UNITED WAY OF PIONEER VALLEY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR JUNE 30, 2017

UNITED WAY OF PIONEER VALLEY, INC.
FINANCIAL STATEMENTS

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MeyersBrothersKalicka, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS STRATEGISTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United Way of Pioneer Valley, Inc.

We have audited the accompanying financial statements of United Way of Pioneer Valley, Inc. (the "United Way") (a nonprofit "Organization"), which comprise the statement of financial position as of June 30, 2018, and the related statements 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.

Auditors' 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 auditors' 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 Organization'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 Organization'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Pioneer Valley, Inc. 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2019, on our consideration of United Way of Pioneer Valley, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of Pioneer Valley, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the United Way of Pioneer Valley Inc.'s financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Meyers Brothers Kalicka, P.C.

Holyoke, Massachusetts
February 1, 2019

UNITED WAY OF PIONEER VALLEY, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR 2017

	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Assets					
Cash and cash equivalents	$ 587,024	$ 377,104	$ -	$ 964,128	$ 797,412
Restricted cash - donor choice	73,370	-	-	73,370	129,507
Prepaid expenses	13,205	-	-	13,205	13,205
Grants and other receivables	131,962	-	-	131,962	1,762
Contributions receivable, net	598,161	-	-	598,161	767,574
Investments	3,108,497	-	82,699	3,191,196	3,156,916
Leasehold improvements and equipment, net	91,049	-	-	91,049	112,491
Investments held at Community Foundation	-	98,043	-	98,043	95,278
Beneficial interest in perpetual trusts	-	-	1,311,256	1,311,256	1,265,109
Total assets	$ 4,603,268	$ 475,147	$ 1,393,955	$ 6,472,370	$ 6,339,254
Liabilities					
Borrowings under line of credit	$ 200,000	$ -	$ -	$ 200,000	$ -
Accounts payable and accrued liabilities	120,101	-	-	120,101	29,708
Community designations payable	899,000	-	-	899,000	1,054,000
Agency distributions payable	73,370	-	-	73,370	129,507
Grants payable	52,500	-	-	52,500	80,065
Accrued compensation and related liabilities	65,766	-	-	65,766	66,692
Deferred revenue	9,000	-	-	9,000	28,965
Total liabilities	1,419,737	-	-	1,419,737	1,388,937
Net assets					
Unrestricted					
Board designated	1,156,536	-	-	1,156,536	1,315,462
Unrestricted	2,026,995	-	-	2,026,995	1,722,234
Temporarily restricted	-	475,147	-	475,147	564,813
Permanently restricted	-	-	1,393,955	1,393,955	1,347,808
Total net assets	3,183,531	475,147	1,393,955	5,052,633	4,950,317
Total liabilities and net assets	$ 4,603,268	$ 475,147	$ 1,393,955	$ 6,472,370	$ 6,339,254

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF PIONEER VALLEY, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR 2017

	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Campaign revenues and other support					
Current year campaign contributions					
Total campaign amounts raised	$ 1,742,025	$ -	$ -	$ 1,742,025	$ 2,050,866
Less: donor designations	(164,228)	-	-	(164,228)	(268,778)
Less: provision for uncollectible pledges	(139,362)	-	-	(139,362)	(157,689)
Net current year contributions	1,438,435	-	-	1,438,435	1,624,399
Investment income	70,417	-	-	70,417	45,515
Administration fees	34,439	-	-	34,439	32,020
Grant and other income	152,135	265,845	-	417,980	375,048
Program/event revenue	241,623	12,907	-	254,530	172,101
In-kind support	111,208	-	-	111,208	76,908
Net assets released from restrictions	371,183	(371,183)	-	-	-
Total campaign revenues and other support	2,419,440	(92,431)	-	2,327,009	2,325,991
Program services and other expenses					
Community services	1,143,485	-	-	1,143,485	1,545,096
Special programs and supporting services					
Springfield Unity Chorus	-	-	-	-	17,544
Western Massachusetts Network to End Homelessness	139,108	-	-	139,108	60,874
Holyoke Early Learning	-	-	-	-	33,852
Healing Racism Institute of Pioneer Valley	202,361	-	-	202,361	177,019
Stay in School	45,643	-	-	45,643	34,705
Women's Leadership Council	92,320	-	-	92,320	25,552
Financial Success Center	195,802	-	-	195,802	160,795
Forever Dunbar	8,751	-		8,751	20,719
Management and general	216,480	-	-	216,480	536,089
Fundraising	412,655	-	-	412,655	419,639
Total agency and supporting services	1,313,120	-	-	1,313,120	1,486,788
Total expenses	2,456,605	-	-	2,456,605	3,031,884
Changes in net assets from operations	(37,165)	(92,431)	-	(129,596)	(705,893)
Other changes					
Realized and unrealized gain on investments	183,000	2,765	-	185,765	318,876
Change in value of split interest agreements	-	-	46,147	46,147	76,188
Total other changes	183,000	2,765	46,147	231,912	395,064
Change in net assets	145,835	(89,666)	46,147	102,316	(310,829)
Net assets, beginning of year	3,037,696	564,813	1,347,808	4,950,317	5,261,146
Net assets, end of year	$ 3,183,531	$ 475,147	$ 1,393,955	$ 5,052,633	$ 4,950,317

