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United Way

United Way of Eastern Maine

Financial Statements

June 30, 2018

Runyon Kersteen Ouellette

Certified Public Accountants and Business Consultants

Independent Auditor's Report

Board of Directors
United Way of Eastern Maine

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Eastern Maine 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.

Other Matter

As part of our audit of the 2018 financial statements, we also audited the adjustment described in the "Prior period adjustment" note that was applied to restate the 2017 financial statements. In our opinion, such an adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 financial statements of the Organization other than with respect to that adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements as a whole.

Runyon Kersteen Ouellette

November 19, 2018
South Portland, Maine

UNITED WAY OF EASTERN MAINE
Statement of Financial Position
Year Ended June 30, 2018

ASSETS		
Cash and cash equivalents	$	163,756
Pledges receivable, net		559,824
Other receivables		25,784
Prepaid expenses		22,281
Short-term investments		427,489
Long-term investments		647,356
Equipment, net		28,410
Cash surrender value of life insurance		6,600
Beneficial interest in perpetual trusts		372,086
Beneficial interest in assets held by Maine Community Foundation (MCF)		3,241,657
Total assets	**$**	**5,495,243**
LIABILITIES		
Accounts payable	$	19,125
Allocations payable		398,411
Designations payable		154,721
Accrued expenses		29,875
Capital lease obligation		12,987
Total liabilities		615,119
NET ASSETS		
Unrestricted:		
Designated for:		
Charles F. Bragg 2nd Society Fund		261,469
Stabilization reserve		647,356
Future allocations and community investments		179,306
Undesignated		67,252
Total unrestricted		1,155,383
Temporarily restricted:		
Campaign contributions for future periods and funds restricted for purpose		370,967
Other contributions for future periods		1,500
Charles F. Bragg 2nd Society fund unappropriated appreciation		629,567
Total temporarily restricted		1,002,034
Permanently restricted:		
Beneficial interests in perpetual trust funds		372,086
Charles F. Bragg 2nd Society fund		2,350,621
Total permanently restricted		2,722,707
Total net assets		4,880,124
Total liabilities and net assets	**$**	**5,495,243**

See accompanying notes to financial statements.

UNITED WAY OF EASTERN MAINE
Statement of Activities
For the Year Ended June 30, 2018

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Public Support and revenues:					
Gross campaign results	$	-	1,627,258	-	1,627,258
Less: donor designations		-	(205,507)	-	(205,507)
Less: provision for uncollectibles		-	(117,361)	-	(117,361)
Net campaign revenue		-	1,304,390	-	1,304,390
Government grants		-	9,275	-	9,275
Special events, net of expenses of $70,975		(22,246)	-	-	(22,246)
Other contributions, grants, and bequests		536	137,317	-	137,853
In-kind revenues		-	366,039	-	366,039
Total public support and revenues		(21,710)	1,817,021	-	1,795,311
Revenues, gains and other support:					
Service fees		28,780	-	-	28,780
Perpetual trust beneficiary income		16,036	-	-	16,036
Endowment income distributed		118,460	-	-	118,460
Investment income, net		22,978	-	-	22,978
Realized and unrealized gain on investments		16,149	-	-	16,149
Change in value of assets held by MCF		7,101	99,916	-	107,017
Change in value of perpetual trusts		-	-	21,463	21,463
Other income		1,852	-	-	1,852
Loss on disposal of assets		(1,602)	-	-	(1,602)
Net assets released from restrictions		1,840,766	(1,840,766)	-	-
Total revenues, gains and other support		2,050,520	(1,740,850)	21,463	331,133
Total revenues		2,028,810	76,171	21,463	2,126,444
Expenses:					
Program services		1,646,807	-	-	1,646,807
Management and general		23,224	-	-	23,224
Fundraising		436,128	-	-	436,128
Total expenses		2,106,159	-	-	2,106,159
Changes in net assets		(77,349)	76,171	21,463	20,285
Net assets, beginning of year, as previously stated		1,232,732	976,113	2,701,244	4,910,089
Prior period adjustment		-	(50,250)	-	(50,250)
Net assets, beginning of year, restated		1,232,732	925,863	2,701,244	4,859,839
Net assets, end of year	**$**	**1,155,383**	**1,002,034**	**2,722,707**	**4,880,124**

See accompanying notes to financial statements.

