

***United Way of Central
Massachusetts, Inc.***

*Financial Statements for the Years
Ended June 30, 2018 and 2017
and Independent Auditors' Report*

UNITED WAY OF CENTRAL MASSACHUSETTS, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United Way of Central Massachusetts, Inc.

We have audited the accompanying financial statements of United Way of Central Massachusetts, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 of 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 Central Massachusetts, Inc. as of June 30, 2018 and 2017, 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.


November 8, 2018

UNITED WAY OF CENTRAL MASSACHUSETTS, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 845,923	\$ 1,395,622
Pledges receivable, net (Note 3)	1,814,629	1,749,017
Accounts receivable and other assets	<u>212,072</u>	<u>208,873</u>
Total Current Assets	2,872,624	3,353,512
Investments	6,414,208	5,838,628
Beneficial interest in trusts (Note 14)	1,277,539	1,240,517
Property and equipment, net	<u>20,561</u>	<u>19,503</u>
Total Assets	<u>\$ 10,584,932</u>	<u>\$ 10,452,160</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 86,218	\$ 11,373
Accrued expenses	96,261	90,284
Community impact grants payable (Note 16)	2,410,787	2,823,351
Women's initiative grants payable	213,593	253,353
Designations payable	<u>293,622</u>	<u>369,672</u>
Total Liabilities	<u>3,100,481</u>	<u>3,548,033</u>
Net Assets:		
Unrestricted	6,149,021	5,735,549
Temporarily restricted	830,422	689,570
Permanently restricted	<u>505,008</u>	<u>479,008</u>
Total Net Assets	<u>7,484,451</u>	<u>6,904,127</u>
Total Liabilities and Net Assets	<u>\$ 10,584,932</u>	<u>\$ 10,452,160</u>

See notes to financial statements.

UNITED WAY OF CENTRAL MASSACHUSETTS, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Campaign Revenue	\$ 4,509,055	\$ 666,885	\$ -	\$ 5,175,940
Less:				
Designations	(526,152)	-	-	(526,152)
Administrative fees	(13,399)	-	-	(13,399)
Allowance for uncollectible pledges (Note 3)	(101,695)	-	-	(101,695)
Net assets released from restrictions	604,979	(604,979)	-	-
Net Campaign Revenue	4,472,788	61,906	-	4,534,694
Investment income (net of expenses)	18,450	-	-	18,450
Gain on sale of investments	770,838	-	-	770,838
Unrealized loss on investments	(12,475)	-	-	(12,475)
Interest income	13,717	-	-	13,717
Change in beneficial interest in trusts (Note 14)	59,497	20,575	-	80,072
Donor designation fees	32,819	-	-	32,819
Grant, contribution, and sponsorship income (Note 18)	100,147	791,634	26,000	917,781
Net assets released from restrictions	733,263	(733,263)	-	-
Total Support and Revenue	6,189,044	140,852	26,000	6,355,896
Expenses:				
Community Impact Grants (Note 16)	1,868,936	-	-	1,868,936
Women's Initiative Grants (Note 16)	217,593	-	-	217,593
Other Grants/Sponsorships	495,462	-	-	495,462
Program Services:				
Community services	153,439	-	-	153,439
Mass 211	28,849	-	-	28,849
Labor community services	145,024	-	-	145,024
Community Impact	450,538	-	-	450,538
YouthConnect (Note 16)	476,201	-	-	476,201
Women's Initiative Community Impact	73,460	-	-	73,460
Other programs	375,529	-	-	375,529
Total Program Services	1,703,040	-	-	1,703,040
Supporting Services	1,490,541	-	-	1,490,541
Total Expenses	5,775,572	-	-	5,775,572
Increase in Net Assets	413,472	140,852	26,000	580,324
Net Assets - beginning	5,735,549	689,570	479,008	6,904,127
Net Assets - ending	\$ 6,149,021	\$ 830,422	\$ 505,008	\$ 7,484,451

See notes to financial statements.

