

**GIVE. ADVOCATE. VOLUNTEER.**



**United Way of Eastern Maine**

**FINANCIAL STATEMENTS**

**June 30, 2019**

**(With comparative totals for June 30, 2018)**

**UNITED WAY OF EASTERN MAINE**  
**Financial Statements**  
**Year Ended June 30, 2019**  
**(With comparative totals for the year ended June 30, 2018)**

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## 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, 2019, 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 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 of Eastern Maine as of June 30, 2019, 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.

**Change in Accounting Principle**

As discussed in *Change in Accounting Principle* footnote, in 2019 United Way of Eastern Maine adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

**Report on Summarized Comparative Information**

We have previously audited United Way of Eastern Maine's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2018. 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.

A handwritten signature in black ink, reading "Ryan Weston Ouellette". The signature is written in a cursive style with a large initial 'R'.

December 30, 2019  
South Portland, Maine

**UNITED WAY OF EASTERN MAINE**  
**Statements of Financial Position**  
**June 30, 2019**  
**(With comparative totals for June 30, 2018)**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 410,865	163,756
Pledges receivable, net	495,898	559,824
Other receivables	44,040	25,784
Prepaid expenses	30,859	22,281
Investments	781,331	1,074,845
Equipment, net	23,931	28,410
Cash surrender value of life insurance	6,974	6,600
Beneficial interest in perpetual trusts	369,017	372,086
Beneficial interest in assets held by Maine Community Foundation (MCF)	3,250,555	3,241,657
<b>Total assets</b>	<b>\$ 5,413,470</b>	<b>5,495,243</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 26,231	19,125
Allocations payable	350,135	398,411
Designations payable	174,210	154,721
Accrued expenses	24,419	29,875
Capital lease obligation	10,244	12,987
Deferred revenue	1,000	-
<b>Total liabilities</b>	<b>586,239</b>	<b>615,119</b>
<b>NET ASSETS</b>		
Without donor restrictions:		
Designated for:		
Charles F. Bragg 2nd Society Fund	188,508	261,469
Stabilization reserve	680,641	647,356
Future allocations and community investments	124,657	179,306
Undesignated	50,239	67,252
<b>Total net assets without donor restrictions</b>	<b>1,044,045</b>	<b>1,155,383</b>
With donor restrictions:		
Campaign contributions for future periods and funds restricted for purpose	427,122	370,967
Other contributions for future periods	1,500	1,500
Charles F. Bragg 2nd Society fund unappropriated appreciation	634,926	629,567
Beneficial interests in perpetual trust funds	369,017	372,086
Charles F. Bragg 2nd Society fund, corpus	2,350,621	2,350,621
<b>Total net assets with donor restrictions</b>	<b>3,783,186</b>	<b>3,724,741</b>
<b>Total net assets</b>	<b>4,827,231</b>	<b>4,880,124</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,413,470</b>	<b>5,495,243</b>

*See independent auditor's report and accompanying notes to financial statements.*

**UNITED WAY OF EASTERN MAINE**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**  
**(With comparative totals for the year ended June 30, 2018)**

	2019			2018 Totals
	Without donor restrictions	With donor restrictions	Total	
<b>Public Support and revenues:</b>				
Gross campaign results	\$ -	1,661,379	1,661,379	1,627,258
Less: donor designations	-	(255,829)	(255,829)	(205,507)
Less: provision for uncollectibles	-	(150,411)	(150,411)	(117,361)
Net campaign revenue	-	1,255,139	1,255,139	1,304,390
Government grants	-	19,749	19,749	9,275
Special events, net of expenses of \$36,721 and \$70,975 in 2019 and 2018, respectively	4,149	-	4,149	(22,246)
Other contributions, grants, and bequests	-	95,187	95,187	137,853
In-kind revenues	-	342,180	342,180	366,039
<b>Total public support and revenues</b>	<b>4,149</b>	<b>1,712,255</b>	<b>1,716,404</b>	<b>1,795,311</b>
<b>Revenues, gains and other support:</b>				
Service fees	29,611	-	29,611	28,780
Perpetual trust beneficiary income	15,150	-	15,150	16,036
Endowment income distributed	125,110	-	125,110	118,460
Investment income, net	27,189	-	27,189	22,978
Realized and unrealized gain on investments	12,060	-	12,060	16,149
Change in value of assets held by MCF	538	5,360	5,898	107,017
Change in value of perpetual trusts	-	(3,069)	(3,069)	21,463
Other income	1,598	-	1,598	1,852
Loss on disposal of assets	-	-	-	(1,602)
Net assets released from restrictions	1,656,101	(1,656,101)	-	-
<b>Total revenues, gains and other support</b>	<b>1,867,357</b>	<b>(1,653,810)</b>	<b>213,547</b>	<b>331,133</b>
<b>Total revenues</b>	<b>1,871,506</b>	<b>58,445</b>	<b>1,929,951</b>	<b>2,126,444</b>
<b>Expenses:</b>				
Program services	1,554,025	-	1,554,025	1,646,807
Management and general	30,802	-	30,802	23,224
Fundraising	398,017	-	398,017	436,128
<b>Total expenses</b>	<b>1,982,844</b>	<b>-</b>	<b>1,982,844</b>	<b>2,106,159</b>
Changes in net assets	(111,338)	58,445	(52,893)	20,285
Net assets, beginning of year	1,155,383	3,724,741	4,880,124	4,859,839
<b>Net assets, end of year</b>	<b>\$ 1,044,045</b>	<b>3,783,186</b>	<b>4,827,231</b>	<b>4,880,124</b>