UNITED WAY OF EASTERN MAINE
Statement of Functional Expenses
For the Year Ended June 30, 2018

		Program services				Supporting services		
		Education	**Income**	**Health**	**Total Programs**	**Management and general**	**Fundraising**	**Totals**
Member Agencies:								
Gross funds awarded/distributed	$	402,793	276,777	321,546	1,001,116	-	-	1,001,116
Less: donor designations		(82,684)	(56,816)	(66,007)	(205,507)	-	-	(205,507)
Net funds awarded/distributed		320,109	219,961	255,539	795,609	-	-	795,609
Other agency amounts:								
In-kind		-	352,923	-	352,923	-	-	352,923
Other amounts		-	639	66,300	66,939	-	-	66,939
Total other agency		-	353,562	66,300	419,862	-	-	419,862
General Support:								
Salaries and wages		43,247	72,069	39,898	155,214	104,721	151,836	411,771
Benefits		7,327	12,211	6,760	26,298	17,743	25,726	69,767
Payroll taxes		3,676	6,125	3,391	13,192	8,900	12,904	34,996
Total salaries and benefits		54,250	90,405	50,049	194,704	131,364	190,466	516,534
Professional fees		9,533	20,208	9,533	39,274	77,600	41,125	157,999
Bank and credit card fees		-	-	-	-	2,411	1,377	3,788
Office supplies		256	2,931	256	3,443	9,372	1,880	14,695
Telephone and internet		-	-	-	-	3,698	-	3,698
Postage		126	1,177	128	1,431	602	3,592	5,625
Volunteer/agency meetings		623	1,738	624	2,985	1,234	1,697	5,916
Staff travel		804	2,647	787	4,238	1,300	1,465	7,003
Staff training		6,325	6,490	6,325	19,140	9,984	2,659	31,783
Dues and subscriptions		258	258	258	774	3,252	1,295	5,321
Rent		-	-	-	-	37,474	-	37,474
Occupancy / utilities		-	-	-	-	13,774	-	13,774
Insurance, property and liability		-	-	-	-	4,000	-	4,000
Miscellaneous expense		2,177	2,990	2,225	7,392	5,664	4,343	17,399
UWW dues		-	-	-	-	18,993	-	18,993
In-kind volunteer		-	-	-	-	-	3,550	3,550
Marketing and media		2,846	9,243	2,846	14,935	380	15,146	30,461
Depreciation		-	-	-	-	12,128	-	12,128
Interest		-	-	-	-	547	-	547
Allocation of administration		41,660	62,675	38,685	143,020	(310,553)	167,533	-
Total other expenses		64,608	110,357	61,667	236,632	(108,140)	245,662	374,154
Total general support		118,858	200,762	111,716	431,336	23,224	436,128	890,688
Total expenses	**$**	**438,967**	**774,285**	**433,555**	**1,646,807**	**23,224**	**436,128**	**2,106,159**

See accompanying notes to financial statements.

UNITED WAY OF EASTERN MAINE
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash flows from operating activities:		
Change in net assets	$	20,285
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation		12,128
Change in allowance for pledges receivable		2,196
Net realized and unrealized gains on investments		(16,149)
Change in value of assets held by MCF		(107,017)
Change in value of perpetual trusts		(21,463)
Change in cash surrender value of life insurance		(536)
Loss on disposal of fixed assets		2,960
Decrease (increase) in assets:		
Accounts receivable		6,701
Pledges receivable		(38,327)
Prepaid expenses		(4,430)
Increase (decrease) in liabilities:		
Accounts payable		8,800
Allocations payable		750
Designations payable		2,846
Accrued expenses		10,629
Net cash and cash equivalents used in operating activities		(120,627)
Cash flows from investing activities:		
Purchase of property and equipment		(2,287)
Purchase of investments		(115,755)
Proceeds from sale of investments		4,364
Net cash and cash equivalents used in investing activities		(113,678)
Cash flows from financing activities:		
Principal payments on capital lease obligation		(4,227)
Net cash and cash equivalents used in financing activities		(4,227)
Net change in cash and cash equivalents		(238,532)
Cash and cash equivalents at beginning of year		402,288
Cash and cash equivalents at end of year	**$**	**163,756**
Supplemental disclosure of cash flow activity:		
Cash paid for interest	**$**	**547**
Simultaneous investing and financing activities:		
Purchase of fixed assets with issuance of capital lease		**14,512**

See accompanying notes to financial statements.

NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. To improve our community through education, income (financial stability), and health. Through these three building blocks, we see families and individuals tackle crises, turn challenges around, become self-sufficient, and strive to be better citizens and foster a safe and healthy home for everyone.

