United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

Financial Statements and Independent Auditor's Report

June 30, 2018 and 2017

CohnReznick
Accounting • Tax • Advisory

United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

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Independent Auditor's Report

To the Board of Directors
United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

We have audited the accompanying financial statements of United Way, Inc. d/b/a United Way of Central and Northeastern Connecticut, which comprise the statement of financial position as of June 30, 2018 and the related statements of activities, cash flows and functional expenses 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, Inc. d/b/a United Way of Central and Northeastern Connecticut as of June 30, 2018, 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 United Way, Inc. d/b/a United Way of Central and Northeastern Connecticut's 2017 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CohnReznick LLP

Hartford, Connecticut
November 7, 2018

United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

Statement of Financial Position
June 30, 2018
(With comparative totals for 2017)

	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>Assets</u>					
Assets					
Cash and cash equivalents	$ 3,261,911	$ -	$ -	$ 3,261,911	$ 4,911,729
Due from (to) other funds	(209,667)	209,667	-	-	-
Prepaid expenses and other assets	171,912	-	-	171,912	121,697
Pledges receivable, net	5,658,833	-	-	5,658,833	5,774,236
Other receivables	535,938	-	-	535,938	397,200
Investments	15,427,105	-	1,241,820	16,668,925	16,802,596
Investments held in trust by others	-	-	6,970,614	6,970,614	6,664,429
Property and equipment, net	1,107,179	-	-	1,107,179	1,195,485
Total assets	$ 25,953,211	$ 209,667	$ 8,212,434	$ 34,375,312	$ 35,867,372
<u>Liabilities and Net Assets</u>					
Liabilities					
Accounts payable and accrued expenses	$ 1,105,535	$ -	$ -	$ 1,105,535	$ 866,455
Campaign support due to Community Health Charities	-	-	-	-	454,021
Agency program support payable	7,505,118	-	-	7,505,118	8,211,134
Donor designations payable	2,461,405	-	-	2,461,405	2,573,723
Grants payable	2,135,003	-	-	2,135,003	2,463,730
Total liabilities	13,207,061	-	-	13,207,061	14,569,063
Commitments and contingencies					
Net assets					
Unrestricted	12,746,150	-	-	12,746,150	12,984,941
Temporarily restricted	-	209,667	-	209,667	407,119
Permanently restricted	-	-	8,212,434	8,212,434	7,906,249
Total net assets	12,746,150	209,667	8,212,434	21,168,251	21,298,309
Total liabilities and net assets	$ 25,953,211	$ 209,667	$ 8,212,434	$ 34,375,312	$ 35,867,372

See Notes to Financial Statements.

United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

Statement of Activities
Year Ended June 30, 2018
(With comparative totals for 2017)

	2018				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	2017 Total
Public support and revenue					
Campaign amounts raised	$ 17,711,195	$ 136,450	$ -	$ 17,847,645	$ 20,594,001
Add					
Contributions from other United Way campaigns, net of donor designations	221,561	-	-	221,561	220,498
Less					
Uncollectible pledges	(552,771)	-	-	(552,771)	(582,625)
Community Health Charities' share of campaign proceeds	-	-	-	-	(770,692)
Amounts designated by donors	(7,087,680)	-	-	(7,087,680)	(8,188,073)
Net assets released from restrictions	333,902	(333,902)	-	-	-
Campaign revenue, net	10,626,207	(197,452)	-	10,428,755	11,273,109
Other revenue					
Investment income, net of fees of $25,000	393,171	-	-	393,171	292,601
Income from trusts held by others	448,694		-	448,694	401,306
Community grants, initiatives and service income	1,038,758	-	-	1,038,758	496,577
Administrative fees on amounts raised on behalf of others	349,013	-	-	349,013	226,479
Rental income	83,192	-	-	83,192	83,192
Gifts in-kind	162,509	-	-	162,509	-
Miscellaneous/other revenue	161,618	-	-	161,618	244,561
Total other revenue	2,636,955	-	-	2,636,955	1,744,716
Total public support and revenue	13,263,162	(197,452)	-	13,065,710	13,017,825

United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

Statement of Activities
Year Ended June 30, 2018
(With comparative totals for 2017)

	2018				2017
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
Community Investment and program services					
Community support and gross funds distributed	$ 13,630,461	$ -	$ -	$ 13,630,461	$ 16,372,390
Less Community Health Charities' share of campaign proceeds	-	-	-	-	(770,692)
Amounts designated by donors	(7,087,680)	-	-	(7,087,680)	(8,188,073)
Community Investment (program support)	6,542,781	-	-	6,542,781	7,413,625
Grants and initiatives	916,805	-	-	916,805	548,027
Community Investment services	2,010,463	-	-	2,010,463	1,804,061
Total Community Investment and program services	9,470,049	-	-	9,470,049	9,765,713
Support services					
Resource development	2,505,202	-	-	2,505,202	2,406,049
Management and general	1,428,316	-	-	1,428,316	1,453,450
Total support services	3,933,518	-	-	3,933,518	3,859,499
Total Community Investment and program services and support services	13,403,567	-	-	13,403,567	13,625,212
Operating deficit	(140,405)	(197,452)	-	(337,857)	(607,387)
Nonoperating revenue and expenses:					
Realized gain on sale of investments	425,359	-	-	425,359	89,986
Change in unrealized gain (loss) on investments	(377,200)	-	-	(377,200)	736,143
Change in investments held in trust by others	-	-	306,185	306,185	420,478
Pension related changes other than net periodic pension cost	(146,545)	-	-	(146,545)	1,000,187
Change in net assets	(238,791)	(197,452)	306,185	(130,058)	1,639,407
Net assets, beginning of year	12,984,941	407,119	7,906,249	21,298,309	19,658,902
Net assets, end of year	$ 12,746,150	$ 209,667	$ 8,212,434	$ 21,168,251	$ 21,298,309

