,899
CHANGE IN NET ASSETS	(145,892)	21,661	(124,231)
NET ASSETS - beginning of period	1,934,226	659,948	2,594,174
NET ASSETS - end of period	$ 1,788,334	$ 681,609	$ 2,469,943

The accompanying notes are an integral part of these statements.

UNITED WAY OF THE VALLEY & GREATER UTICA AREA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Promises to give from current year campaign	$ 1,636,202	$ -	$ 1,636,202
Promises to give received from prior year campaigns	6,867	-	6,867
Gross campaign results	1,643,069	-	1,643,069
Less: Donor designations - funded partners	(100,163)	-	(100,163)
Less: Donor designations - other agencies	(258,549)	-	(258,549)
Less: Allowance for uncollectible pledges	(96,988)	-	(96,988)
Total campaign revenue, net	1,187,369	-	1,187,369
OTHER REVENUES, GAINS AND OTHER SUPPORT:			
Contributions, net of related expenses	74,880	-	74,880
Grants	365,509	55,000	420,509
Investment income, net	35,059	41,343	76,402
Miscellaneous revenue	22	-	22
Collections and management service income	36,482	-	36,482
Special events, net of direct expenses of $13,299	35,813	-	35,813
Total other revenues, gains and other support	547,765	96,343	644,108
Net assets released from restrictions	78,771	(78,771)	-
Total revenues, gains and other support	1,813,905	17,572	1,831,477
ALLOCATIONS, FUNCTIONAL, AND OTHER EXPENSES:			
Allocations to funded partners	605,060	-	605,060
Functional expenses -			
Program services:			
Community impact	481,834	-	481,834
2-1-1 Program	128,999	-	128,999
R-4-K Program	100,876	-	100,876
ESPRI Program	92,640	-	92,640
Supporting services -			
Management and general	275,132	-	275,132
Fundraising	363,711	-	363,711
Total functional expenses	1,443,192	-	1,443,192
Other expenses -			
National Organization membership fees	19,412	-	19,412
Total expenses	1,462,604	-	1,462,604
Total allocations, functional, and other expenses	2,067,664	-	2,067,664
CHANGE IN NET ASSETS	(253,759)	17,572	(236,187)
NET ASSETS - beginning of period	2,187,985	642,376	2,830,361
NET ASSETS - end of period	$ 1,934,226	$ 659,948	$ 2,594,174

The accompanying notes are an integral part of these statements.

UNITED WAY OF THE VALLEY & GREATER UTICA AREA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	Program Services						Supporting Services			
	Community Impact	2-1-1	R-4-K	ESPRI	VITA	Total	Management and General	Fundraising	Total 2019	Total 2018
Salaries	$ 138,336	$ 61,840	$ 132,026	$ 61,400	$ 38,250	$ 431,852	$ 139,579	$ 259,865	$ 831,296	$ 681,059
Employee benefits	18,758	678	13,642	8,596	327	42,001	9,532	31,617	83,150	73,012
Payroll taxes	11,443	4,759	9,223	4,615	2,434	32,474	12,341	19,612	64,427	55,840
Retirement plan	5,001	-	-	-	-	5,001	4,494	13,343	22,838	24,439
Total salaries and related expenses	173,538	67,277	154,891	74,611	41,011	511,328	165,946	324,437	1,001,711	834,350
Professional fees	1,674	60,695	99	5,739	-	68,207	22,705	3,416	94,328	199,562
Rent	29,952	-	-	-	5,400	35,352	26,957	17,971	80,280	74,880
Supplies	1,692	10,902	56,257	17,163	7,506	93,520	2,824	2,805	99,149	94,665
Outside services	401,952	-	-	-	-	401,952	-	-	401,952	142,602
Campaign supplies and communications	3,465	-	-	-	12	3,477	5,332	14,312	23,121	34,789
Equipment expenses	3,878	300	7,666	-	1,660	13,504	5,816	6,473	25,793	20,818
Board and staff development	1,478	3,682	669	-	106	5,935	4,681	2,889	13,505	6,296
Insurance	2,101	-	-	-	-	2,101	3,150	3,502	8,753	8,987
Telephone and internet service	1,346	312	-	468	418	2,544	1,953	2,244	6,741	5,964
Travel	1,111	1,698	5,004	129	823	8,765	1,483	1,648	11,896	7,252
Membership dues	1,703	305	-	-	-	2,008	2,577	2,838	7,423	7,740
Postage	606	37	-	36	13	692	2,521	1,026	4,239	3,811
Repairs and maintenance	204	-	-	-	-	204	308	342	854	1,476
Total functional expenses	$ 624,700	$ 145,208	$ 224,586	$ 98,146	$ 56,949	$ 1,149,589	$ 246,253	$ 383,903	$ 1,779,745	$ 1,443,192