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF PIONEER VALLEY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	Program Services							Supporting Services		Total	
	Community Services	Western Massachusetts Network to End Homelessness	Healing Racism Institute of Pioneer Valley	Stay in School	Women's Leadership Council	Financial Success Center	Forever Dunbar	Management and General	Fund Raising	2018	2017
Community impact grants to organizations	$ 671,500	$ 104,416	$ -	$ -	$ 7,500	$ 75,000	$ -	$ -	$ -	$ 858,416	$ 1,054,000
Salaries	177,952	17,512	103,300	32,111	59,753	81,566	-	73,760	227,175	773,129	825,144
Employee health and retirement benefits	18,428	1,858	10,960	3,407	6,340	8,654	-	7,826	24,105	81,578	116,849
Payroll taxes	19,900	1,969	11,616	3,611	6,719	9,172	-	8,294	25,546	86,827	82,655
Total salaries and related expenses	216,280	21,339	125,876	39,129	72,812	99,392	-	89,880	276,826	941,534	1,024,648
Occupancy costs	30,166	2,368	2,046	2,046	2,046	2,868	2,046	24,552	23,781	91,919	96,855
Telephone	4,563	385	886	385	385	525	385	4,621	4,001	16,136	25,211
Membership and dues	16,705	979	2,251	979	979	1,333	979	11,737	10,158	46,100	44,637
Bank and grant fees	15,005	1,313	3,020	1,313	1,313	1,788	1,313	15,747	13,628	54,440	38,722
Postage and office supplies	5,713	483	1,112	483	483	658	483	5,795	5,015	20,225	12,687
Automobile expense	485	536	1,235	85	1	627	-	120	4,986	8,075	10,318
Insurance	4,489	349	804	349	349	476	349	4,191	3,627	14,983	17,536
Repairs and maintenance	2,744	-	-	-	-	-	-	1,990	2,828	7,562	9,517
Community training and meetings	7,271	167	29,789	-	2,879	74	-	3,500	6,417	50,097	50,664
Professional services	24,173	5,899	30,755	-	1,742	-	2,322	46,624	24,772	136,287	350,906
Publicity and promotion	20,116	-	3,275	-	957	12,187	-	-	29,210	65,745	70,719
In-kind (Note 2)	111,208	-	-	-	-	-	-	-	-	111,208	76,908
Interest	2,421	-	-	-	-	-	-	-	-	2,421	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	115,355
	245,059	12,479	75,173	5,640	11,134	20,536	7,877	118,877	128,423	625,198	920,035
Total expenses before depreciation	1,132,839	138,234	201,049	44,769	91,446	194,928	7,877	208,757	405,249	2,425,148	2,998,683
Depreciation	10,646	874	1,312	874	874	874	874	7,723	7,406	31,457	33,201
Total expenses	$ 1,143,485	$ 139,108	$ 202,361	$ 45,643	$ 92,320	$ 195,802	$ 8,751	$ 216,480	$ 412,655	$ 2,456,605	$ 3,031,884

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF PIONEER VALLEY, INC.