See Notes to Financial Statements.

United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

Statement of Cash Flows
Year Ended June 30, 2018
(With comparative totals for 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	$ (130,058)	$ 1,639,407
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	168,329	209,775
Decrease in allowance for uncollectible pledges	(76,957)	(126,487)
Change in unrealized loss (gain) on investments	377,200	(736,143)
Realized gain on sale of investments	(425,359)	(89,986)
Change in investments held in trust by others	(306,185)	(420,478)
Changes in operating assets and liabilities		
Prepaid expenses and other assets	(50,215)	16,387
Pledges receivable	192,360	775,302
Other receivables	(138,738)	(145,982)
Accounts payable and accrued expenses	239,080	(1,029,713)
Campaign support due to Community Health Charities	(454,021)	(117,871)
Agency program support payable	(706,016)	(74,754)
Donor designations payable	(112,318)	(506,970)
Grants payable	(328,727)	546,773
Net cash used in operating activities	(1,751,625)	(60,740)
Cash flows from investing activities		
Purchases of property and equipment, net	(80,023)	(40,636)
Proceeds from sales of investments	1,914,798	573,000
Purchases of investments	(1,732,968)	(440,601)
Net cash provided by investing activities	101,807	91,763
Net (decrease) increase in cash and cash equivalents	(1,649,818)	31,023
Cash and cash equivalents, beginning	4,911,729	4,880,706
Cash and cash equivalents, end	$ 3,261,911	$ 4,911,729

See Notes to Financial Statements.

United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

Statement of Functional Expenses
Year Ended June 30, 2018
(With comparative totals for 2017)

	2018				
		Support Services			
	Community investment services	Resource development	Management and general	Total	2017 Total
Salaries	$ 1,109,200	$ 1,370,585	$ 663,071	$ 3,142,856	$ 2,934,862
Employee benefits	211,275	308,708	228,538	748,521	916,560
Temporary help	12,624	82,013	3,488	98,125	92,492
Total salaries and related expenses	1,333,099	1,761,306	895,097	3,989,502	3,943,914
Promotions	34,343	97,841	-	132,184	110,220
Other professional fees	39,491	201,093	26,532	267,116	244,940
Dues and support to United Way Worldwide	64,027	90,991	64,384	219,402	243,179
Supplies, printing and production	9,914	101,570	6,075	117,559	97,869
Occupancy	190,330	73,943	115,703	379,976	341,513
Depreciation	75,083	29,170	64,076	168,329	209,775
Rental and maintenance of equipment	12,304	17,608	12,404	42,316	41,939
Insurance	21,720	8,438	66,818	96,976	92,781
Equipment, hardware and software	29,497	28,803	40,678	98,978	78,943
Postage and shipping	1,106	12,247	5,669	19,022	28,950
Meetings, travel and staff development	10,684	12,698	11,203	34,585	31,432
Volunteer and agency development	162	5,869	6,331	12,362	11,885
Telephone	6,353	9,237	9,629	25,219	26,119
Dues, subscriptions and publications	10,079	9,113	15,320	34,512	32,326
Accounting fees	4,485	6,280	51,285	62,050	65,088
Legal fees	-	-	5,000	5,000	4,000
Management fees	6,131	2,382	3,727	12,240	10,800
Gifts in-kind	150,754	11,755	-	162,509	-
Miscellaneous and other	10,901	24,858	28,385	64,144	47,887
	677,364	743,896	533,219	1,954,479	1,719,646
Total functional expenses	$ 2,010,463	$ 2,505,202	$ 1,428,316	$ 5,943,981	$ 5,663,560

See Notes to Financial Statements.

Note 1 - Organization and summary of significant accounting policies

Organization and operation

United Way, Inc. d/b/a United Way of Central and Northeastern Connecticut ("United Way") is a separate, independent non-profit organization, governed by a local volunteer board of directors. United Way has been addressing community conditions in 40 towns across central and northeastern Connecticut since 1924. United Way's mission is to engage and bring together people and resources committed to the well-being of children and families in our community. United Way's vision is a community where opportunities are available for every child to succeed in school and for every family to achieve financial security. United Way also connects individuals and families with immediate emergency assistance such as food and shelter.

Through its annual community-wide campaign and other giving options, United Way provides the opportunity for people in the community to support the causes and non-profit organizations important to them. Contributions are obtained primarily from local businesses, charitable foundations and individuals. Contributions to United Way are tax-deductible within the limitations prescribed by law.