2. To serve as a catalyst for helping solve community health and human care problems through periodically assessing the need for various services, assisting in the development of human service programs, prompting preventive activities, fostering cooperation among agencies serving the community, and other similar programs and activities as may be determined by the Board of Directors.

3. To encourage collaboration and deploy financial support and volunteer resources to maximize the effectiveness of health and human service agencies and to support the Organization's work to build stronger and healthier communities.

4. To conduct a single, community-wide, fundraising campaign annually and develop as fully as possible the financial resources needed to meet the human care needs of the community.

5. To mobilize a systematic communications program that promotes community support for and commitment to the entire United Way program and which both speaks and listens to the citizens, agencies, and donors.

6. To receive by gift, grant, devise, bequest or otherwise, and from any private or public sources, personal or real property, and to hold, administer, sell, invest, reinvest, manage, use, disburse and distribute, and apply the income and/or principal of the same in accordance with the directions and intent of the donor or donors of such property, or in the absence of such directions, as the Organization may deem best from time to time, for the promotion of any or all of the foregoing purposes and objectives.

7. To engage in any other lawful activity, either alone or in cooperation with other organizations or institutions, which it may deem necessary or proper in order to carry out any or all of the foregoing objects or purposes.

Method of Accounting - The financial statements of United Way of Eastern Maine are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Presentation - The financial statement presentation follows the provisions of FASB ASC 958-605 *Revenue Recognition-Contributions,* and FASB ASC 958-205 *Presentation of Financial Statements.* Under these provisions, the Organization is required to report 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. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. As of June 30, 2018, the Organization had unrestricted, temporarily restricted, and permanently restricted net assets. Accordingly, net assets and changes therein are classified as follows.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

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

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Revenues and Expenses - Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization considers highly liquid debt instruments, other than those classified as investments, purchased with a maturity of three months or less, to be cash equivalents.

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

Donated Services - Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills and are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses. Volunteers contribute approximately 15,000 hours each year.

NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Additionally, a number of volunteers have donated their time to the Organization's activities, but these services do not meet the two recognition criteria described above. Accordingly, the value of this contribution for the year ended June 30, 2018 has not been reflected in the accompanying financial statements.

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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on internal accounting data and estimates made by management.

Equipment - Equipment is carried at cost if purchased, or fair market value at the date of gift if donated. The Organization's policy is to capitalize costs for major improvements over $1,000 and charge repairs and maintenance currently for costs that do not extend the lives of the related asset. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 10 years. Depreciation expense for the year ended June 30, 2018, was $12,128.

Income Taxes - The Organization is exempt from Federal income taxes under the provisions of the Internal Revenue Service Code as an entity described in Section 501(c)(3). The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Internal Revenue Service Code. Therefore, no provision for income taxes has been made.

The Organization follows the provisions of FASB ASC 740-10 *Income Taxes,* which clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in an entity's financial statements. It also prescribes a recognition threshold of more likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. There is no cumulative effect on the Organization's financial statements related to the following of these provisions, and no interest or penalties related to uncertain tax positions were accrued. The Organization is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended June 30, 2015 through 2018.

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

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

NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Pronouncements - During the year, the Organization adopted the provisions of the Financial Accounting Standards Board (FASB) ASU No. 2015-07*, Disclosure for Investments in Certain Entities That Calculate Net Asset Value Per Share (or its equivalent).* This pronouncement removes the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient and certain disclosure requirements. Application of this new standard was applied retrospectively to all periods presented.

In February 2016, the FASB issued ASU No. 2016-02 *Leases (Topic 842).* Under ASU 2016-02, at the commencement of a long-term lease (greater than 12 months), the lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. The ASU will be effective for the Organization on July 1, 2020, though early adoption permitted. Application of this standard must be applied using a modified retrospective transition approach for leases existing at the earliest comparative period presented in the financial statements. The Organization is currently evaluating the impact of this pending ASU on the financial statements, but does not expect significant changes as a result of its adoption.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities (Topic 958).* Under ASU 2016-14, the existing three categories of net assets (unrestricted, temporarily restricted, and permanently restricted) will be replaced with a simplified model that combines the temporarily and permanently restricted categories into a single category entitled “net assets with donor restrictions”; similarly, the current category of unrestricted net assets will be entitled “net assets without donor restrictions”. This ASU also requires certain new disclosures pertaining to board designated net assets, and qualitative information regarding the Organization’s liquid resources. In addition, expenses will be required to be reported by both functional category and their natural classification. ASU 2016-14 will be effective for the Organization beginning on July 1, 2018, with early adoption permitted. The Organization is currently evaluating the impact of this ASU on the financial statements.

CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains its cash balances at a local financial institution located in Maine. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000. The Organization has not experienced any losses in these accounts and believes that it is not exposed to any significant risk with regard to its cash or cash equivalents.

PLEDGES RECEIVABLE

Pledges receivable are presented net of allowance for uncollectible pledges, calculated based on a three-year historical average of gross campaign results adjusted by management estimates of current economic factors. Substantially all pledges are expected to be received in one year or less. The following schedule summarizes the pledges receivable at June 30, 2018:

Pledges receivable	$ 662,118
Less: allowance for uncollectible pledges	(102,294)
Pledges receivable, net	**$ 559,824**

The following schedule summarizes the results of the annual campaigns for the fiscal years ended June 30, 2018:

2017 Campaign	$ 1,627,258
Less: designations	(205,507)
Less: Uncollectible pledges	(117,361)
Net campaign results	**$ 1,304,390**

INVESTMENTS

Investments are separated into short-term and long-term categories. The Organization records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investments, at fair value, are classified in the statement of financial position as follows at June 30, 2018:

Cash and money market funds	$ 353,222
Government securities	51,708
Corporate bonds	60,287
Corporate equities	98,993
Exchange traded funds	141,163
Mutual funds	369,472
Total investments	**$ 1,074,845**

The Organization experienced realized and unrealized gains on investments of $16,149. Net investment income consisted of the following at June 30, 2018:

Interest and dividends	$ 27,343
Less: investment expenses	(4,365)
Net investment income	**$ 22,978**

BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

The Organization is a beneficiary of three perpetual trust funds created by donors. The Danforth and Whitney Trusts are held and administered by Bank of America, and the Park Trust is held and administered by Camden National Wealth Management. The Organization has legally enforceable rights and claims relating to such assets, including the sole right to income therefrom. Net realized and unrealized gains (losses) and undistributed investment income, net of trust management fees related to the beneficial interests, are reported as changes in permanently restricted net assets based on explicit donor stipulations. Distributions received during the year from the various trusts are recorded as increases in unrestricted net assets based on donor stipulations. Total distributions received from these trusts amounted to $16,036 during the year ended June 30, 2018.

The fair values of the beneficial interests of each trust at June 30, 2018 were as follows:

Danforth perpetual trust	$ 169,917
Whitney perpetual trust	151,372
Park perpetual trust	50,797
Totals	**$ 372,086**

TRANSFERS OF ASSETS TO A RECIPIENT ORGANIZATION

The Organization transfers assets to the Maine Community Foundation (recipient organization), specifying itself as the sole beneficiary. The purpose of these asset transfers is for the Maine Community Foundation to invest the assets and generate income to be distributed to the Organization under the guidelines of the agreement. Variance power was granted to the Maine Community Foundation. The Board of Directors of the Maine Community Foundation shall have the power to modify, consistent with state law, including seeking approval of the appropriate court or Attorney General, where applicable, any restriction or condition on the distribution of funds for any specified organization if, in the sole judgement of the Board, (without the necessity of the approval of any participating trustee, custodian, or agent), such restrictions or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

The aggregate amount of cumulative transfers plus related earnings recognized in the statement of financial position at June 30, 2018 was $3,241,657.

ENDOWMENT

The Maine Community Foundation (MCF) is utilized to fund the donor restricted and board designated endowment funds. At June 30, 2018, the Organization held donor-restricted endowments of $2,980,188 and Board-designated endowments of $261,469. The purpose of these endowment funds is to provide investment income and gains to further various activities of the Organization's programs. The Organization follows the provisions of FASB ASC 958-205-50-1A *Reporting Endowment Funds*. Under these provisions, the Organization is required to provide the following disclosures relating to its endowment activities.

Relevant Law - United Way of Eastern Maine conducts its activities in Bangor, Maine, and accordingly, considers itself bound by the version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") adopted by the State of Maine's legislature. In accordance with that statute, United Way of Eastern Maine has interpreted State law to require all realized and unrealized gains and losses on permanently restricted investments to be classified as temporarily restricted net assets until appropriated by the Board of Directors. Accordingly, except for explicit donor stipulations specifying reinvestment of some or all of net appreciation (depreciation), net appreciation (depreciation) on permanently restricted endowment investments is reported as increases (decreases) in temporarily restricted endowment investments until appropriated by the Board, in accordance with the donor's stipulations, if any, concerning the purposes for which ordinary income may be used.