UNITED WAY OF CENTRAL MASSACHUSETTS, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Campaign Revenue	\$ 4,960,732	\$ 711,232	\$ -	\$ 5,671,964
Less:				
Designations	(846,628)	-	-	(846,628)
Administrative fees	(30,992)	-	-	(30,992)
Allowance for uncollectible pledges (Note 3)	(197,960)	-	-	(197,960)
Net assets released from restrictions	587,384	(587,384)	-	-
Net Campaign Revenue	4,472,536	123,848	-	4,596,384
Investment income (net of expenses)	22,207	-	-	22,207
Gain on sale of investments	861,551	-	-	861,551
Unrealized loss on investments	(91,324)	-	-	(91,324)
Interest income	12,241	-	-	12,241
Change in beneficial interest in trusts (Note 14)	96,016	32,850	-	128,866
Donor designation fees	44,583	-	-	44,583
Grant, contribution, and sponsorship income (Note 18)	239,129	645,835	200	885,164
Net assets released from restrictions	635,407	(635,407)	-	-
Total Support and Revenue	6,292,346	167,126	200	6,459,672
Expenses:				
Community Impact Grants (Note 16)	2,151,966	-	-	2,151,966
Women's Initiative Grants (Note 16)	261,103	-	-	261,103
Other grants/sponsorships	457,084	-	-	457,084
Program Services:				
Community services	133,873	-	-	133,873
Mass 211	28,689	-	-	28,689
Labor community services	130,189	-	-	130,189
Community Impact	339,376	-	-	339,376
YouthConnect (Note 16)	144,307	-	-	144,307
Women's Initiative Community Impact	96,765	-	-	96,765
Other programs	317,872	-	-	317,872
Total Program Services	1,191,071	-	-	1,191,071
Supporting Services	1,267,225	-	-	1,267,225
Total Expenses	5,328,449	-	-	5,328,449
Increase in Net Assets	963,897	167,126	200	1,131,223
Net Assets - beginning	4,771,652	522,444	478,808	5,772,904
Net Assets - ending	\$ 5,735,549	\$ 689,570	\$ 479,008	\$ 6,904,127

See notes to financial statements.

UNITED WAY OF CENTRAL MASSACHUSETTS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	PROGRAM SERVICES										Total Support Services		
	Women's												
	Community Services	Mass 211	Labor Community Services	Community Impact	Youth Connect	Initiative Community Impact	Other Programs (Note 18)	Total Program Services	Admin. & Finance	Marketing Fundraising			
Salaries and related expenses:													
Salaries	\$ 58,454	\$ -	\$ 75,451	\$ 148,994	\$ -	\$ 53,638	\$ 142,631	\$ 479,168	\$ 321,805	\$ 28,243	\$ 376,320	\$ 726,368	\$ 1,205,536
Payroll taxes	4,049	-	5,471	10,131	-	4,018	10,693	34,362	21,835	2,374	26,426	50,635	84,997
Health and other fringe benefits	10,911	-	17,834	33,199	-	13,209	7,945	83,098	65,784	6,451	74,105	146,340	229,438
Total salaries and related expenses	73,414	-	98,756	192,324	-	70,865	161,269	596,628	409,424	37,068	476,851	923,343	1,519,971
Other expenses:													
Professional fees and contract services	9,737	28,689	4,082	13,029	71,213	3,455	100,229	230,434	56,045	14,346	37,813	108,204	338,638
Directors and officers insurance	-	-	-	-	-	-	-	-	4,619	-	-	4,619	4,619
Supplies	187	-	15,102	789	173	107	1,373	17,731	5,453	154	2,328	7,935	25,666
Telephone	1,309	-	862	5,913	-	729	608	9,421	4,067	940	5,173	10,180	19,601
Postage	868	-	370	253	74	119	85	1,769	1,689	61	2,999	4,749	6,518
Occupancy (Note 11)	7,187	-	5,070	83,676	1,854	4,004	-	101,791	22,429	5,162	28,220	55,811	157,602
Promotion and publicity	5,323	-	665	730	1,467	249	328	8,762	3,173	7,382	10,613	21,168	29,930
Programs and events	28,191	-	-	1,149	68,118	13,170	50,006	160,634	1,218	15,804	26,795	43,817	204,451
Travel and professional development	235	-	564	5,537	1,408	75	3,106	10,925	16,735	296	8,160	25,191	36,116
Organization dues and subscriptions	250	-	-	88	-	-	207	545	2,677	980	225	3,882	4,427
Equipment rental and maintenance	864	-	569	6,325	-	479	-	8,237	4,037	621	3,389	8,047	16,284
Bank and credit card fees	-	-	-	18,006	-	-	-	18,006	-	-	-	-	18,006
Miscellaneous	-	-	-	-	-	-	-	-	1,285	-	197	1,482	1,482
Total other expenses	54,151	28,689	27,284	135,495	144,307	22,387	155,942	568,255	123,427	45,746	125,912	295,085	863,340
Total expenses before depreciation and national and state dues	127,565	28,689	126,040	327,819	144,307	93,252	317,211	1,164,883	532,851	82,814	602,763	1,218,428	2,383,311
National and state dues	4,855	-	3,193	8,895	-	2,704	-	19,647	14,955	3,486	19,062	37,503	57,150
Depreciation	1,453	-	956	2,662	-	809	661	6,541	4,512	1,043	5,739	11,294	17,835
Total expenses	\$ 133,873	\$ 28,689	\$ 130,189	\$ 339,376	\$ 144,307	\$ 96,765	\$ 317,872	\$ 1,191,071	\$ 552,318	\$ 87,343	\$ 627,564	\$ 1,267,225	\$ 2,458,296