Management believes a donation directed to United Way *Community Investment* is the single best way to make a difference in our community. Through United Way *Community Investment*, donors' gifts are invested in programs and initiatives to ensure success for children and youth, financial security for lower income families, and immediate emergency assistance for those in need. Programs funded through *Community Investment* are researched and monitored by knowledgeable staff and volunteers to ensure that donor dollars are invested in programs that produce long-lasting results and that effective non-profit management, governance, and financial accountability standards are upheld.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The financial statements report information regarding United Way's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. They are described as follows:

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

Temporarily restricted - Net assets whose use by United Way is subject to either explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of United Way or that expire by the passage of time.

Permanently restricted - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by United Way and stipulate the use of income and/or appreciation as either unrestricted or temporarily restricted based on donor-imposed stipulations or by operation of law.

Contributions are recognized as revenue in the period received and recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Gains and losses on investments and other assets, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a 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 accompanying statement of activities as net assets released from restrictions.

Expenses are reported as decreases in unrestricted net assets.

Summarized comparative information
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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with United Way's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Functional expenses - United Way categorizes its expenses to one of three functions as follows:

- Community Investment Services are the activities that result in goods and services being distributed to beneficiaries, customers and/or members that fulfill the mission of United Way. This constitutes the total direct and allocable expenses from *Community Investment*, along with administration and support to its three regional advisory boards, community initiatives and volunteer engagement opportunities within our communities.

- Resource Development includes those expenses that are directly attributable to the fundraising efforts, including the marketing of the annual United Way Community Campaign and the administration support and relationship services extended to donors.

- Management and general expenses provide for the overall support of United Way.

Accordingly, certain costs have been allocated by management based on time records and the best available estimate of the percentage of each cost element applicable to each functional area.

Liquidity information
In order to provide information about liquidity, assets have been sequenced according to their nearness to conversion to cash, and liabilities have been sequenced according to the nearness of their resulting use of cash.

Cash and cash equivalents
United Way considers all short-term, highly liquid investments available for current use with a maturity of three months or less when acquired to be cash equivalents.

Investments
United Way reports investments at their current fair value and reflects any gain or loss in the statement of activities. Gains and losses are considered unrestricted unless restricted by donor stipulation or by operation of law. Nonmonetary investments received as gifts are immediately sold and recorded at the realized value.

Endowment and spending policy

United Way has adopted investment and spending policies for endowment assets that emphasize preservation of capital as the primary objective with a secondary objective being conservative growth. The policy is designed to preserve the real value of the investment reserves over time while providing a modest level of income for current operating needs. Funds are not intended to be used for campaign shortfalls and the spending policy is not mandatory. Endowment assets include those assets of donor-restricted funds that United Way must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in accordance with sound investment practices that emphasize long-term investment fundamentals. It is recognized that short-term market fluctuations may cause variations in account performance.

To satisfy its long-term objectives, United Way 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). United Way targets a broadly diversified asset allocation of investments to achieve its long-term return objectives within prudent risk constraints.

The Investment Spending Policy adopted by the Board of Directors allows for the withdrawal of up to 5% of the average investment portfolio balance of the preceding twenty quarters. The authorized withdrawal for the years ended June 30, 2018 and 2017 was $600,000. The actual withdrawal for the years ended June 30, 2018 and 2017 was $600,000 and $450,000, respectively. The volunteer-approved spending policy withdrawal for fiscal year 2019 is $600,000.

Campaign results

Campaign results are generally calculated on gross amounts raised for all campaign efforts within the 40-town region. United Way counts all funds generated where it "manages" the workplace campaign and incurs the costs to do so, either from solicitation efforts made to and/or through corporate headquarters and/or branch locations within the central and northeastern Connecticut geographic area.

United Way has the responsibility of processing a number of workplace campaigns of companies having regional and/or national work locations and whose company headquarters is based in the Greater Hartford, Connecticut region. Recognizing that other local United Ways are primarily involved with the direct solicitation of these respective company locations, United Way does not include the campaign results from these locations in the statement of activities. These campaign results are reflected on the local United Way's financial statements.

For the Connecticut State Employees' Campaign, United Way participates as a member federation. Campaign results designated to United Way and to the certified partner agencies, from state facilities based in the Greater Hartford region, have been reflected in campaign amounts raised by United Way in the accompanying statement of activities.

Property and equipment

United Way generally capitalizes expenditures for property and equipment in excess of $1,000 with a useful life of three years or greater. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over their estimated useful lives.

Estimated useful lives for financial reporting purposes are as follows:

Asset	Estimated useful lives
Building	31 years
Tenant improvements	10 - 15 years
Furniture, fixtures and equipment	3 - 5 years
Computer equipment and software	3 - 5 years
Office equipment	3 - 5 years

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in change in net assets for the period.

Donated materials and services
Donated materials and services are recorded at their estimated values at date of receipt. Community volunteers have donated significant amounts of time in assisting United Way with its fundraising efforts and *Community Investment* programs. The dollar value of these contributed services is not reflected in the financial statements because the nature of the services does not meet the specified criteria for recording.