The accompanying notes are an integral part of these statements.

UNITED WAY OF THE VALLEY & GREATER UTICA AREA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services					Supporting Services		
	Community Impact	2-1-1 Program	R-4-K	ESPRI	Total	Management and General	Fundraising	Total
Salaries	$ 144,944	$ 58,379	$ 64,097	$ 39,002	$ 306,422	$ 150,337	$ 224,300	$ 681,059
Employee benefits	16,719	655	12,533	3,021	32,928	11,985	28,099	73,012
Payroll taxes	8,462	4,324	5,026	2,397	20,209	20,159	15,472	55,840
Retirement plan	6,799	70	-	-	6,869	6,347	11,223	24,439
Total salaries and related expenses	176,924	63,428	81,656	44,420	366,428	188,828	279,094	834,350
Professional fees	49,389	60,713	-	45,993	156,095	30,181	13,286	199,562
Rent	29,952	-	-	-	29,952	26,957	17,971	74,880
Supplies	67,182	1,987	18,061	1,381	88,611	2,932	3,122	94,665
Outside services	142,602	-	-	-	142,602	-	-	142,602
Campaign supplies and communications	2,502	-	-	-	2,502	4,354	27,933	34,789
Equipment expenses	4,918	158	-	-	5,076	7,618	8,124	20,818
Board and staff development	2,030	202	-	-	2,232	2,456	1,608	6,296
Insurance	2,157	-	-	-	2,157	3,235	3,595	8,987
Telephone and internet service	1,277	299	-	469	2,045	1,791	2,128	5,964
Travel	934	1,990	1,159	228	4,311	1,374	1,567	7,252
Membership dues	1,286	180	-	-	1,466	2,133	4,141	7,740
Postage	327	42	-	149	518	2,741	552	3,811
Repairs and maintenance	354	-	-	-	354	532	590	1,476
Total functional expenses	$ 481,834	$ 128,999	$ 100,876	$ 92,640	$ 804,349	$ 275,132	$ 363,711	$ 1,443,192

The accompanying notes are an integral part of these statements.

UNITED WAY OF THE VALLEY & GREATER UTICA AREA, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ (124,231)	$ (236,187)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Bad debts	75,012	96,988
Realized loss on investments	52	351
Contributions of donated assets	(5,767)	(26,147)
Change in beneficial interest in agency funds	(38,130)	(71,981)
Changes in:		
Promises to give	(70,823)	40,093
Grants receivable	68,282	78,212
Prepaid expenses	(905)	(1,379)
Campaign designations payable	(132,045)	(63,325)
Accounts payable	70,131	(12,565)
Accrued expenses	350	(874)
Other current liabilities	11,590	20,151
Net cash flow from operating activities	(146,484)	(176,663)
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	5,716	25,796
Net cash flow from investing activities	5,716	25,796
CHANGE IN CASH AND CASH EQUIVALENTS	(140,768)	(150,867)
CASH AND CASH EQUIVALENTS - beginning of year	1,082,740	1,233,607
CASH AND CASH EQUIVALENTS - end of year	$ 941,972	$ 1,082,740

The accompanying notes are an integral part of these statements.