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

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 102,316	$ (310,829)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	31,457	33,201
Net realized and unrealized gains	(185,765)	(318,876)
Change in beneficial interest in perpetual trusts	(46,147)	(76,188)
Change in provision for uncollectible pledges	18,327	34,458
Change in operating assets and liabilities:		
Prepaid expenses	-	10,312
Grants and other receivables	(130,200)	80,864
Contributions receivable, net	151,086	18,324
Accounts payable and accrued liabilities	90,393	6,386
Community grants payable	(155,000)	(61,598)
Agency distributions payable	(56,137)	103,298
Grants payable	(27,565)	7,053
Accrued compensation and related liabilities	(926)	4,663
Deferred revenue	(19,965)	(2,749)
Net cash used in operating activities	(228,126)	(471,681)
Cash flows from investing activities		
Purchase of leasehold improvements and equipment	(10,015)	(2,449)
Purchase of investments	(1,678,780)	(1,657,643)
Proceeds from the sales of investments	1,830,265	1,838,054
Investments held at Community Foundation, net	(2,765)	(8,023)
Net cash provided by investing activities	138,705	169,939
Cash flows from financing activities		
Borrowings under line of credit	200,000	-
Net cash provided by financing activities	200,000	-
Net change in cash and cash equivalents and restricted cash	110,579	(301,742)
Cash and cash equivalents and restricted cash, beginning of year	926,919	1,228,661
Cash and cash equivalents and restricted cash, end of year	$ 1,037,498	$ 926,919
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 2,421	$ -

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION:

The United Way of Pioneer Valley, Inc. ("United Way") is a nonprofit fundraising, fund distribution, and community service agency. The United Way raises funds on an annual basis, primarily through employee payroll deductions at the workplace and corporate contributions. The United Way awards funds raised through program and agency reviews conducted by community volunteers or distributes those funds as stipulated by individual donors. In addition, the United Way provides community services such as referral services. The United Way serves all communities throughout Hampden County, and the towns of South Hadley and Granby in Hampshire County, Massachusetts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Accounting method

The accompanying financial statements of the United Way have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

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

Liquidity information

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

Contributions receivable

All pledges are typically due within one year or less, for which their net realizable value is a reasonable estimate of fair value. Consequently, all pledges are recorded without any discount to present value. Contributions receivable related to the current campaign are recorded as unrestricted.

Grants are recognized as support in the period in which they are received. Grants are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Revenue with donor-imposed restrictions is recognized in unrestricted net assets if the restriction is met in the year the revenue is received.

The United Way provides for an allowance for uncollectible contributions and grants receivable based upon management's experience applied to the age and character of the receivables. Accounts are written off against the allowance when management has exhausted all reasonable collection efforts. Actual bad debts incurred amounted to $185,195 and $189,733 in 2018 and 2017, respectively.

Cash and cash equivalents

The United Way considers all short-term investments with an original maturity date of three months or less to be cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Restricted cash

Restricted cash consists of cash received with specific designations that have not been distributed to the specified organizations.

Investments, including endowments

Investments are recorded at fair value using methodologies discussed in Fair Value Measurements (Note 6). Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains and losses resulting from sales or maturities are calculated on a specific identification basis. Investment activity is reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Dividend and interest income are accrued when earned and reported net of investment advisory fees.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments and related activity reported on the financial statements.

United Way's investments include donor restricted endowment funds and funds functioning as quasi-endowment funds (Note 5). Donor restricted endowments consist of gifts received with a donor stipulation that require the funds to be invested in perpetuity. Quasi-endowment funds consist of board designated and donor restricted purpose funds. Board designated funds consist of monies internally designated. Donor restricted purpose funds consist of gifts received with a donor stipulation to be used for a particular purpose, but with no requirement for the funds to be invested in perpetuity and for which a fund was established to function as an endowment.

Professional accounting standards provide guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Massachusetts "Uniform Prudent Management of Institutional Funds Act" statute, which was effective June 2009 ("UPMIFA") which serves as a model act for states to modernize their laws governing donor restricted endowment funds.

The Board of Directors of the United Way (the "Board") has interpreted UPMIFA, as adopted by the Commonwealth of Massachusetts, as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the United Way classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets as donor requests noted that liquid earnings on endowment be used annually for general use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Recent accounting standards

The Financial Accounting Standards Board ("FASB") has issued Accounting Standards Update ("ASU") *2016-14, Not for Profit Entities*. This standard requires net assets to be presented in two classifications (without donor restriction and with donor restriction), essentially collapsing 'temporarily restricted' and 'permanently restricted' net assets into one net asset class. The election to treat gifts to purchase long-lived assets as temporarily restricted net assets has been eliminated. When implemented, an organization with underwater endowment funds will reclassify the underwater portion of the endowment fund from 'without donor restriction' to 'with donor restrictions'. The ASU requires that direct internal investment expenses be included as an investment expense, shown netted from investment revenue. Additionally, organizations will be required to provide qualitative and quantitative information on the way they manage their liquidity and availability of funds. Management is currently assessing the impact of this standard on their financial statements and will apply its requirements for the year ended June 30, 2019.