Gifts in-kind
United Way receives in-kind contributions, which are recorded as revenue and related expense when received. In-kind contributions are reported at their estimated fair value and consist primarily of advertising.

Income taxes
United Way was organized as a nonstock, nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and as such is not subject to federal and state corporate income taxes.

United Way has no unrecognized tax benefits at June 30, 2018 and 2017. United Way's federal and state information returns prior to fiscal year 2015 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If United Way has unrelated business income taxes, United Way will recognize interest and penalties associated with uncertain tax positions as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statement of financial position.

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

Subsequent events
United Way has evaluated events and transactions for potential recognition or disclosure through November 7, 2018, which is the date the financial statements were available to be issued.

Note 2 - Concentrations of credit risk

United Way maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. United Way has not experienced any loss in such accounts and believes that they are not exposed to any significant credit risk on cash and cash equivalents. The total uninsured cash balance at June 30, 2018 was approximately $3,097,000.

United Way invests in various debt and equity securities. These investment securities are recorded at market value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, credit and other risks depending on the nature of the specific investment. Therefore, it is at least reasonably possible that these factors will result in changes in the value of United Way's investments which could materially affect amounts reported in the financial statements.

Note 3 - Pledges receivable and estimated allowance for uncollectible pledges

Pledges receivable, which are expected to be collected within one year, and the estimated allowance for uncollectible pledges, as of June 30, 2018 and 2017, are as follows:

	2018	2017
Gross pledges receivable		
2015/16 Campaign	$ -	$ 38,241
2016/17 Campaign	7,350	6,402,758
2017/18 Campaign	6,242,379	1,090
Gross pledges receivable	6,249,729	6,442,089
Estimated allowance for uncollectible pledges		
2016/17 Campaign	-	667,853
2017/18 Campaign	590,896	-
Total estimated allowance for uncollectible pledges	590,896	667,853
Pledges receivable, net	$ 5,658,833	$ 5,774,236

The majority of campaign pledges received by United Way are honored via payroll deductions. These pledges are remitted to United Way throughout the year by the individuals' employer.

The estimated allowance for uncollectible pledges is based upon a three-year average of historical pledge loss factors adjusted by management's estimates of current economic and local business factors, applied to overall campaign activity. Initial reserve amounts are calculated (and recorded) on gross campaign amounts raised. Specific pledge amounts are written off when management has ascertained the amounts will not be collected. Otherwise, the overall outstanding campaign balance is reconciled and closed at a later date and time.

United Way Worldwide membership ("UWW") standards require the direct payment of donor directed gifts by the "*processing*" local United Way rather than having proceeds flow through the *"managing"* United Way of the workplace campaign. If no collection and payment detail is provided to United Way by the campaign "processor" (another local United Way or a third-party agent contracted by the company for its campaign), these specific designated gifts are assumed to be collected (and disbursed) in full and are recorded accordingly as campaign revenue and amounts designated by donors.

Should the actual pledge loss from a campaign be less than or greater than the amount initially reserved, the difference is recorded in current year results.

An initial reserve of 3.3% was established for the 2016 campaign. Actual pledge loss for this campaign, based upon payment information received by United Way inclusive of direct payments by others, was 3.2%. An initial reserve of 3.3% has been established for the 2017 campaign. For the 2014 through 2016 campaigns, the average rate of pledge loss was 3.3%.

Note 4 - Investments

United Way values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

If an asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, United Way utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. There have been no changes in the methodologies used during fiscal years 2018 and 2017.

Financial assets carried at fair value at June 30, 2018 are classified in the table below in one of the three categories described above:

	Total	Level 1	Level 2	Level 3
Mutual funds				
Short term fixed income	$ 6,199,402	$ 6,199,402	$ -	$ -
Global fixed income	3,799,136	3,799,136	-	-
Alternative investments	3,346,814	3,346,814	-	-
U.S. equities	3,323,573	3,323,573	-	-
Investments held in trust by others	6,970,614	-	-	6,970,614
Total assets at fair value	$ 23,639,539	$ 16,668,925	$ -	$ 6,970,614

Financial assets carried at fair value at June 30, 2017 are classified in the table below in one of the three categories described above:

	Total	Level 1	Level 2	Level 3
Mutual funds				
Short term fixed income	$ 6,124,411	$ 6,124,411	$ -	$ -
Global fixed income	3,824,145	3,824,145	-	-
Alternative investments	3,365,190	3,365,190	-	-
U.S. equities	2,043,085	2,043,085	-	-
Non U.S. equities	1,431,984	1,431,984	-	-
Money market fund	13,781	13,781	-	-
Investments held in trust by others	6,664,429	-	-	6,664,429
Total assets at fair value	$ 23,467,025	$ 16,802,596	$ -	$ 6,664,429

Changes in assets measured at fair value using Level 3 inputs for the year ended June 30, 2018 are as follows:

	June 30,2017	Net unrealized gains relating to assets held at the end of the year	Net purchases, sales, settlements	Net transfers in (out) of Level 3	June 30,2018
Investments held in trust by others	$ 6,664,429	$ 306,185	$ -	$ -	$ 6,970,614