1. NATURE OF ACTIVITIES

United Way of the Valley & Greater Utica Area, Inc. (the United Way) is a local member of United Way Worldwide. The United Way was formed to develop resources needed to address the health and human service needs of the community.

Annual campaigns are conducted each year to raise support for allocation to human service agencies. Such allocations are distributed in the subsequent year.

The program services of the United Way are referred to as Community Impact, which improves lives by mobilizing communities to create sustained changes in the community conditions. It includes the following services: building community partnerships and coalitions, assessment of community needs, and funds distribution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The Organization reports information regarding its financial position and activities using the following categories:

- **Net Assets Without Donor Restrictions**
  Net assets without donor restrictions include resources that are available for the support of the Organization's operating activities.

- **Net Assets With Donor Restrictions**
  Net assets with donor restrictions include resources that have been donated to the Organization subject to restrictions as defined by the donor. The satisfaction of the restrictions is reflected as net assets released from restrictions in the statement of activities.

The financial statements are prepared on the accrual basis of accounting. Contributions are recorded as support and revenues when received. Contributions are considered available for general use unless specifically restricted by the donor.

The Organization reports gifts with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Organization has adopted a policy whereby all support and revenue be recorded as without donor restriction if the restriction expires in the same reporting period as received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle
ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the purpose of improving financial reporting by not-for-profit (NFP) entities.

ASU 2016-14 changes the presentation and accounting for non-for-profit organization's financial statements including:

- Reducing the number of classes of net assets from three to two (net assets with donor restrictions and net assets without donor restrictions);
- Requiring the presentation of expenses in both natural and functional classifications;
- Eliminating the requirement to disclose the components of investment return as well as reporting investment return net of external and direct internal investment expenses;
- Requiring qualitative and quantitative disclosure regarding an entity's liquidity and availability of resources; and
- Accounting for underwater endowment funds.

ASU 2016-14 is effective for the Organization's year ending June 30, 2019 and was applied retrospectively with the exception of the presentation of the disclosures regarding liquidity and availability of resources. The effects of this ASU have been included in these financial statements. There was no effect on total net assets or changes in net assets.

Cash and Cash Equivalents
The United Way considers all short-term investments with an initial maturity of three months or less to be cash equivalents. For purposes of determining cash and cash equivalents, the United Way excludes cash and cash equivalents included in investments and restricted cash. There are no cash equivalents as of June 30, 2019 and 2018.

Promises to Give
Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Because there is a new campaign every year, unconditional promises to give are treated as current year promises. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The United Way estimates an allowance for uncollectible promises to give based on historical collections data and current economic conditions. Although management has reviewed the collection history while projecting the allowance, it is reasonably possible that actual uncollectible pledges may differ from the estimated allowance. Open accounts are written off after all collection efforts have been exhausted and the pledge is determined to be uncollectible.

The United Way records promises to give when there is sufficient evidence in the form of verifiable documentation that a promise was made. Accordingly, as of June 30, 2019 and 2018, the United Way reflects those promises to give that meet such criteria.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

In accordance with GAAP, investments in equity securities with readily determinable fair values, investments held in investment pools and all investments in debt securities are measured at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains or losses on investments, interest and dividends) is included in revenue without donor restrictions unless the income or loss is restricted by donor or law.

Beneficial Interest in Agency Funds Held by Third Party

The United Way is the beneficiary under a Designated Agency Fund Agreement with The Community Foundation of Herkimer & Oneida Counties, Inc. The agency fund has been recorded in accordance with GAAP which states that if a community foundation receives assets from a nonprofit organization that specifies itself or its affiliate as the beneficiary, the transfer is not a contribution received by the community foundation even if the variance power is explicitly stated in the gift instrument. The assets of the fund are included in the statements of financial position of the United Way as a beneficial interest in agency fund held by third party. Distributions are to be paid at least annually, or as the two organizations may from time to time agree upon. In addition, the fund is charged a .125% administrative fee quarterly on the fund balance.