In February 2016, FASB issued ASU *2016-02, Leases*. As part of this new standard, there are significant changes that call for the treatment of current operating leases as capital leases, resulting in recognition by the lessee (the Organization) of a lease liability and a corresponding right-of-use asset. The lessor will recognize an asset representing its right to receive payments. The Organization is not required to apply the new standard until years beginning after December 15, 2019 (for the year ending June 30, 2021). The Organization may also early adopt the new standard. In preparation of this standard, management will be reviewing and evaluating all leases, review its capitalization policy, and assess the potential impact on any related financial covenants required by the Organization financing arrangements.

In May 2014, FASB issued ASU *2014-09, Revenue from Contracts with Customers*. This may impact the way the Organization recognizes revenue under accounting principles generally accepted in the United States of America ("GAAP"). The new standard will require the Organization to recognize revenue when promised goods or services are transferred to customers and in the amount of consideration to which the Organization expects to be entitled. The Organization will be required to follow a five-step process outlined by the FASB to determine recognized revenue for each contract which may result in differences from the current method. The Organization is not required to apply the new standard until years beginning after December 15, 2018 (for the year ending June 30, 2020) and management is currently assessing the impact of this standard.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance will assist organizations in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the Scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. These changes will be implemented simultaneously with adoption of the new revenue standard (for the year ending June 30, 2020) and management is currently assessing the impact of this standard.

Leasehold improvements and equipment

Leasehold improvements and equipment are carried at cost less accumulated depreciation. The United Way capitalizes expenditures for leasehold improvements and equipment in excess of $2,500. The fair value of donated equipment is similarly capitalized. Depreciation is calculated based on the estimated useful lives, ranging from 3 to 10 years, of the respective assets using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to operations for the period. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized. The United Way evaluated the carrying value of its long-lived assets and no impairment was recorded.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Community designations payable
Community impact grants are awarded to agencies for specific programs and are contingent on satisfactory program performance, contract compliance, and available dollars. The grants are recommended by staff, community volunteers and approved by the board of directors. These expenses are recorded prior to fiscal year end and monthly distributions will be made in the subsequent fiscal year. The Organization requires grant recipients to provide all required reporting in order to receive their last payment.

Deferred revenue
Deferred revenue represents membership and sponsorship fees paid in advance.

Investments held at Community Foundation
The Community Foundation of Western Massachusetts ("Community Foundation") holds investment funds transferred by the United Way. The fair value of the investments held at the Community Foundation have been recorded as temporarily restricted investments on the statements of financial position. Investments are stated at fair value using methodologies noted in Note 6. Dividends and interest are recorded as earned.

The Community Foundation has established a variety of different investment portfolios which are managed by their Investment Committee. The United Way chose to invest its funds in the Global Growth Portfolio, which includes a combination of equity securities, bonds, cash and alternative investments. The aim of this portfolio is maximum long-term return on assets within a prudent level of risk.

Beneficial interest in perpetual trusts
The United Way is the beneficiary of income from perpetual trusts held, administered and controlled by outside fiscal agents. The principal of these funds is neither in the possession, nor under the control of the United Way and therefore, is not recorded in the accompanying financial statements.

The present values of the estimated future cash receipts from the trusts were recorded as permanently restricted assets and contribution revenues at the dates the trusts were established. Distributions from the trusts are recorded as income in the unrestricted net assets and the carrying value of the assets is adjusted for changes in estimates of future receipts. Distributions recorded as contributions during 2018 and 2017 totaled $59,895 and $85,004, respectively.

Net assets
In order to ensure observance of limitations and restrictions placed on the use of the resources available to the United Way, the accompanying financial statements are classified for accounting and reporting purposes into classes of net assets in accordance with the existence or absence of donor-imposed restrictions.

Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets, including the United Way's operating accounts and board designated funds set aside for long term investment purposes or specific programs, not subject to donor-imposed stipulations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Net assets (continued)

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by action of the United Way and/or the passage of time. Realized and unrealized gains and losses on permanently and temporarily restricted assets and reported as temporarily net assets in accordance with donor stipulations and Massachusetts law.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the United Way. Generally, the donors of these assets permit the United Way to use all or part of the income earned on related investments for general or specific purposes.

Board designated net assets represent a portion of the accumulation of unrestricted surpluses that are available for use at the discretion of the United Way's Board of Directors. The presence of Board designated net assets increases the United Way's ability to absorb or respond to temporary changes in its environment or circumstances, for example, the unanticipated event of unexpected or non-budgeted increases in operating expenses and/or losses on operating revenues. Board designated net assets consist of a three month community impact reserve, a three month operating expense reserve and a special initiatives reserve.