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

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

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

ENDOWMENT, CONTINUED

The Organization's endowment balances were comprised of the following as of June 30, 2018:

	Unrestricted	Temporarily restricted	Permanently restricted	Totals
Donor-restricted endowments	$ -	629,567	2,350,621	2,980,188
Board-designated endowments	261,469	-	-	261,469
Totals	**$ 261,469**	**629,567**	**2,350,621**	**3,241,657**

Changes in the Organization's endowment balances for the year ended June 30, 2018 were as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Totals
Endowment net assets, beginning of year	$ 164,369	529,650	2,350,621	3,044,640
Contributions	90,000	-	-	90,000
Investment return:				
Investment income	13,621	211,856	-	225,477
Total investment return	13,621	211,856	-	225,477
Amounts appropriated for expenditure	(6,521)	(111,939)	-	(118,460)
Endowment net assets, end of year	**$ 261,469**	**629,567**	**2,350,621**	**3,241,657**

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

In accordance with FASB ASC 820-10 Fair Value Measurements, the Organization is required to disclose for its assets and liabilities measured at fair value on a recurring basis the inputs used to determine those fair value measurements. The guidance 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 and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are as follows:

- *Level 1*: Level 1 inputs are quoted prices in active markets for identical assets and liabilities that an entity has the ability to access at a measurement date.
- *Level 2*: Level 2 inputs are inputs other than quoted prices that are observable for the specific asset or liability, either directly or indirectly.
- *Level 3*: Level 3 inputs are unobservable inputs for the asset or liability in which little or no market activity is available for the asset or liability at the measurement date.

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

The following is a description of the valuation methodologies used for level 2 and level 3 assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

- *Corporate bonds:* Valued at the net present value of the bond's future interest payments.
- *Beneficial Interests in trusts:* Valued using readily available quoted market prices of the asset's underlying investments.

During the year, the Organization adopted the provisions of the Financial Accounting Standards Board (FASB) ASU No. 2015-07*: Disclosure for Investments in Certain Entities That Calculate Net Asset Value Per Share (or its equivalent).* This pronouncement removes the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient and certain disclosure requirements.

Beneficial interests in assets held by others are assets held by the Maine Community Foundation and are valued using the net asset value per share as a practical expedient. As such, assets held by the Maine Community Foundation are not assigned a level within the fair value hierarchy.

As discussed in the "Transfers of assets to a recipient organization" note, upon transfer of the assets to the Maine Community Foundation, variance power over the assets is granted to the Maine Community Foundation, with no opportunity for redemption, and the Organization is designated the sole beneficiary.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization's management believes its 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.

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

		Fair value measurements at 06/30/18 using:		
	Total 06/30/18	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and equivalents	$ 353,222	353,222	-	-
Government securities	51,708	51,708	-	-
Corporate bonds	60,287	-	60,287	-
Corporate equities:				
Healthcare	6,334	6,334	-	-
Technology	21,126	21,126	-	-
Communications	8,495	8,495	-	-
Financial services	15,960	15,960	-	-
Energy	9,254	9,254	-	-
Consumer defensive	17,242	17,242	-	-
Basic materials	5,729	5,729	-	-
Industrials	8,191	8,191	-	-
Consumer cyclical	2,820	2,820	-	-
Utilities	3,842	3,842	-	-
Total corporate equities	98,993	98,993	-	-
Mutual funds and ETF’s:				
Small blend	43,632	43,632	-	-
Large blend	106,435	106,435	-	-
Commodities	29,033	29,033	-	-
Bond funds	72,064	72,064	-	-
Managed allocations	85,393	85,393	-	-
Foreign markets	38,464	38,464	-	-
Convertibles	12,195	12,195	-	-
Financial services	123,419	123,419	-	-
Total mutual funds and ETF’s	510,635	510,635	-	-
Beneficial interest in trusts	372,086	-	-	372,086
Total	$ 1,446,931	1,014,558	60,287	372,086
Interest in assets held by MCF	3,241,657			
Totals	**$ 4,688,589**			

Transfers between asset levels are recognized on the actual date of the event, or change in circumstances, that caused the transfer. There were no such transfers between levels during the year ended June 30, 2018.