Property and Equipment

Property and equipment purchased is recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Major additions and improvements to property and equipment which extend the lives or increase the value of the assets are capitalized to the respective asset accounts while replacements, maintenance and repairs which do not improve or extend the life of the assets are expensed as incurred. The United Way's capitalization policy is to capitalize only those expenditures in excess of $500. When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in operations.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in without donor restrictions net assets unless the donor has restricted the donated asset 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. Absent donor stipulations regarding how long those donated assets must be maintained, the United Way reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The United Way reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Custodial Funds

Custodial funds consist of funds held by the United Way to facilitate multi-organization events conducted in the area. These funds are received and disbursed on behalf of the event and are not part of any program operated by the United Way. Custodial funds held as of June 30, 2019 and 2018, were $5,788 and $6,291, respectively.

Donor Designations

Under GAAP, when a recipient organization accepts assets from a donor and agrees to use those assets on behalf of a specified beneficiary or disburse those assets, the return on investment on those assets, or both to that beneficiary, the recipient organization has not received a contribution. In this instance, the United Way is required to recognize a liability to the specified beneficiary when it recognizes the assets received from the donor. The amounts are recorded in the statements of financial position as campaign designations payable and are measured at fair market value at the date of donation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and in the statements of functional expenses. Payroll and benefits are allocated based on time spent in the various programs. Depreciation, maintenance and occupancy related costs are allocated based on management's estimates. Allocations to funded agencies are all considered program expenses.

Income Tax Status

The United Way is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the United Way qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

3. LIQUIDITY

The Organization has a goal to maintain financial assets on hand to meet normal operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2019
Cash and cash equivalents	$ 941,972
Promises to give, net of allowance	675,938
Grants receivable	83,975
Financial assets available to meet cash needs for general expenditures within one year	$ 1,701,885

The Organization maintains sufficient cash that is readily available for general expenditures. Additionally, the Organization's ability to meet its cash needs is further dependent, in part, on timely collection of its promises to give and grants receivable. The Organization's promises to give and grants receivable are due primarily from organizations and individuals. The Organization employs procedures specifically designed to collect from these payers as quickly as possible. However, timeliness of payment from these payers varies and is sometimes difficult to predict.

4. INVESTMENTS

From time to time, the United Way receives donations of marketable securities in satisfaction of campaign pledges. The United Way's policy is to sell such securities immediately. There were no marketable securities held at June 30, 2019 and 2018.

5. PROMISES TO GIVE

All promises to give are expected to be received within one year. At June 30, promises to give consist of the following:

	2019	2018
Promises to give:		
2016 – 2017 campaign	$ -	111,410
2017 – 2018 campaign	123,507	761,937
2018 – 2019 campaign	698,837	-
Total promises to give	822,344	873,347
Less: Allowance for uncollectibles:		
2016 – 2017 campaign	-	(111,410)
2017 – 2018 campaign	(71,239)	(81,810)
2018 – 2019 campaign	(75,167)	-
Net promises to give	$ 675,938	$ 680,127

6. PROPERTY AND EQUIPMENT

At June 30, property and equipment consist of the following:

	2019	2018
Furniture, fixtures and equipment	$ 46,059	$ 46,059
Less: Accumulated depreciation	(46,059)	(46,059)
Net property and equipment	$ -	$ -

Depreciation expense for the years ended June 30, 2019 and 2018 was $0.

7. CAMPAIGN DESIGNATIONS PAYABLE

At June 30, campaign designations payable consist of the following:

	2019	2018
Funded partners	$ 89,724	$ 100,163
State Employees Federated Appeal	-	112,896
Other United Ways	54,437	46,546
Other agencies	83,149	99,750
Campaign designations payable	$ 227,310	$ 359,355

8. DONATED SERVICES AND FACILITIES

Donated services are recognized as contributions in accordance with GAAP, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the United Way. Many volunteers provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under GAAP was not met. Also, numerous agencies have donated significant advertising materials and airtime. No amounts for these services have been recorded in the financial statements.