See notes to financial statements.

UNITED WAY OF CENTRAL MASSACHUSETTS, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 580,324	\$ 1,131,223
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	6,105	17,835
Allowance for uncollectible pledges	27,418	15,973
Realized and unrealized net gain on investments	(758,363)	(770,227)
Change in beneficial interest trusts	(37,022)	(94,766)
Changes in operating assets and liabilities:		
Pledges receivable	(93,030)	158,216
Accounts receivable and other assets	(3,199)	(31,122)
Accounts payable	74,845	(23,646)
Accrued expenses	5,977	3,662
Community impact grants payable	(412,564)	(562,709)
Women's initiative grants payable	(39,760)	(6,647)
Designations payable	(76,050)	39,618
Net cash used in operating activities	<u>(725,319)</u>	<u>(122,590)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(7,163)	(1,834)
Acquisition of investments	(5,874,627)	(5,600,219)
Proceeds from sale of investments	<u>6,057,410</u>	<u>5,510,054</u>
Net cash provided by (used in) investing activities	<u>175,620</u>	<u>(91,999)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(549,699)	(214,589)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,395,622</u>	<u>1,610,211</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 845,923</u>	<u>\$ 1,395,622</u>

See notes to financial statements.

UNITED WAY OF CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2018 AND 2017

1. ORGANIZATION

United Way of Central Massachusetts, Inc. (the “Organization”) is a not-for-profit organization which mission is to connect people and resources to improve the Central Massachusetts community. The Organization’s major focus is to invest in educational opportunities, support strong families and build healthy communities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The Organization reports information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents - The Organization considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents. The Organization places its cash and cash equivalents with various financial institutions. At times such investments may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. However, the Organization has not experienced any losses in such accounts.

Investments - Investments in equity and mutual funds are reported at fair value using quoted market prices. Investment securities are exposed to various risks including, but not limited to, interest rate and market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term. The Organization seeks to minimize market risk by diversifying its investment portfolio. The Organization has adopted a spending policy of 5% of the average market value of the investments over the preceding twenty quarters.

Gains or losses on investments are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily restricted by explicit donor stipulations or by law.

Property and Equipment - Property and equipment are stated at cost or, if donated, at the approximate fair market value at the date of donation. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Depreciation is provided on a straight-line basis over the following estimated useful lives:

	<u>YEARS</u>
Building and improvements	15 – 25
Equipment	3 – 5
Furniture and fixtures	10

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Time restricted contributions are reported as temporarily restricted support and reclassified to unrestricted net assets upon expiration of the time restriction.