Changes in assets measured at fair value using Level 3 inputs for the year ended June 30, 2017 are as follows:

	June 30,2016	Net unrealized gains relating to assets held at the end of the year	Net purchases, sales, settlements	Net transfers in (out) of Level 3	June 30,2017
Investments held in trust by others	$ 6,243,951	$ 420,478	$ -	$ -	$ 6,664,429

Mutual funds and the money market fund are valued at the daily closing price as reported by the fund. Mutual funds and the money market fund held are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds and the money market fund are deemed to be actively traded. Investments held in trust by others are designated as Level 3 instruments primarily because observable inputs are not readily available for their allocated portions of the portfolios, which are held by an unrelated party. The fair value is provided by management of the unrelated party and represents United Way's pro rata share of the fair value of the underlying investments. The unrelated party provides United Way with investment statements and valuations of its portion of the portfolios at year end. The fair value was obtained from a third-party without adjustments. As such, United Way is not required to provide certain quantitative disclosures regarding the valuation methods used because they were unobtainable.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although United Way believes their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

United Way's policy is to recognize transfers in and transfers out of the various levels as of the actual date of the event or change in circumstance that caused the transfer. There were no transfers during the years ended June 30, 2018 and 2017.

Fair values and unrealized gains and losses of investments are summarized as follows as of June 30, 2018:

	2018		
	Cost	Market	Unrealized gains (losses)
Mutual funds			
Short term fixed income	$ 6,262,919	$ 6,199,402	$ (63,517)
Global fixed income	3,998,154	3,799,136	(199,018)
Alternative investments	2,998,901	3,346,814	347,913
U.S. equities	2,519,333	3,323,573	804,240
Total	$ 15,779,307	$ 16,668,925	$ 889,618

Fair values and unrealized gains and losses of investments are summarized as follows as of June 30, 2017:

	2017		
	Cost	Market	Unrealized gains (losses)
Mutual funds			
Short term fixed income	$ 6,127,766	$ 6,124,411	$ (3,355)
Global fixed income	3,841,310	3,824,145	(17,165)
Alternative investments	3,069,886	3,365,190	295,304
U.S. equities	1,352,689	2,043,085	690,396
Non U.S. equities	1,130,346	1,431,984	301,638
Money market fund	13,781	13,781	-
Total	$ 15,535,778	$ 16,802,596	$ 1,266,818

Investment amounts are summarized in the statement of financial position as follows:

	2018	2017
Unrestricted	$ 15,427,105	$ 15,560,776
Permanently restricted	1,241,820	1,241,820
Total	$ 16,668,925	$ 16,802,596

The volunteers who make up the Investment Committee (a sub-committee of the Finance Committee) are charged with the responsibility for the management of the aggregate assets of the endowment of United Way. The majority of these volunteers are professionals within the investment industry. Their primary long-term objective is to preserve the real (i.e. inflation adjusted) purchasing power of all invested funds, while producing a modest income stream for support of operations and programs of United Way. To strengthen its fiduciary role, the Investment Committee utilizes the services of an independent consultant. The safekeeping of assets is maintained by a separate custodian.

Note 5 - Investments held in trust by others

Investments held in trust by others (and administered by a third-party trustee) represent the market values of United Way's rights to split-interest agreements. The interest in these assets is carried as a permanently restricted net asset in the statement of financial position. The distributed income from these investments is recorded as unrestricted revenue when received, as there are no restrictions on the use of these funds. The fair value as of June 30, 2018 and 2017 was $6,970,614 and $6,664,429, respectively. The change in the carrying value of investments held in trust by others during the years ended June 30, 2018 and 2017 was an unrealized gain of $306,185 and $420,478, respectively.

Note 6 - Property and equipment

At June 30, 2018 and 2017, the cost of property and equipment, less accumulated depreciation, is as follows:

	2018	2017
Building and land	$ 3,209,003	$ 3,201,003
Tenant improvements	170,801	170,801
Furniture, fixtures and equipment	136,910	110,560
Computer equipment and software	796,172	765,348
Office equipment	23,777	8,927
	4,336,663	4,256,639
Less accumulated depreciation	(3,229,484)	(3,061,154)
Total	$ 1,107,179	$ 1,195,485

Note 7 - Line of credit

On August 18, 2014, United Way entered into a revolving line of credit agreement (the "Line") with Webster Bank in the amount of $1,500,000 to be used as needed for general corporate purposes. This line is renewable annually as of March 31. Interest on advances is due and payable at a rate equal to either the adjusted daily LIBOR rate plus two hundred basis points, or the Base Lending Rate, as defined in the Line. The outstanding balance on the line of credit was $0 as of June 30, 2018 and 2017.

Note 8 - Community campaign partnership

In 1983, United Way signed an agreement with the organization presently called Community Health Charities of New England ("CHC"). Under the terms of this agreement, revised in 2000 by a memorandum of understanding, the United Way Community Campaign would be conducted as a joint solicitation effort, with the intention of providing the donor community with a single campaign through which contributions can be made to the region's major social and health service providers. CHC's member network is comprised of nationally recognized health agencies.