In 2019 and 2018, the use of the facilities where the United Way operates was donated by Utica Mutual Insurance Company which owns the real property and most of the personal property at the site. Amounts have been recognized as revenues and expenses in the accompanying statement of activities and changes in net assets for the fair market value of the donated facilities ($74,880 for the years ended June 30, 2019 and 2018). All operating and maintenance expenses for the facilities are the responsibility of Utica Mutual Insurance Company. The lease agreement for the donated facilities expired on June 30, 2019.

9. BENEFICIAL INTEREST IN AGENCY FUNDS HELD BY THIRD PARTY

The components of the agency funds are as follows as of June 30:

	2019	2018
Operating funds (without donor restrictions)	$ 128,509	$ 124,425
Building fund (without donor restrictions)	389,710	377,326
Raymonda Scholarship (with donor restrictions)	245	237
Endowment earnings (with donor restrictions)	406,211	384,558
Endowment fund (with donor restrictions)	275,153	275,153
Total beneficial interest	$ 1,199,828	$ 1,161,699

10. FAIR VALUE MEASUREMENTS

GAAP states that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. GAAP also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described below:

Level 1: Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly and fair value is determined through the use of models or other valuation methodologies.

10. FAIR VALUE MEASUREMENTS (Continued)

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following table sets forth the United Way's investments that were accounted for at fair value at June 30, 2019 and 2018. Investments are classified in their entirety based on the lower level of input that is significant to the fair value measurements:

	Level 1	Level 2	Level 3	Total
June 30, 2019				
Beneficial interest in Community Foundation	$ -	$ 1,199,828	$ -	$ 1,199,828
Total	$ -	$ 1,199,828	$ -	$ 1,199,828
June 30, 2018				
Beneficial interest in Community Foundation	$ -	$1,161,699	$ -	$ 1,161,699
Total	$ -	$ 1,161,699	$ -	$ 1,161,699

The fair value of the United Way's beneficial interest in the Community Foundation's investment pool was provided by the Community Foundation based on the fair value of the underlying assets using quoted market prices as well as observable inputs from the Community Foundation's investment custodian. There were no changes in the valuation methodology in 2019 and 2018.

11. RESTRICTIONS/LIMITATIONS ON NET ASSETS

Without Donor Restrictions

From time to time, the board designates net assets without donor restrictions for specific purposes. Net assets without donor restrictions consisted of the following designated and undesignated amounts as of June 30:

	2019	2018
Designated by Board for:		
Building fund	$ 389,710	$ 377,326
Contingent allocations	554,725	598,560
Undesignated	843,899	958,340
Total net assets without donor restrictions	$ 1,788,334	$ 1,934,226

11. RESTRICTIONS/LIMITATIONS ON NET ASSETS (Continued)

With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2019 and 2018:

	2019	2018
Raymonda Scholarship	$ 245	$ 237
Endowment earnings	406,211	384,558
Total net assets with time and/or purpose restrictions	406,456	384,795
Net assets restricted in perpetuity	275,153	275,153
Total net assets with donor restrictions	$ 681,609	$ 659,948

Endowment Funds

The United Way's beneficial interest in endowment fund consists of funds held by The Community Foundation of Herkimer & Oneida Counties, Inc. The endowment consists of donor-restricted endowment. As required by 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 Board of Directors has interpreted the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation the United Way classifies as with donor restrictions net assets (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in with donor restrictions net assets is classified as with donor restrictions net assets and maintained as such for appropriation for expenditure by the United Way in a manner consistent with the standard of prudence prescribed by NYPMIFA and donors' restrictions on use. In accordance with the NYPMIFA, the United Way considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the United Way and the endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the United Way
- Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution; and
- The investment policies of the United Way