*See independent auditor's report and accompanying notes to financial statements.*

**UNITED WAY OF EASTERN MAINE**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2019**  
**(With comparative totals for the year ended June 30, 2018)**

	2019							2018 Totals
	Program services				Supporting services			
	Education	Income	Health	Total Programs	Management and general	Fundraising	Totals	
Member Agencies:								
Gross funds awarded/distributed	\$ 245,174	463,227	293,333	1,001,734	-	-	1,001,734	1,001,116
Less: donor designations	(62,614)	(118,302)	(74,913)	(255,829)	-	-	(255,829)	(205,507)
Net funds awarded/distributed	182,560	344,925	218,420	745,905	-	-	745,905	795,609
Other agency amounts:								
In-kind	-	335,808	-	335,808	-	-	335,808	352,923
Other amounts	-	2,709	9,500	12,209	-	-	12,209	66,939
Total other agency	-	338,517	9,500	348,017	-	-	348,017	419,862
General Support:								
Salaries and wages	56,553	68,227	48,163	172,943	108,200	144,253	425,396	411,771
Benefits	9,857	11,891	8,394	30,142	18,858	25,142	74,142	69,767
Payroll taxes	4,563	5,505	3,886	13,954	8,730	11,639	34,323	34,996
Total salaries and benefits	70,973	85,623	60,443	217,039	135,788	181,034	533,861	516,534
Professional fees	16,532	6,454	3,617	26,603	82,116	36,950	145,669	157,999
Bank and credit card fees	32	32	32	96	2,079	1,899	4,074	3,788
Office supplies	1,016	1,282	417	2,715	7,867	173	10,755	14,695
Telephone and internet	-	-	-	-	8,405	-	8,405	3,698
Postage	35	142	34	211	437	1,384	2,032	5,625
Volunteer/agency meetings	430	1,016	181	1,627	1,534	714	3,875	5,916
Staff travel	1,369	2,232	1,223	4,824	1,031	2,837	8,692	7,003
Staff training	5,821	5,502	5,546	16,869	5,880	1,707	24,456	31,783
Dues and subscriptions	144	144	144	432	1,473	623	2,528	5,321
Rent	-	-	-	-	35,241	-	35,241	37,474
Occupancy / utilities	599	-	-	599	19,588	-	20,187	13,774
Insurance, property and liability	-	-	-	-	4,774	648	5,422	4,000
Miscellaneous expense	1,719	1,794	1,652	5,165	9,885	8,086	23,136	17,399
UWW dues	-	-	-	-	18,865	-	18,865	18,993
In-kind volunteer	-	-	-	-	-	-	-	3,550
Marketing and media	5,476	4,103	3,037	12,616	35	19,635	32,286	30,461
Depreciation	-	-	-	-	8,880	-	8,880	12,128
Interest	-	-	-	-	558	-	558	547
Allocation of administration	47,650	80,615	43,042	171,307	(313,634)	142,327	-	-
Total other expenses	80,823	103,316	58,925	243,064	(104,986)	216,983	355,061	374,154
Total general support	151,796	188,939	119,368	460,103	30,802	398,017	888,922	890,688
<b>Total expenses</b>	<b>\$ 334,356</b>	<b>872,381</b>	<b>347,288</b>	<b>1,554,025</b>	<b>30,802</b>	<b>398,017</b>	<b>1,982,844</b>	<b>2,106,159</b>