During fiscal year 2018 and 2017, the Board approved for approximately $200,000 of reserve funds to be disbursed for community impact initiatives.

Campaign revenue

An annual campaign drive commences in the fall and continues through the end of the fiscal year, primarily in the Western Massachusetts area. Pledges received in connection with the current campaign are recorded as unrestricted assets and an allowance is provided for amounts estimated to be uncollectible.

The United Way offers donors a choice of options as part of an ongoing effort to ensure that funding policies match the needs of the donor and the community it serves. The options consist of the following:

Community impact fund

The amount of these pledges, net of expected bad debt expenses and administrative costs, are awarded through the United Way to community agencies. The allocation amount is determined by the Community Impact Committee and approved by the Board of Directors.

Specific designations

These pledges are designated by the donor for specific agencies or other United Way organizations. The United Way distributes specific designations when collected, net of a 12% administrative charge.

The United Way acts as an agent as it has no discretion in distributing designated amounts raised. Designations are included in amounts raised on behalf of others, as a deduction from total campaign amounts raised, in determining net campaign revenue on the statement of activities and changes in net assets.

Designations receivable are deducted from total contributions receivable, in determining net contributions receivable on the statements of financial position. Specific designation amounts collected and not distributed at June 30, 2018 and 2017 are reflected on the statements of financial position as a liability, agency distributions payable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

In-kind contributions and contributed services

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The United Way benefited from donated public service announcements which were valued by the media broadcasting agency in the amounts of $16,368 and $8,500 during the years ended June 30, 2018 and 2017. The United Way also received various tickets, gift cards, memberships and meals free of charge totaling $63,440 and $26,695 during the years ended June 30, 2018 and 2017, respectively. These amounts have been reported as both in-kind contribution revenue and in-kind expense on the statements of activities.

The United Way pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the United Way with specific assistance programs, campaign solicitations and various committee assignments. The United Way recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The value of volunteer time recorded as both in-kind contribution revenue and in-kind expense on the statement of activities was $31,400 and $41,713 for the years ended June 30, 2018 and 2017, respectively. The United Way also receives services from a large number of volunteers who give significant amounts of their time to the United Way's programs and fund-raising campaigns, but which do not meet the criteria for financial statement recognition.

Functional allocation of expenses

The cost of providing the various programs and activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs, special events and supporting services benefited. This allocation is based on actual employee time incurred, square footage or number of full time employees in each respective functional expense category.

Advertising

The United Way uses advertising to promote its programs. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2018 and 2017 was $3,772 and $3,109, respectively.

Tax-exempt status

The United Way is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for federal or state income taxes has been made.

Uncertain tax positions

A tax position is deemed to include such things as the United Way's tax-exempt status, unrelated business income and the methodologies for allocating expenses to unrelated business income streams. Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition. The United Way's tax returns are subject to examination by taxing authorities for all years ending on or after June 30, 2015.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. CONTRIBUTIONS RECEIVABLE:

Contributions receivable are summarized as follows at June 30:

	2018	2017
Gross contribution receivable due within one year	$ 871,505	$ 1,112,601
Less: Agency amounts payable not received	(133,982)	(187,338)
Allowance for doubtful accounts	(139,362)	(157,689)
Contributions receivable, net	$ 598,161	$ 767,574

4. INVESTMENTS:

The Board of Directors of the United Way, as the governing Board, is responsible for oversight of the United Way's investments. Establishment and implementation of investment policy, including the establishment of investment guidelines and the selection of investment managers, has been delegated by the Board of Directors to its Finance Committee. Investments authorized by the Finance Committee include marketable equity and fixed income securities and other types of investments that may be made with the prior approval of the Finance Committee.

The United Way's investment portfolio consists of an investment pool in which a number of individual funds (donor restricted endowment funds and funds functioning as quasi-endowment funds) participate in order to benefit from the diversification and economies of scale. Funds added or withdrawn from the pool are recorded at their share of the then current value of the pool. Investment income is recognized and posted on a quarterly basis.

The primary investment objective of the investment portfolio is growth of principal sufficient to preserve purchasing power and to provide income to support current and future activities of the United Way. Long term the total return on the portfolio should equal the rate of inflation, plus the payout rate which is used to support current activities, plus an amount reinvested to support future activities.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires to be retained for perpetual funds. The historic gift value of donor restricted endowment funds cannot be reduced for any excess losses. Any excess losses shall reduce temporarily restricted net assets to the extent there is net appreciation on the related funds. Any remaining excess losses shall reduce unrestricted net assets. At June 30, 2018 and 2017, there were no cumulative losses on the investments of donor restricted endowment funds

4. INVESTMENTS: (CONTINUED)

Certain investments included in the board designated endowments are pledged as collateral on the line of credit (see Note 8).