11. RESTRICTIONS/LIMITATIONS ON NET ASSETS (Continued)

Investment Return Objectives, Risk Parameters and Strategies
The United Way has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 3.5%, while growing the funds if possible. Therefore, the United Way expects its endowment assets, over time, to produce an average rate of return in excess of the distribution rate. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy
The United Way has a policy of appropriating for distribution each year up to 3.5% of its endowment fund's average fair value of the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the United Way considered the long-term expected return on its investment assets, the nature and duration of the endowment fund, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The United Way expects the current spending policy to allow its endowment funds to grow on an annual basis. This is consistent with the United Way's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Appropriations from the endowment fund were $0 for 2019 and 2018.

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

	With Donor Restrictions
Donor-restricted endowment funds	$ 681,364

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	With Donor Restrictions
Donor-restricted endowment funds	$ 659,711

11. RESTRICTIONS/LIMITATIONS ON NET ASSETS (Continued)

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	With Donor Restrictions
Endowment net assets, beginning of year, 2018	$ 618,834
2018 Changes in endowment:	
Investment return	40,877
Endowment net assets, end of year, 2018	$ 659,711
2019 Changes in endowment:	
Investment return	21,653
Endowment net assets, end of year, 2019	$ 681,364

12. CONCENTRATION OF CREDIT RISK

Cash
Funds at each financial institution were insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). Cash and cash equivalents exceeding federally insured limits total $453,862 and $471,611 at June 30, 2019 and 2018, respectively. The United Way does not require additional collateral, has not experienced any losses in these accounts and believes it is not exposed to any significant risks with respect to cash and cash equivalents.

Promises to Give
The United Way solicits promises to give for its annual campaign within the Mohawk Valley and the greater Utica area and its surrounding suburbs. The vast majority of those promises received represent promises to pay at a later date either directly or through payroll deductions. Although the United Way has a diversified promise base, a substantial portion of its donors' ability to honor their promises is dependent upon general economic conditions of the governmental and commercial sectors within the Utica area.

13. RETIREMENT PLAN

The United Way has established a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code. The plan covers all employees of the United Way who meet certain age, hours, and length of service requirements. Each plan year the United Way contributes 5% of gross salaries for qualified employees of the plan. Employees may make contributions to the plan which must be matched by the United Way equal to the lessor of 50% of the salary reduction amount during the plan year or 2.5% of compensation received during the plan year. Retirement plan expense was $22,838 and $24,439 for the years ended June 30, 2019 and 2018, respectively.

14. COMMITMENTS

Unemployment Insurance

The United Way is self-insured with respect to New York State Unemployment Benefits. Under the reimbursement option, the United Way is required to pay all approved unemployment claims as presented. There were no claims paid under this arrangement for the years ended June 30, 2019 and 2018. Management believes the self-funding arrangement will result in reduced unemployment costs for the United Way based on previous claims experience. The accompanying financial statements do not reflect any liability for future claims as management believes that there are no significant pending claims.

Operating Leases

The United Way leases equipment and office space under operating leases and charges the costs to expense as incurred. The amount charged to expense for the years ended June 30, 2019 and 2018 was $4,032. Future minimum payments under all operating leases are as follows for the years ending June 30:

2020	4,032
2021	4,032
2022	4,032
2023	3,858
Total	$ 15,954

15. SUBSEQUENT EVENTS

Operating Leases

The Company signed a lease for office space at a new location subsequent to June 30, 2019. Aggregate future minimum rentals under operating leases signed after June 30, 2019 are as follows:

	Amount
2020	$ 37,500
2021	75,000
2022	75,000
2023	84,000
2024	84,000
Thereafter	84,000
Total	$ 439,500

The United Way has evaluated subsequent events through February 7, 2020, which is the date the financial statements were available to be issued.