Donors may designate their gifts to specific United Way affiliated and non-affiliated agencies. Non-affiliated agencies are required to provide the Organization with documentation of their tax-exempt status. Donor designations to specific agencies are not included in net campaign revenues and support or allocations to participating agencies in the accompanying Statements of Activities.

The Organization receives services of volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying financial statements since the value assigned to these services by the donating volunteers is not ascertainable and does not meet the recognition criteria of generally accepted accounting principles for non-profit organizations.

Designations - Agency-specific designations as specified by the donor are recorded upon receipt of the contribution and are reflected as an offset to recorded campaign revenue in the Statement of Activities and, until distributed to the agency, as a liability in the Statement of Financial Position.

Advertising - Advertising costs are charged to operations as incurred. These costs were approximately \$5,700 and \$3,500 in 2018 and 2017, respectively.

Income Tax Status - The Organization is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from state income taxes. Donors may deduct contributions made to the Organization within the Internal Revenue Code requirements.

The Organization is subject to audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2014.

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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. The Organization's most significant estimate is the allowance for uncollectible pledges.

Subsequent Events - Management has evaluated all subsequent events through November 8, 2018, the date the financial statements were available to be issued.

3. PLEDGES RECEIVABLE

Pledges receivable consists of the following at June 30:

	2018	2017
Campaign in 2018	\$ 11,113	\$ -
Campaign in 2017	1,803,516	100
Campaign in 2016	-	1,748,917
	<u>\$ 1,814,629</u>	<u>\$ 1,749,017</u>

Pledges receivable are presented net of an allowance for uncollectible pledges of \$366,168 and \$450,888 in 2018 and 2017, respectively.

4. INVESTMENTS

Investments are stated at fair value and consist primarily of mutual funds and equity. Fair values and unrealized appreciation (depreciation) at June 30, are summarized as follows:

	2018		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds	\$ 1,779,780	\$ 1,773,795	\$ (5,985)
Equity	3,501,327	4,415,757	914,430
Limited partnership	206,000	224,656	18,656
	<u>\$ 5,487,107</u>	<u>\$ 6,414,208</u>	<u>\$ 927,101</u>
	2017		
	Cost	Fair Value	Unrealized Appreciation
Mutual funds	\$ 1,747,924	\$ 1,777,934	\$ 30,010
Equity	2,965,776	3,864,990	899,214
Limited partnership	180,000	195,705	15,705
	<u>\$ 4,893,700</u>	<u>\$ 5,838,629</u>	<u>\$ 944,929</u>

The Organization realized a net gain of \$770,838 and \$861,551 from the sale of investments during 2018 and 2017, respectively. The Organization incurred investment custodial and advisory fees of \$57,788 and \$53,054 during 2018 and 2017, respectively. The Organization appropriated for operations \$274,343 and \$262,906 from its investments during 2018 and 2017, respectively.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2018	2017
Building and Improvements	\$ 1,141,426	\$ 1,141,426
Equipment	476,655	469,492
Furniture and Fixtures	<u>204,916</u>	<u>204,916</u>
	1,822,997	1,815,834
Accumulated Depreciation	<u>(1,802,436)</u>	<u>(1,796,331)</u>
	<u>\$ 20,561</u>	<u>\$ 19,503</u>

6. LINE OF CREDIT

The Organization maintains a line of credit agreement with an available borrowing limit of \$1,000,000. The line of credit bears interest at the British Bankers Association LIBOR Rate ("BBA LIBOR") plus 3.75% (5.84% at June 30, 2018). The line of credit expires in January 2019. There were no outstanding borrowings as of June 30, 2018 and 2017.