Investments at June 30, 2018 consist of:

	Cost	Fair Value	Unrealized Gain/(Loss)
Money market	$ 113,370	$ 113,370	$ -
Mutual funds	885,123	830,099	(55,024)
Common stocks	1,916,968	2,247,727	330,759
	$ 2,915,461	$ 3,191,196	$ 275,735

Investments at June 30, 2017 consist of:

	Cost	Fair Value	Unrealized Gain/(Loss)
Money market	$ 82,536	$ 82,536	$ -
Mutual funds	905,814	871,992	(33,822)
Common stocks	1,924,091	2,202,388	278,297
	$ 2,912,441	$ 3,156,916	$ 244,475

Investment advisory fees were $19,137 and $17,903 for the years ended June 30, 2018 and 2017, respectively.

5. ENDOWMENTS:

Endowment by net asset class and type at June 30, 2018 consists of:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated funds	$ 3,108,497	$ -	$ -	$ 3,108,497
Donor restricted purpose funds	-	98,043	-	98,043
Donor restricted endowment funds	-	-	82,699	82,699
Investments - June 30, 2018	$ 3,108,497	$ 98,043	$ 82,699	$ 3,289,239

Endowment by net asset class and type at June 30, 2017 consists of:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated funds	$ 3,074,217	$ -	$ -	$ 3,074,217
Donor restricted purpose funds	-	95,278	-	95,278
Donor restricted endowment funds	-	-	82,699	82,699
Investments - June 30, 2017	$ 3,074,217	$ 95,278	$ 82,699	$ 3,252,194

5. ENDOWMENTS: (CONTINUED)

The following schedule reconciles the change in endowments by net asset class for the years ended June 30, 2018 and 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investments - June 30, 2016	$ 2,935,752	$ 87,255	$ 82,699	$ 3,105,706
Realized gains	255,779	-	-	255,779
Unrealized gains	55,307	7,790	-	63,097
Interest and dividends	44,626	889	-	45,515
Fees	(17,247)	(656)	-	(17,903)
Distributions	(200,000)	-	-	(200,000)
Investments - June 30, 2017	3,074,217	95,278	82,699	3,252,194
Realized gains	154,405	-	-	154,405
Unrealized gains	28,595	2,765	-	31,360
Interest and dividends	70,417	-	-	70,417
Fees	(19,137)	-	-	(19,137)
Distributions	(200,000)	-	-	(200,000)
Investments - June 30, 2018	$ 3,108,497	$ 98,043	$ 82,699	$ 3,289,239

6. FAIR VALUE MEASUREMENTS:

The United Way follows established guidelines for a fair value hierarchy that prioritizes the inputs used to measure fair value. An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities. Market price is generally obtained from exchange or dealer markets.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers and brokers.

Level 3 Unobservable inputs that are supported by little or no market activity as they trade infrequently or not at all and that are significant to the fair value of the assets or liabilities.

6. FAIR VALUE MEASUREMENTS: (CONTINUED)

Assets measured at fair value on a recurring basis at June 30, 2018 were as follows:

Assets	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments:				
Mutual funds	$ 830,099	$ 830,099	$ -	$ -
Common stocks	2,247,727	2,247,727	-	-
Investments held at Community Foundation	98,043	-	-	98,043
Beneficial interest in perpetual trusts	1,311,256	-	-	1,311,256
Total investments	$ 4,487,125	$ 3,077,826	$ -	$ 1,409,299

Assets measured at fair value on a recurring basis at June 30, 2017 were as follows:

Assets	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments:				
Mutual funds	$ 871,992	$ 871,992	$ -	$ -
Common stocks	2,202,388	2,202,388	-	-
Investments held at Community Foundation	95,278	-	-	95,278
Beneficial interest in perpetual trusts	1,265,109	-	-	1,265,109
Total investments	$ 4,434,767	$ 3,074,380	$ -	$ 1,360,387

6. FAIR VALUE MEASUREMENTS: (CONTINUED)

Level 3 investments valued using net values at June 30, are as follows:

	2018 Fair Value	2017 Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Community Foundation funds	$ 98,043	$ 95,278	$ -	Not eligible	Not equivalent
Beneficial interest in perpetual trusts	1,311,256	1,265,109	-	Not eligible	Not equivalent

Investments
The following is a description of the valuation methodologies used for assets measured at fair value.