An updated campaign sharing agreement was reached between the parties and approved by their respective Boards in June 2013. Under this agreement, which replaces the previous agreement beginning with the 2013 Campaign, CHC will receive 100% of funds designated to them and their member and associate agencies (less any such designations paid directly by third parties) plus a proportionate share of funds designated to United Way's Community Investment and select Interest Areas. This agreement ended after the 2016 campaign, at which point in time the joint solicitation terminated. During the years ended June 30, 2018 and 2017, for the 2017 and 2016 campaigns, the amounts shared with CHC were $0 and $767,820, respectively.

United Way was solely responsible for operating and managing the Community Campaign, including the collection of all pledges related to the annual community campaign. Funds were distributed to CHC on a scheduled basis (as defined). No fees were deducted by United Way from these proceeds.

Total due to CHC as of June 30, 2018 and 2017 is $0 and $454,021, respectively.

Note 9 - Agency program support

Through United Way's *Community Investment*, donors' gifts are invested by United Way volunteers in programs and initiatives with a proven track record of ensuring children are successful, families are financially stable and that basic needs are available to those in need. C*ommunity Investment* funded programs are monitored by trained volunteers who ensure that dollars are invested in programs to produce real results and that effective non-profit management, governance and financial accountability standards are upheld.

The total agency support expense for the year ended June 30, 2018 was $6,542,781. An additional $457,219 was available from unused funds from previous year's awards due to agency closings or other circumstances. Total awards to 49 organizations for 86 programs/initiatives, is summarized below:

Program service category	Amount	Percent
Ensuring Children are Successful	$ 3,965,000	57%
Family Financial Security	1,318,000	19
Basic Needs	1,717,000	24
	$ 7,000,000	100%

The total agency support expense for the year ended June 30, 2017 was $7,413,625. An additional $86,375 was available from unused funds from previous year's awards due to agency closings or other circumstances. Total awards to 51 organizations for 93 programs/initiatives, is summarized below:

Program service category	Amount	Percent
Ensuring Children are Successful	$ 4,163,600	55%
Family Financial Security	1,349,000	18
Basic Needs	1,987,400	27
	$ 7,500,000	100%

Note 10 - Designations to others

Through the United Way Community Campaign, donors can direct their gifts to any qualified organization in the United States over which United Way exercises/retains no discretion as to use due to donor instruction. In order to qualify, an organization must meet the following three criteria: (1) fully tax exempt, (2) donations are 100% tax deductible, (3) in full compliance with The Federal Patriot Act laws. As a member of United Way Worldwide, United Way adheres to all membership criteria including the requirements for deducting administrative fees from donor-directed pledges.

Note 11 - Grants payable

Grants payable are available for the following initiatives and are as follows as of June 30:

	2018	2017
Metro Hartford Workforce Solutions Collaborative - a public/private partnership of organizations committed to ensuring a competitive, economically self-sufficient workforce with the skills needed by area employers.	$ 998,061	$ 1,120,285
Emerging Needs Fund (formally known as Changing Community Conditions) - funds available to invest in strategies to improve lives and change community conditions, and/or respond to emergency needs that are in alignment with United Way's community goals.	233,746	383,790
WLC Family Financial Initiative - funds available to bring adult financial services such as credit and budget workshops, one-on-one financial coaching, matched savings programs and referral services to community schools in Hartford.	427,200	536,695
Generation Work - with support from the Annie E. Casey Foundation, United Way and multiple partners aim to identify and pursue effective strategies to improve employment opportunities for young adults ages 18 to 29 by improving coordination and collaboration among industry-specific approaches and youth initiatives.	242,576	259,978

	2018	2017
Coalition for New Britain's Youth - a citywide collaborative committed to improving the lives of New Britain’s youth, birth through age 24, and working to ensure they have what they need to be successful in school, career, and life.	72,445	162,982
Working Cities - funds available to support implementation of a cross-sector, collaborative partnership to increase employment among young adults in three Hartford neighborhoods: Frog Hollow, Barry Square and South Green.	99,669	-
Other/miscellaneous grant funding	61,306	-
Total grants payable	$ 2,135,003	$ 2,463,730

Note 12 - Temporarily restricted net assets

Temporarily restricted net assets consist of the following as of June 30:

	2018	2017
Campaign contributions for Community Investment		
Time restricted for use in fiscal year 2018	$ -	333,902
Time restricted for use in fiscal year 2019	136,450	-
	136,450	333,902
Assigned assets - regional service areas	73,217	73,217
Total	$ 209,667	$ 407,119

Net assets of $333,902 and $194,763 for the years ended June 30, 2018 and 2017, respectively, were released for program support through the expiration of time restrictions and the expenditure of assigned assets.

Note 13 - Permanently restricted net assets

Permanently restricted net assets are restricted for investment in perpetuity. The balances as of June 30, 2018 and 2017 were $8,212,434 and $7,906,249, respectively.

Since 1998, United Way has followed a spending policy that sets the appropriation from all unrestricted earnings from donor-restricted and board-designated endowments. Based on the annual spending policy, all earnings from the donor-restricted endowment have been appropriated in accordance with the applicable guidance.