*See independent auditor's report and accompanying notes to financial statements.*

**UNITED WAY OF EASTERN MAINE**  
**Statements of Cash Flows**  
**For the Year Ended June 30, 2019**  
**(With comparative totals for the year ended June 30, 2018)**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (52,893)	20,285
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	8,880	12,128
Change in allowance for pledges receivable	138	2,196
Net realized and unrealized gains on investments	(12,060)	(16,149)
Change in value of assets held by MCF	(5,898)	(107,017)
Change in value of perpetual trusts	3,069	(21,463)
Change in cash surrender value of life insurance	(374)	(536)
Loss on disposal of fixed assets	-	2,960
Decrease (increase) in assets:		
Accounts receivable	(18,256)	6,701
Pledges receivable	63,788	(38,327)
Prepaid expenses	(8,578)	(4,430)
Increase (decrease) in liabilities:		
Accounts payable	7,106	8,800
Allocations payable	(48,276)	750
Designations payable	19,489	2,846
Accrued expenses	(5,456)	10,629
Deferred revenue	1,000	-
Net cash and cash equivalents used in operating activities	(48,321)	(120,627)
Cash flows from investing activities:		
Purchase of property and equipment	(4,400)	(2,287)
Purchase of investments	(29,427)	(115,755)
Proceeds from sale of investments	332,000	4,364
Net cash and cash equivalents provided by (used in) investing activities	298,173	(113,678)
Cash flows from financing activities:		
Principal payments on capital lease obligation	(2,743)	(4,227)
Net cash and cash equivalents used in financing activities	(2,743)	(4,227)
Net change in cash and cash equivalents	247,109	(238,532)
Cash and cash equivalents at beginning of year	163,756	402,288
<b>Cash and cash equivalents at end of year</b>	<b>\$ 410,865</b>	<b>163,756</b>
Supplemental disclosure of cash flow activity:		
Cash paid for interest	\$ 557	547
Simultaneous investing and financing activities:		
Purchase of fixed assets with issuance of capital lease	-	14,512

*See independent auditor's report and accompanying notes to financial statements.*

**UNITED WAY OF EASTERN MAINE**  
**Notes to Financial Statements**  
**June 30, 2019**

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NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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**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.

**Basis 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).

**Change in Accounting Principle** - During the year, the Organization adopted the provisions of FASB Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

**UNITED WAY OF EASTERN MAINE**  
**Notes to Financial Statements, Continued**  
**June 30, 2019**

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**NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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*. In accordance with these provisions, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a stabilization reserve, future allocations and community investments, and a board-designated endowment fund.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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, net assets with donor restrictions that are temporary in nature are reclassified to net assets without donor restrictions, 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.

**Comparative Financial 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

**Revenues and Expenses** - Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions that are temporary in nature 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.

**UNITED WAY OF EASTERN MAINE**  
**Notes to Financial Statements, Continued**  
**June 30, 2019**

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NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**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.

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 years ended June 30, 2019 and 2018 has not been reflected in the accompanying financial statements. Total hours donated by volunteers approximated 15,000 each year.

**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 years ended June 30, 2019 and 2018 totaled \$8,880 and \$12,128, respectively.

**Income Taxes** - The Organization qualifies as an exempt charitable organization under Section 501(c)(3) of the Internal Revenue Service Code and is exempt from income or excise taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1) of the Code.

Accounting principles generally accepted in the United States of America requires management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service and state taxing authorities. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**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.

**UNITED WAY OF EASTERN MAINE**  
**Notes to Financial Statements, Continued**  
**June 30, 2019**

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NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**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.

**Recent Accounting Pronouncements** - 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. Recently, the FASB issued a proposed accounting standards update No. 2019-750, which if passed, would delay the implementation date of ASU 2016-02 for one year. The revised effective date for the Organization would be July 1, 2021, according to ASU No. 2019-750. The Organization is currently evaluating the impact of this pending ASU on the financial statements.

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

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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. At June 30, 2019, the Organization's cash and cash equivalents exceeded federally insured limits by \$140,510. There were no such uninsured cash balances at June 30, 2018. 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.