7. TEMPORARILY RESTRICTED NET ASSETS

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

	2018	2017
Future campaign revenue	\$ 18,501	\$ 9,657
Women's Initiative (WI)	207,494	186,239
Appreciation on WI Fund	95,132	82,557
Small capital grant awards	58,018	58,620
Investing in Girls Alliance (Note 18)	42,328	106,912
Worcester Education Collaborative (Note 18)	147,888	100,215
Ramp program	87,776	106,704
Summer Strong and Beyond	78,517	-
YouthConnect Summer Program	53,939	-
Other programs	<u>40,829</u>	<u>38,666</u>
	<u>\$ 830,422</u>	<u>\$ 689,570</u>

8. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets were restricted for the following purposes as of June 30:

	2018	2017
UWCM endowment fund	\$ 60,000	\$ 60,000
Women's Initiative endowment fund	239,008	238,808
Cutler endowment fund	206,000	180,000
	<u>\$ 505,008</u>	<u>\$ 478,808</u>

The income on the endowment funds may be expendable to support activities of the Organization.

9. NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets were released for the following purposes:

	2018	2017
Future campaign revenue	\$ 9,657	\$ 4,955
Women's Initiative	407,276	457,661
Distribution from WI Fund	8,000	-
Small capital grant awards	55,602	67,811
Investing in Girls Alliance	102,084	92,284
Worcester Education Collaborative	307,217	248,707
YouthConnect	62,686	-
Summer Strong and Beyond	62,874	-
Programs and events	322,846	351,373
	<u>\$ 1,338,242</u>	<u>\$ 1,222,791</u>

10. GROSS CAMPAIGN REVENUE

Gross campaign revenue by campaign year (October 1 – September 30) consists of the following:

	Campaign 2018	Campaign 2017	Campaign 2016
June 30, 2018	\$ 18,501	\$ 5,103,084	\$ 54,355
June 30, 2017	-	9,657	5,565,466
June 30, 2016	-	-	4,955
	<u>\$ 18,501</u>	<u>\$ 5,112,741</u>	<u>\$ 5,624,776</u>

11. RENTAL PROPERTY

The Organization owns office condominium space which it does not currently occupy. The Organization did not receive any rental payments from this office space during 2018 and 2017. However, the Organization paid condominium fees and other building related expenses of \$51,214 and \$51,214 during 2018 and 2017, respectively. The Organization allows a non-profit agency to use the office space free of charge to provide programs. The carrying value of the office condominium not currently occupied is \$191,095 and is currently fully depreciated.

12. LEASE COMMITMENTS

The Organization leases office equipment under three operating lease agreements which began in November 2017 and June 2018 requiring a combined monthly payment of \$839. One lease will expire in November 2022 and two will expire in July 2021. Future minimum lease payments under the operating leases for office equipment at June 30, 2018 are as follows:

	<u>Amount</u>
2019	\$ 10,446
2020	10,638
2021	10,638
2022	2,166
2023	<u>722</u>
Total minimum lease payments	<u>\$ 34,610</u>

Total expense under the office equipment leases amounted to \$10,522 and 10,984 in 2018 and 2017, respectively.

13. EMPLOYEE BENEFIT PLAN

The Organization maintains a contributory retirement plan covering all eligible employees. Each year the Organization at its discretion may make an employer contribution to the plan. The employer's contribution is determined annually, by the Board of Directors. The employer's contribution charged to expense was \$35,332 and \$26,716 in 2018 and 2017, respectively.

In addition, incorporated into the plan are the provisions of Section 401(k) of the Internal Revenue Code, which allows employees to contribute to their accounts on a pretax basis. The Organization may make a discretionary match contribution up to a maximum of 2% of employees' annual compensation. The match contribution for 2018 and 2017 was \$16,724 and \$13,159, respectively.

14. BENEFICIAL INTEREST IN TRUSTS

The Organization is the sole beneficiary of two trusts administered by Greater Worcester Community Foundation (“GWCF”).

United Way of Central Massachusetts Fund

In August of 1987 the Organization established the United Way of Central Massachusetts Fund (the “Fund”) at GWCF. The purpose of the Fund is to provide additional financial support for participating agencies of the Organization and to underwrite administrative costs of the Organization. The Fund consists of an amount contributed by the Organization, having a market value of \$943,399 and \$918,952 as of June 30, 2018 and 2017, respectively. In accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 958-605, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, the Organization’s initial contribution to the Fund is reflected as an asset (“Beneficial interest in trusts”) and is included in unrestricted net assets on the Statement of Financial Position. Changes in market value of the Fund are recorded as an unrestricted change in beneficial interest in trusts on the statement of activities. During 2018 and 2017, \$35,050 and \$34,300, respectively, was distributed to the Organization.