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

A reconciliation of fair value measurements using significant unobservable inputs (Level 3) is provided as follows for the year ended June 30, 2018:

Beneficial interests in trusts	
Opening balance	$ 350,623
Change in value of perpetual trusts	21,463
Ending balance	**$ 372,086**

EQUIPMENT, NET

Equipment consisted of the following at June 30, 2018:

Office furniture and equipment	$ 123,505
Less: accumulated depreciation	(95,095)
Total equipment, net	**$ 28,410**

OBLIGATION UNDER OPERATING LEASE

In 2015, the Organization entered into a five year operating lease effective July 2015 for its main corporate office in Bangor. The lease calls for monthly payments of $2,417, for the term of the lease, plus a portion of the annual property taxes. Upon expiration of the original lease term on July 1, 2020, the Organization shall have the option to extend the lease for an additional five year term, including monthly payments of $2,779. Total lease expense for the year ended June 30, 2018 was $29,000. The following is a schedule of the future minimum lease payments at June 30, 2018:

Year ended total:	
2019	$ 29,000
2020	29,000
Total	**$ 58,000**

OBLIGATION UNDER CAPITAL LEASE

During 2018, the Organization secured the use of certain office equipment under the terms of a capital lease. The cost basis of equipment thus capitalized amounted to $14,512, at June 30, 2018. Accumulated depreciation amounted to $1,693 at June 30, 2018. Future minimum required payments under this lease are as follows at June 30, 2018:

Year ended Total:	
2019	$ 3,213
2020	3,213
2021	3,213
2022	3,213
2023	1,338
Subtotal	14,190
Less amounts representing interest	(1,203)
Principal balance	**$ 12,987**

LINE OF CREDIT

The Organization has an available $75,000 bank line of credit. The agreement is renewed annually. There was no outstanding balance on the line of credit at June 30, 2018.

RETIREMENT PLAN

The Organization offers a Tax Deferred Annuity Plan under section 403(b) of the Internal Revenue Code. Employees may elect to defer a portion of their compensation, and the Organization will make matching contributions equal to 50% of the salary reduction amount the employee is contributing during the plan year, up to a max of 8% of the employees compensation received during the plan year. In addition, the Plan provides for discretionary contributions by the Organization. This plan is available to all employees who have been employed for a year or more. There is a three year vesting period before benefits become non-forfeitable. The Organization's contribution to the Plan for the year ended June 30, 2018 was $10,501.

COMMITMENT

In May 2017, the Organization made a two-year commitment to fund certain programs of its member agencies. Amounts committed for the period of July 1, 2018 through December 31, 2018 were based on the 2017 campaign results and have been recorded as a liability of $398,411 in these financial statements. The remaining commitment of $398,411 has not been recorded because it is contingent upon the future campaign results, members' compliance with the United Way guidelines, and continued success of the community agencies' programs.

RELATED PARTY TRANSACTIONS

The Organization received marketing services from a company owned by a member of the Board of Directors. Amounts paid for these services approximated $36,000, and an additional $9,400 of marketing services was provided as an in-kind donation.

NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restriction consisted of the following at June 30, 2018:

Campaign time restriction	$ 1,284,319
Satisfaction of purpose restrictions	556,447
Total net assets released from restrictions	**$ 1,840,766**

PRIOR-PERIOD ADJUSTMENT

In prior years, the Organization received a donation in the form of being named the beneficiary of a life insurance policy of a donor. Upon recognition of this gift, the Organization recorded the value of the policy; including the death benefit as contribution income and a related receivable. The value of the life insurance policy was subsequently restated each year based on the increase or decrease in the value of the policy, including the cash surrender value of the policy. However, under current Generally Accepted Accounting Principles (GAAP), it is not appropriate to recognize the death benefit of a life insurance policy before the actual death of the insured. The amount that can be recorded as an asset is the amount that can be realized at the statement of financial position date, which is the policy's cash surrender value. Given that the Organization has recognized both the cash surrender value and the death benefit of the life insurance policy as an asset in prior years, a prior-period adjustment has been recorded in the amount of $50,250. This prior-period adjustment removes the recognition of the death benefit as an asset and related revenue as included in beginning of year net assets. The remaining asset represents the policy's cash surrender value and is reflected as such on the statement of financial position.

SUBSEQUENT EVENTS

In accordance with FASB ASC 855-10 *Subsequent Events,* management has evaluated subsequent events for possible recognition or disclosure through November 19, 2018, which is the date these financial statements were available to be issued.