**UNITED WAY OF EASTERN MAINE**  
**Notes to Financial Statements, Continued**  
**June 30, 2019**

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**PLEDGES RECEIVABLE**

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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 net pledges receivable at June 30:

	<u>2019</u>	<u>2018</u>
Pledges receivable	\$ 598,055	662,118
Less: allowance for uncollectible pledges	(102,157)	(102,294)
<b><u>Pledges receivable, net</u></b>	<b><u>\$ 495,898</u></b>	<b><u>559,824</u></b>

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

	<u>2019</u>	<u>2018</u>
2017 Campaign	\$ -	1,627,258
2018 Campaign	1,661,379	-
Total campaign results	1,661,379	1,627,258
Less: designations	(255,829)	(205,507)
Less: Uncollectible pledges	(150,411)	(117,361)
<b><u>Net campaign results</u></b>	<b><u>\$ 1,255,139</u></b>	<b><u>1,304,390</u></b>

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**INVESTMENTS**

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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:

	<u>2019</u>	<u>2018</u>
Cash and money market funds	\$ 65,720	353,222
Government securities	26,000	51,708
Certificates of deposit	10,027	-
Corporate bonds	40,667	60,287
Corporate equities	109,478	98,993
Exchange traded funds	162,398	141,163
Mutual funds	367,041	369,472
<b><u>Total investments</u></b>	<b><u>\$ 781,331</u></b>	<b><u>1,074,845</u></b>

**UNITED WAY OF EASTERN MAINE**  
**Notes to Financial Statements, Continued**  
**June 30, 2019**

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**BENEFICIAL INTERESTS IN PERPETUAL TRUSTS**

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The Organization is a beneficiary of three perpetual irrevocable trusts held and administered by independent trustees. Under the terms of the trusts, the Organization has legally enforceable rights and claims relating to such assets, including the sole right to income earned on the trust assets in perpetuity. The fair value of the beneficial interest in a trust is recognized as an asset and as a contribution with donor restrictions at the date the trust is established. The Organization's estimate of fair value at each reporting date is based on fair value information about the trust's assets received from the trustees. 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 net assets with donor restrictions that are permanent in nature based on explicit donor stipulations. Distributions received during the year from the various trusts are recorded as increases in net assets without donor restrictions based on donor stipulations. The fair values of the beneficial interests in perpetual trusts amounted to \$369,017 and \$372,086 at June 30, 2019 and 2018, respectively. Total distributions received from these trusts amounted to \$15,150 and \$16,036 during the years ended June 30, 2019 and 2018, respectively.

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**TRANSFERS OF ASSETS TO A RECIPIENT ORGANIZATION**

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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, 2019 and 2018, was \$3,250,555 and \$3,241,657, respectively.

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**ENDOWMENT**

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The Maine Community Foundation (MCF) is utilized to fund the donor restricted and board designated endowment funds. At June 30, 2019 and 2018, the Organization held donor-restricted endowments of \$2,985,547 and \$2,980,188 and Board-designated endowments of \$188,508 and \$261,469, respectively. 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 this guidance, the Organization is required to classify and report net assets associated with endowment funds, including those designated by the Board of Directors to function as endowments, based on the existence or absence of donor-imposed restrictions. The Organization is also required to provide the following disclosures relating to its endowment activities.

**Interpretation of 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, the Organization has interpreted State law to require all net investment income on investments with donor-imposed restrictions that are perpetual in nature to be restricted until appropriated by the Board of Directors. Accordingly, except

**UNITED WAY OF EASTERN MAINE**  
**Notes to Financial Statements, Continued**  
**June 30, 2019**

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ENDOWMENT, CONTINUED

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for explicit donor stipulations specifying reinvestment of some or all of net investment income on investments with donor-imposed restrictions that are perpetual in nature is available for appropriation and is reported as increases (decreases) in net assets with donor restrictions, in accordance with the donor's stipulations, if any, concerning the purposes for which ordinary income may be used.

Absent explicit donor stipulations to the contrary, the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual 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 retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) purposes of the Organization and the donor-restricted endowment fund, (3) general economic conditions, (4) possible effects of inflation and deflation, (5) expected total return from income and the appreciation of investments, (6) other resources of the Organization, (7) the Organization's investment policies.

**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. Over the long term, the Organization expects its current spending policy to allow its endowments to grow.

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). For endowed funds that are below their historic gift value, spending is reduced to 2.5% to allow the funds to recover the amount below the historic gift value.