Note 14 - Contributions from other United Way campaigns

This revenue is recorded on a cash basis in the financial statements, net of any pass-through amounts directed to community agencies. No fees are deducted (by United Way) on any such "donor-restricted gifts."

Note 15 - Operating leases

United Way leases certain equipment under non-cancelable operating leases which expire at various times through October 2022. Monthly aggregate payments are $1,534. United Way is responsible for maintenance, taxes and related insurance costs. Total rental expense under these leases was $9,622 and $25,231 during the years ended June 30, 2018 and 2017, respectively.

Future commitments under these leases in each of the years subsequent to June 30, 2018 are as follows:

2019	$	8,808
2020		8,808
2021		4,532
2022		2,676
2023		892
Total	$	25,716

United Way leases portions of its administrative building to unrelated not-for-profit organizations. As of June 30, 2018, three leases were in effect which expire at various dates through December 2019. Rental income for the years ended June 30, 2018 and 2017 was $83,192.

Future minimum lease payments to be received in each of the years subsequent to June 30, 2018 are as follows:

2019	$	80,982
2020		40,491
Total	$	121,473

Note 16 - Employee benefit plans

United Way maintains a contributory defined benefit pension plan, which vests with three years of service, and which covers substantially all of its employees at least 21 years of age with one year of service. It is United Way's policy to fund pension costs as determined by the Board of Directors, subject to the funding limitations of the Employee Retirement Income Security Act of 1974 ("ERISA").

The measurement date of this plan is June 30. The accrued benefit cost is included in accounts payable and accrued expenses in the accompanying statements of financial position.

	2018	2017
Projected benefit obligation at June 30	$ 4,014,966	$ 4,060,330
Fair value of plan assets at June 30	(3,585,180)	(3,647,219)
Under funded status	$ 429,786	$ 413,111
Accrued benefit cost recognized in the statement of financial position	$ (429,786)	$ (413,111)
Weighted average assumptions as of June 30		
Discount rate	3.50%	3.50%
Expected return on plan assets	4.00%	7.25%
Rate of compensation increase	5.50%	5.75%
Post-retirement interest rate	5.50%	5.50%
Net periodic benefit cost	$ 20,130	$ 248,683
Employer contribution	150,000	150,000
Benefits paid	243,968	101,691
Accumulated benefit obligation	4,014,966	4,060,330

The expected long-term rate of return on plan assets assumption of 4.0% was selected in accordance with Actuarial Standards Board in Actuarial Standards of Practice No. 27 ("Selection of Economic Assumptions for Measuring Pension Obligations"). Based on United Way's investment allocations for the pension plan in effect as of the beginning of the fiscal year, the best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on long-term historical return on the applicable asset classes. An average inflation rate within the range equal to 3.00% was selected and added to the real rate of return range to arrive at a best estimate range of 3.98% - 4.69%. A rate of 4.00%, which is within the best estimate range, was selected.

Retiree benefit payments, which reflect expected future service, are anticipated to be paid as follows:

2019	$ 901,000
2020	153,000
2021	284,000
2022	189,000
2023	331,000
2024-2028	1,006,000

The asset allocations by category as of June 30, 2018 and 2017 are as follows:

	2018	%	2017	%
Equity	$ -	0.00%	$ -	0.00%
Fixed income	-	-	-	-
General account*	3,585,180	100	3,647,219	100
	$ 3,585,180	100%	$ 3,647,219	100%

* The general account assets are invested in securities with varied maturities.

United Way sets investment guidelines with the assistance of investment professionals. These guidelines are established on market conditions, risk tolerance, funding requirements and expected benefit payments. The guidelines address the investment allocation process, selection of investment professionals and monitoring of asset performance. As pension liabilities are long-term in nature, United Way employs a long-term total return approach to maximize the long-term rate of return on plan assets for a prudent level of risk. An annual analysis on the risk versus the return of the investment portfolio is conducted to justify the expected long-term rate of return assumption.

Effective June 30, 2017, the Plan was amended to freeze all future benefit accruals under the Plan, whereby no Plan participant will earn any additional benefits and no new employees will become eligible to participate in the Plan. Final average compensation will not include any compensation earned after the effective date, and benefit accrual service will not include any service after the effective date. All participants became 100% vested in their accrued benefit as of June 30, 2017. It is expected that the plan will be fully terminated and all benefits distributed in 2019. In anticipation of this, all assets in the plan were moved to the general account to ensure the preservation of the asset value.

Pension plan assets carried at fair value at June 30, 2018 are classified in the table below:

	Level 1	Level 2	Level 3	Total
Guaranteed income fund	$ -	$ -	$ 3,585,180	$ 3,585,180
Total	$ -	$ -	$ 3,585,180	$ 3,585,180

Changes in pension plan assets measured at fair value using Level 3 inputs for the year ended June 30, 2018 are as follows:

	Balance as of June 30, 2017	Interest income	Purchases	Transfers	Sales	Balance as of June 30, 2018
Guaranteed income fund	$ 3,647,219	$ 36,011	$ 150,000	$ -	$ (248,050)	$ 3,585,180

Pension plan assets carried at fair value at June 30, 2017 are classified in the table below:

	Level 1	Level 2	Level 3	Total
Guaranteed income fund	$ -	$ -	$ 3,647,219	$ 3,647,219
Total	$ -	$ -	$ 3,647,219	$ 3,647,219

Changes in pension plan assets measured at fair value using Level 3 inputs for the year ended June 30, 2017 are as follows:

	Balance as of June 30, 2016	Interest income	Purchases	Transfers	Sales	Balance as of June 30, 2017
Guaranteed income fund	$ 609,854	$ 7,279	$ 150,000	$ 3,003,953	$ (123,867)	$ 3,647,219

The following table represents the Plan's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments and the significant unobservable inputs and the ranges of values for those inputs:

	2018 Fair value	2017 Fair value	Purchases	Significant unobservable inputs	Range of significant input values	Weighted average
Guaranteed income fund	$ 3,585,180	$ 3,647,219	Discounted cash flow	Current yields of similar instruments	1.00%	1.00%

The guaranteed income fund is valued at fair value by discounting the cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer (Level 3).

A reconciliation of items not yet reflected in net periodic benefit cost and a component of unrestricted net assets is as follows for the years ended June 30, 2018 and 2017:

	June 30,2017	Reclassified as net periodic benefit cost	Amounts arising during period	Effects of curtailment	June 30,2018
1. Transition obligation (asset)	$ -	$ -	$ -	$ -	$ -
2. Net prior service cost (credit)	-	-	-	-	-
3. Net loss	-	-	146,545	-	146,545
	$ -	$ -	$ 146,545	$ -	$ 146,545

	July 1, 2016	Reclassified as net periodic benefit cost	Amounts arising during period	Effects of settlement	June 30,2017
1. Transition obligation (asset)	$ -	$ -	$ -	$ -	$ -
2. Net prior service cost (credit)	-	-	-	-	-
3. Net loss	1,000,187	(60,444)	(87,759)	(851,984)	-
	$ 1,000,187	$ (60,444)	$ (87,759)	$ (851,984)	$ -

The estimated effect in the next fiscal year of items not yet reflected in net periodic benefit cost is as follows:

	July 1, 2018	Estimated amounts to be reclassified as net periodic benefit cost in 2019
1. Transition obligation	$ -	$ -
2. Net prior service cost	-	-
3. Net loss	146,545	-

No plan assets are expected to be returned to the employer during the next fiscal year.

Based on the facts and circumstances that existed at June 30, 2018, United Way expects to contribute $37,500 to the plan during fiscal year 2019. United Way believes with prudent risk tolerance and asset diversification, the plan should be able to meet its pension obligations in the future.

In addition, United Way maintains a voluntary retirement savings program for its employees. Under this 403(b) Thrift Plan, eligible employees may contribute any amount from pre-tax salary provided that total annual contributions do not exceed the maximum permitted under the Internal Revenue Code. To participate in this plan, employees must complete one year of service.

United Way makes a matching contribution, for employees with less than 20 years of service, equal to 50% of the salary reduction amount contributed during the plan year up to 3% of compensation received during the plan year. For those employees with 20 years or more of service (excluding highly compensated employees), the matching contribution is equal to 75% of the salary reduction amount contributed during the plan year up to 4.5% of compensation received during the plan year. Vesting of these matching contributions is 100% when an employee has completed three years of service. United Way's contributions during the years ended June 30, 2018 and 2017 were $122,527 and $49,300, respectively.

Note 17 - Endowment

United Way's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, 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 Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") 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, United Way classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent 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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

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

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 1,241,820	$ 1,241,820
Board-designated endowment funds	15,427,105	-	-	15,427,105
Total funds	$ 15,427,105	$ -	$ 1,241,820	$ 16,668,925

Endowment net asset composition by type of fund as of June 30, 2017 were as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 1,241,820	$ 1,241,820
Board-designated endowment funds	15,560,776	-	-	15,560,776
Total funds	$ 15,560,776	$ -	$ 1,241,820	$ 16,802,596

Changes in endowment net assets for the year ended June 30, 2018 were as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 15,560,776	$ -	$ 1,241,820	$ 16,802,596
Investment income	387,265	30,906	-	418,171
Net realized and unrealized appreciation	48,158	-	-	48,158
Amounts appropriated for expenditure	(569,094)	(30,906)	-	(600,000)
Endowment net assets, end of year	$ 15,427,105	$ -	$ 1,241,820	$ 16,668,925

Changes in endowment net assets for the year ended June 30, 2017 were as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 14,867,046	$ -	$ 1,241,820	$ 16,108,866
Investment income	293,117	24,484	-	317,601
Net realized and unrealized depreciation	826,129	-	-	826,129
Amounts appropriated for expenditure	(425,516)	(24,484)	-	(450,000)
Endowment net assets, end of year	$ 15,560,776	$ -	$ 1,241,820	$ 16,802,596

Endowment funds classified as permanently restricted net assets as of June 30, 2018 and 2017 are available for the following:

	2018	2017
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulations	$ 1,241,820	$ 1,241,820

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable law requires United Way to retain as a fund of perpetual duration. As of June 30, 2018 and 2017, there were no deficiencies of this nature that are reported in unrestricted net assets.