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

Mutual funds: Valued at their daily closing price as reported by the fund. These funds are valued at the closing price recorded in the active market in which these individual securities are traded.

Investments held at Community Foundation
Investments held at Community Foundation are valued based upon the Community Foundation's pooled investment portfolio. These assets are classified within Level 3 of the valuation hierarchy, because the fair value is not quoted on a public or private market. The fair value is based upon the pooled investment portfolio at the Community Foundation that was determined by combining the fair market valuations for a combination of Level 1, Level 2 and Level 3 inputs.

The investments held at Community Foundation are valued monthly by the Community Foundation. The United Way receives a statement from the Community Foundation indicating the additions to the investment (via contributions), withdrawals from the investment (via grants), and the investment returns. The value is based on the estimated fair value of the underlying assets. The Community Foundation controls the investments and makes all management and investment decisions.

Beneficial interest in perpetual trusts
The fair value of perpetual trusts held, administered and controlled by third parties represents the present value of the estimated future cash receipts determined using the United Way's percentage interest in the current market value of the trust assets.

6. FAIR VALUE MEASUREMENTS: (CONTINUED)

The following schedule reconciles fair value measurements using significant unobservable inputs (Level 3) as noted above for the year ended June 30, 2018:

	Level 3 (Investments)	Level 3 (Trusts)
Assets		
Balance, beginning of year	$ 95,278	$ 1,265,109
Change in present value of estimated receipts	-	46,147
Realized/unrealized gains	2,675	-
Balance, end of year	$ 98,043	$ 1,311,256
The amount of total gains or losses for the year ended June 30, 2018 attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.	$ 2,675	

The following schedule reconciles fair value measurements using significant unobservable inputs (Level 3) as noted above for the year ended June 30, 2017:

	Level 3 (Investments)	Level 3 (Trusts)
Assets		
Balance, beginning of year	$ 87,255	$ 1,188,921
Change in present value of estimated receipts	-	76,188
Realized/unrealized gains	7,790	-
Dividend and interest income	889	-
Investment expense	(656)	-
Balance, end of year	$ 95,278	$ 1,265,109
The amount of total gains or losses for the year ended June 30, 2017 attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.	$ 7,790	

Quantitative information about significant unobservable inputs used in level 3 fair value measurements

Beneficial interests in perpetual trust are valued based upon the United Way's allocable share of the pooled investment portfolio. The allocable share is based on the value of the underlying assets owned by the fund, minus its liabilities. These assets are classified within Level 3 of the valuation hierarchy, because the fair value is not quoted on a public or private market. The fair value is based upon the allocable share of the pooled investment portfolio that was determined by combining the fair market valuations for a combination of Level 1, Level 2 and Level 3 inputs.

6. FAIR VALUE MEASUREMENTS: (CONTINUED)

Quantitative information about significant unobservable inputs used in level 3 fair value measurements (continued)

The beneficial interests in investments are valued monthly by the investment managers and are allocated based upon each organization's calculated share of the pooled investment portfolio. Each entity with an interest within the pooled investments receives a statement indicating the additions to the investment (via contributions), withdrawals from the investment (via grants), and the investment returns allocated via a unitization process. The United Way calculates the fair value of its beneficial interest in the pooled investment assets held by the investment manager based on the estimated fair value of the underlying assets. The investment manager controls the investments and makes all management and investment decisions.

7. LEASEHOLD IMPROVEMENTS AND EQUIPMENT:

Leasehold improvements and equipment are summarized as follows at June 30:

	2018	2017
Leasehold improvements	$ 147,193	$ 147,193
Furniture, fixtures and equipment	407,643	392,048
	554,836	539,241
Accumulated depreciation	(463,787)	(432,332)
	91,049	106,909
Project in process	-	5,582
Leasehold improvements and equipment, net	$ 91,049	$ 112,491

Depreciation expense totaled $31,457 and $33,201 for the years ended June 30, 2018 and 2017, respectively.

8. LINE OF CREDIT:

The United Way has a commercial line of credit agreement with a local bank. The maximum amount available on the line of credit is $500,000. The line of credit is secured by the pledge of certain investments and a first security interest in all assets of the United Way. The interest rate is adjusted on the first day of each month to a rate equal to one-half of a percentage point (.5%) above the New York Prime Rate as published in the Wall Street Journal (5.0% and 4.75% at June 30, 2018 and 2017, respectively). At June 30, 2018, there was an outstanding balance of $200,000. There was no balance outstanding against the line of credit at June 30, 2017.

9. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are summarized as follows at June 30:

	2018	2017
Grants and other	$ 27,520	$ 27,520
Western Massachusetts Network to End Homelessness	8,783	7,539
Healing Racism Institute of Pioneer Valley	71,722	99,359
Stay in School	37,643	37,643
Women's Leadership Council	18,464	17,613
Financial Success Center	212,972	271,110
Forever Dunbar	-	8,751
Investment held at Community Foundation	98,043	95,278
	$ 475,147	$ 564,813

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions as follows:

	2018
Purpose restrictions accomplished:	
Western Massachusetts Network to End Homelessness	$ 7,476
Healing Racism Institute of Pioneer Valley	179,381
Women's Leadership Council	12,896
Financial Success Center	162,679
Forever Dunbar	8,751
Total restrictions released	$ 371,183

10. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets are summarized as follows at June 30:

	2018	2017
Beneficial interest in perpetual trusts	$ 1,311,256	$ 1,265,109
Endowments	82,699	82,699
	$ 1,393,955	$ 1,347,808

11. OPERATING LEASE AGREEMENT:

The United Way leases office equipment under operating leases which expire through February 2022. The United Way has a lease for office space expiring March 31, 2019. Related expenses were approximately $86,804 and $96,900 for the years ended June 30, 2018 and 2017, respectively. Minimum future rental payments under non-cancelable operating leases are expected to be approximately as follows at June 30:

2019	$	56,200
2020		2,200
2021		2,200
2022		1,500
	$	62,100

12. PENSION PLAN:

The United Way maintains a 401(k) profit sharing plan for eligible employees. To be eligible to participate, an employee must meet specified age and service requirements. The United Way may make matching and profit-sharing contributions at its discretion. Contributions are fully vested to the benefit of eligible employees when incurred. The amounts charged to operations for the both plans were $30,484 and $56,721, for the years ended June 30, 2018 and 2017, respectively.

13. RELATED PARTY TRANSACTIONS:

The United Way maintains its insurance policies and pension plan with financial institutions and corporations, officers of which are also members of the Board of Directors or Committees of the Board.

The United Way received contributions from certain members of the Board of Directors or Committees totaling approximately $27,400 and $33,700 for the years ended June 30, 2018 and 2017, respectively.

The United Way made contributions to various agencies whose officers are also members of the Board of Directors or Committees of the Board, totaling approximately $5,500 for the year ended June 30, 2018. No such contributions were made for the year ended June 30, 2017.

14. CONCENTRATIONS OF CREDIT RISK:

The United Way maintains its cash balances in financial institutions. These balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. However, balances in excess of the FDIC insurance limits which are held at savings banks are also insured by the Depositors Insurance Fund. At various times during the period, cash balances may exceed insured amounts. The United Way has not experienced any losses on these accounts. The United Way believes it is not exposed to any significant credit risk on cash and cash equivalents.

Approximately 14% and 20% of United Way's contribution revenues and corporate contributions receivable were from another corporation as of and for the year ended June 30, 2017. No such concentrations for the year ended June 30, 2018. The United Way considers the pledges receivable from these donors to be collectible and considers the credit risk to be low.

Of United Way's grant revenues, approximately 72% were from three entities and 51% were from two entities for the years June 30, 2018 and 2017, respectively. Approximately 100% of grants receivable were related to three entities as of June 30, 2018. No such grant receivable concentrations as of June 30, 2017.

15. CONTINGENCIES:

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds requiring repayment to the funding source. As of the date of these financial statements, the United Way has not been informed of any disallowed expenditures.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 1 2019, the date of which the financial statements were available to be issued.

On October 1, 2018, the Organization signed a Management and Operations Agreement (the "Agreement") with the United Way of Tri-County, Inc. ("UWTC"). Under the Agreement, the Organization engaged the UWTC to manage certain of its operations, including providing CEO and CFO services. The cost for the comprehensive services provided is 10% of gross revenue, payable monthly. Either party can terminate this Agreement without cause with 120 days prior written notice of termination to the other party.

MeyersBrothersKalicka, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS STRATEGISTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
United Way of Pioneer Valley, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the United Way of Pioneer Valley, Inc. (the "United Way") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 1, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered United Way of Pioneer Valley, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the United Way of Pioneer Valley, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the United Way's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that may have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Way of Pioneer Valley, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the United Way's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the United Way's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Meyers Brothers Kalicka, P.C.

Holyoke, Massachusetts
February 1, 2019