**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.

**UNITED WAY OF EASTERN MAINE**  
**Notes to Financial Statements, Continued**  
**June 30, 2019**

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**ENDOWMENT, CONTINUED**

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The Organization's endowment balances were comprised of the following at June 30, 2019:

	<b><u>Without donor restrictions</u></b>	<b><u>With donor restrictions</u></b>	<b><u>Totals</u></b>
Board-designated	\$ 188,508	-	188,508
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	2,350,621	2,350,621
Accumulated investment gains	-	634,926	634,926
<b>Totals</b>	<b>\$ 188,508</b>	<b>2,985,547</b>	<b>3,174,055</b>

The changes in the Organization's endowment balances for the year ended June 30, 2019 were as follows:

	<b><u>Without donor restrictions</u></b>	<b><u>With donor restrictions</u></b>	<b><u>Totals</u></b>
Endowment net assets, beginning of year	\$ 261,469	2,980,188	3,241,657
Contributions	3,000	-	3,000
Investment return, net	10,659	120,349	131,008
Amounts appropriated for expenditure	(86,620)	(114,990)	(201,610)
<b>Endowment net assets, end of year</b>	<b>\$ 188,508</b>	<b>2,985,547</b>	<b>3,174,055</b>

**UNITED WAY OF EASTERN MAINE**  
**Notes to Financial Statements, Continued**  
**June 30, 2019**

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ENDOWMENT, CONTINUED

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

	<b><u>Without donor restrictions</u></b>	<b><u>With donor restrictions</u></b>	<b><u>Totals</u></b>
Board-designated	\$ 261,469	-	261,469
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	2,350,621	2,350,621
Accumulated investment gains	-	629,567	629,567
<b>Totals</b>	<b>\$ 261,469</b>	<b>2,980,188</b>	<b>3,241,657</b>

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

	<b><u>Without donor restrictions</u></b>	<b><u>With donor restrictions</u></b>	<b><u>Totals</u></b>
Endowment net assets, beginning of year	\$ 164,369	2,880,271	3,044,640
Contributions	90,000	-	90,000
Investment return, net	13,621	211,856	225,477
Amounts appropriated for expenditure	(6,521)	(111,939)	(118,460)
<b>Endowment net assets, end of year</b>	<b>\$ 261,469</b>	<b>2,980,188</b>	<b>3,241,657</b>

**UNITED WAY OF EASTERN MAINE**  
**Notes to Financial Statements, Continued**  
**June 30, 2019**

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**ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS**

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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.

The following is a description of the valuation methodologies used for level 2 assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 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.

The Organization follows 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.

**UNITED WAY OF EASTERN MAINE**  
**Notes to Financial Statements, Continued**  
**June 30, 2019**

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**ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED**

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Fair value measurements at 06/30/19 using:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and equivalents	\$ 65,720	65,720	-
Government securities	26,000	26,000	-
Certificates of deposit	10,027	10,027	-
Corporate bonds	40,667	-	40,667
Corporate equities:			
Healthcare	3,206	3,206	-
Technology	24,782	24,782	-
Communications	10,169	10,169	-
Financial services	17,976	17,976	-
Energy	11,007	11,007	-
Consumer defensive	17,997	17,997	-
Basic materials	6,243	6,243	-
Industrials	9,650	9,650	-
Consumer cyclical	3,738	3,738	-
Utilities	4,710	4,710	-
Total corporate equities	109,478	109,478	-
Mutual funds and ETF's:			
Small blend	48,689	48,689	-
Large blend	132,241	132,241	-
Commodities	24,376	24,376	-
Bond funds	85,476	85,476	-
Managed allocations	101,641	101,641	-
Foreign markets	43,177	43,177	-
Convertibles	13,217	13,217	-
Financial services	69,085	69,085	-
Real estate	11,537	11,537	-
Total mutual funds and ETF's	529,439	529,439	-
Beneficial interest in trusts	369,017	-	369,017
Total	<u>\$ 1,150,348</u>	<u>740,664</u>	<u>409,684</u>
Interest in assets held by MCF	<u>3,250,555</u>		
<b>Totals</b>	<b><u>\$ 4,400,903</u></b>		

**UNITED WAY OF EASTERN MAINE**  
**Notes to Financial Statements, Continued**  
**June 30, 2019**

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**ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED**

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Fair value measurements at 06/30/18 using:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
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
<b>Total</b>	<b>\$ 1,446,931</b>	<b>1,014,558</b>	<b>432,373</b>
Interest in assets held by MCF	3,241,657		
<b>Totals</b>	<b>\$ 4,688,588</b>		

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, 2019.