Women’s Initiative Fund in Honor of Lois B. Green

On October 30, 2009, the Organization established the Women’s Initiative Fund (the “WI Fund”) in Honor of Lois B. Green at GWCF. The WI Fund shall be used for support of the charitable or educational purposes of the Women’s Initiative of the UWCM and its affiliated agencies. The WI Fund shall be maintained by GWCF as a permanent endowment. The WI Fund consists of an amount contributed by the Organization, having a market value of \$334,140 and \$321,565 as of June 30, 2018 and 2017, respectively. In accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 958-605, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, the market value of the Organization’s initial contribution to the WI Fund is reflected as an asset (“Beneficial interest in trusts”) and is included in permanently restricted net assets on the Statement of Financial Position. There were no contributions received in 2018; however, during 2017, the WI Fund received a \$200 permanent contribution. Changes in the market value of the WI Fund are recorded as a temporarily restricted change in beneficial interest in trusts on the statement of activities. During 2018 and 2017, \$8,000 and \$0, respectively, was distributed to the Organization.

15. GREATER WORCESTER COMMUNITY FOUNDATION FUNDS

The following funds are considered assets of the GWCF and therefore are not included in the financial statements of the Organization. The information is included for disclosure purposes only.

The Arthur J. Remillard, Jr. Fund (the “AJR Fund”) is a donor-designated fund established at GWCF to provide financial support to the Organization. A three-person advisory board, consisting of the chief executive officer, a current or past president of the Board of Directors of the Organization and a current or past president of the Board of Directors of GWCF, determines the annual pledge to the Organization. The advisory board awarded the Organization a total of \$22,100 in 2018 and 2017. As of and for the years ended June 30, 2018 and 2017, the AJR Fund had a fair market value of \$598,994 and \$587,287, respectively.

The Organization and participating agencies are designated beneficiaries of three additional funds with GWCF, however variance power and ultimate control resides with GWCF board of directors. Accordingly, the market values of these funds are reported as assets of GWCF. The market value of these funds is equal to \$2,704,515 at June 30, 2018 and \$2,635,024 at June 30, 2017. During 2018 and 2017, a total of \$101,120 and \$99,400, respectively, was distributed to the Organization from these funds.

16. COMMUNITY IMPACT AND WOMEN’S INITIATIVE

Community Impact grants of unrestricted funds to selected programs are determined annually by the Board of Directors based on recommendations from the Community Impact Committee. Women’s Initiative grants and sponsorships are also determined by the Board of Directors based on recommendations from the Women’s Initiative Community Investment Committee. Grants are payable on a monthly basis during subsequent fiscal years. Sponsorships are paid based on the timing of the sponsored events.

For many years, the Organization had funded the YouthConnect collaboration. YouthConnect provides high quality neighborhood-based recreational, educational and cultural activities to isolated and under served Worcester youth. During 2017, the Organization voted to administer the YouthConnect collaboration as an internal program. With the change in management of the YouthConnect program, the funding allocation as voted and approved by the board was no longer reflected as a community impact grant payable in the statement of financial position as of June 30, 2018 and 2017 or as a community impact grant expense in the statement of activities for the year ended June 30, 2018 and 2017. Expenses associated with providing community services under this program are recorded as incurred.

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities, the Organization recognizes the full amount of the committed grant as an expense in the year in which the commitment is made.

17. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation method include: quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the 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: Inputs to the valuation method are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Limited partnership: Represents the Organization's ownership interest in an investment limited partnership. Valued at the net asset value of the Organization's membership interest in the partnership capital as reported by the limited partnership.

Beneficial interest in trusts: Consist of beneficial interest in the UWCM Fund and in the Women's Initiative Fund in Honor of Lois B. Green. The fair value of these funds (and its underlying assets) is based on independent reports obtained from Greater Worcester Community Foundation (GWCF), an independent party.

17. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organizations assets at fair value at June 30:

	2018			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Mutual funds:				
Short-term bond	\$ 1,773,795	\$ -	\$ -	\$ 1,773,795
Equity securities:				
Consumer discretionary	847,864	-	-	847,864
Consumer staples	251,393	-	-	251,393
Financials	244,003	-	-	244,003
Health care	575,165	-	-	575,165
Industrials	477,534	-	-	477,534
Information technology	1,846,132	-	-	1,846,132
Materials	112,394	-	-	112,394
Real estate	61,272	-	-	61,272
Total equity securities	4,415,757	-	-	4,415,757
Limited partnership	-	-	224,656	224,656
Beneficial interest in trusts	-	-	1,277,539	1,277,539
	<u>\$ 6,189,552</u>	<u>\$ -</u>	<u>\$ 1,502,195</u>	<u>\$ 7,691,747</u>
	2017			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Mutual funds:				
Short-term bond	\$ 1,777,933	\$ -	\$ -	\$ 1,777,933
Equity securities:				
Consumer discretionary	727,720	-	-	727,720
Consumer staples	197,767	-	-	197,767
Energy	37,103	-	-	37,103
Financials	233,664	-	-	233,664
Health care	773,433	-	-	773,433
Industrials	336,933	-	-	336,933
Information technology	1,334,044	-	-	1,334,044
Materials	134,391	-	-	134,391
Real estate	89,935	-	-	89,935
Total equity securities	3,864,990	-	-	3,864,990
Limited partnership	-	-	195,705	195,705
Beneficial interest in trusts	-	-	1,240,517	1,240,517
	<u>\$ 5,642,923</u>	<u>\$ -</u>	<u>\$ 1,436,222</u>	<u>\$ 7,079,145</u>

17. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth a summary of changes in the fair value of the Organization's beneficial interest in trusts and limited partnership (level 3) for the years ended June 30:

	2018	
	Beneficial Interest in Trusts	Limited Partnership
Balance, beginning of year	\$ 1,240,517	\$ 195,705
Earnings and investment gain	86,503	14,718
Grants received	-	26,000
Grants authorized	(43,050)	(10,800)
Administrative fees	(6,431)	(967)
Balance, end of year	<u>\$ 1,277,539</u>	<u>\$ 224,656</u>

	2017	
	Beneficial Interest in Trusts	Limited Partnership
Balance, beginning of year	\$ 1,145,751	\$ 165,592
Earnings and investment gain	134,821	41,048
Grants received	200	-
Grants authorized	(34,300)	(10,000)
Administrative fees	(5,955)	(935)
Balance, end of year	<u>\$ 1,240,517</u>	<u>\$ 195,705</u>

18. FISCAL SPONSOR

The Organization serves as the fiscal sponsor for the Worcester Education Collaborative, the Investing in Girls Alliance, E3 (Engage, Educate, Empower), Amor para Puerto Rico and Worcester Health Baby Collaborative (WHBC). The Organization maintains legal and fiduciary responsibility for the employees and activities of these programs. Total revenue for these programs is reported as grant and sponsorship income on the statements of activities. Total revenue for these programs during 2018 and 2017 was \$425,907 and \$346,918, respectively. Total expense for these programs during 2018 was \$434,401 of which \$9,937 and \$23,635 was allocated to administration and finance and fundraising, respectively. Total expense for these programs during 2017 was \$346,096 of which \$9,490 and \$18,962 was allocated to administration and finance and fundraising, respectively. A total of \$198,633 and \$207,127 is included as temporarily restricted net assets for these programs as of June 30, 2018 and 2017.

19. CONTINGENCIES

The Organization owns and occupies condominium space in a building in Worcester, Massachusetts. The Organization is the largest owner of the condominium space, owning fifteen percent. Due to the age of the building, the Organization may be subject to special assessments to maintain and repair the building. As of June 30, 2018, the Organization is unable to estimate the extent of or dollar amount of future special assessments. The special assessments, when they occur, may have a material impact on the Organization's financial statements.

The Organization may become involved in litigation or other claims in the ordinary course of business. Management is not aware of any claims that will have a material adverse effect on the financial condition of the Organization.

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