**UNITED WAY OF EASTERN MAINE**  
**Notes to Financial Statements, Continued**  
**June 30, 2019**

**EQUIPMENT, NET**

Equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Office furniture and equipment	\$ 127,905	123,505
Less: accumulated depreciation	(103,974)	(95,095)
<b><u>Total equipment, net</u></b>	<b><u>\$ 23,931</u></b>	<b><u>28,410</u></b>

**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 years ended June 30, 2019 and 2018 was \$29,000 for both years, respectively. The following is a schedule of the future minimum lease payments at June 30, 2019:

Year ended total:	
2020	\$ 29,000
<b><u>Total</u></b>	<b><u>\$ 29,000</u></b>

**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, 2019 and 2018, respectively. Accumulated depreciation amounted to (\$4,595) and (\$1,693) at June 30, 2019 and 2018, respectively. Future minimum required payments under this lease are as follows at June 30, 2019:

Year ended Total:	
2020	\$ 3,213
2021	3,213
2022	3,213
2023	1,338
2024	-
Subtotal	10,977
Less amounts representing interest	(733)
<b><u>Principal balance</u></b>	<b><u>\$ 10,244</u></b>

**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, 2019.

**UNITED WAY OF EASTERN MAINE**  
**Notes to Financial Statements, Continued**  
**June 30, 2019**

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**RETIREMENT PLAN**

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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 years ended June 30, 2019 and 2018 was \$9,418 and \$10,501, respectively.

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**COMMITMENT**

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In May 2018, the Organization made a two-year commitment to fund certain programs of its member agencies. Amounts committed for the period of July 1, 2019 through December 31, 2019 were based on the 2018 campaign results and have been recorded as a liability of \$350,135 in these financial statements. The remaining commitment of \$350,135 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.

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**RELATED PARTY TRANSACTIONS**

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The Organization received marketing services from a company owned by a member of the Board of Directors. Amounts paid for these services during the years ended June 30, 2019 and 2018, approximated \$33,000 and \$36,000, respectively. Additional marketing services were provided as in-kind donations in the amount of \$6,400 and \$9,400 during the years ended June 30, 2019 and 2018, respectively.

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**NET ASSETS RELEASED FROM RESTRICTIONS**

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

	<u>2019</u>	<u>2018</u>
Campaign time restriction	\$ 1,094,642	1,284,319
<u>Satisfaction of purpose restrictions</u>	<u>561,459</u>	<u>556,447</u>
<b><u>Total net assets released from restrictions</u></b>	<b><u>\$ 1,656,101</u></b>	<b><u>1,840,766</u></b>

**UNITED WAY OF EASTERN MAINE**  
**Notes to Financial Statements, Continued**  
**June 30, 2019**

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**LIQUIDITY AND AVAILABILITY OF RESOURCES**

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The Organization has the following financial assets available within one year of the balance sheet date to meet cash needs for general expenditure:

Cash and cash equivalents	\$ 410,865
Accounts receivable, net	44,040
Short-term investments	<u>781,331</u>
<b>Total</b>	<b><u>\$ 1,236,236</u></b>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Organization's endowment funds consist of donor-restricted endowments and board-designated quasi-endowment. As described in the "Endowment" footnote, the Organization's Board of Trustees has adopted and endowment spending policy under which, an amount equal to 4% of the market value of the fund based on a rolling three-year average of the fund's calendar year-end market value, shall be available to the Organization each year.

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in the "Lines of Credit" note, the Organization has one committed line of credit in the amount of \$75,000 which it could draw upon in the event of an unanticipated liquidity need. Additionally, although the Organization does not intend to spend from its quasi-endowment fund other than amounts appropriated for general expenditure as part of its annual distribution, amounts from its quasi-endowment funds could be made available if such a request was granted by the Board of Directors of the Maine Community Foundation.

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**METHOD USED FOR ALLOCATION OF EXPENSES**

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The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Those expenses include administrative salaries and wages, employee benefits and payroll taxes, and indirect operating expenses. Each month the total administrative costs is allocated based on a percentage of employee time for each program or supporting functions versus the overall time for all employees.

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**SUBSEQUENT EVENTS**

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In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through December 30, 2019, which is the date these financial statements were available to be issued.