



**FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

UNITED WAY OF TRI-COUNTY, INC.

Contents
June 30, 2018 and 2017

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Independent Auditor's Report

To the Board of Directors of
United Way of Tri-County, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Tri-County, Inc. (a Massachusetts corporation, not for profit) (the Organization) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Tri-County, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 17 to the financial statements, certain errors resulting in overstatement of amounts previously reported for pledges receivable and gross campaign results as of June 30, 2016, were discovered by management of the Organization during fiscal year 2018. Accordingly, amounts reported for pledges receivable and gross campaign results have been restated in the fiscal year 2017 financial statements now presented, and an adjustment has been made to unrestricted net assets as of June 30, 2016, to correct the error. Our opinion is not modified with respect to this matter.

Alexander, Brown, Fenning & Co., P.C.

Boston, Massachusetts
November 14, 2018

UNITED WAY OF TRI-COUNTY, INC.

Statements of Financial Position
June 30, 2018 and 2017

| Assets | 2018 | 2017 (Restated) |
|--|--------------|----------------------------------|
| Current Assets: | | |
| Cash | \$ 173,061 | \$ 232,818 |
| Pledges receivable, net of allowances for uncollectible pledges of approximately \$100,000 and \$156,000 at June 30, 2018 and 2017, respectively | 665,987 | 736,751 |
| Designations receivable, net of allowances for uncollectible designations of approximately \$233,000 and \$246,000 at June 30, 2018 and 2017, respectively | 553,739 | 564,523 |
| Accounts receivable | 353,206 | 353,455 |
| Current portion of contribution receivable - charitable lead trust | 25,000 | 25,000 |
| Inventory, net | 25,760 | 30,755 |
| Prepaid expenses | 4,905 | 15,865 |
| Total current assets | 1,801,658 | 1,959,167 |
| Investments | 404,768 | 383,022 |
| Contribution Receivable - Charitable Lead Trust, net of current portion | 194,642 | 218,598 |
| Property and Equipment, net | 2,327,763 | 2,419,830 |
| Security Deposits | 9,700 | 9,700 |
| Total assets | \$ 4,738,531 | \$ 4,990,317 |
| Liabilities and Net Assets | | |
| Current Liabilities: | | |
| Current portion of long-term debt | \$ 79,434 | \$ 123,325 |
| Current portion of capital lease obligation | 13,893 | 27,025 |
| Current portion of deferred revenue | 21,500 | 21,500 |
| Accounts payable, accrued expenses and other | 224,860 | 178,515 |
| Accrued designations | 553,739 | 564,523 |
| Designations payable | 326,857 | 388,091 |
| Total current liabilities | 1,220,283 | 1,302,979 |
| Long-Term Debt, net of current portion | 1,570,894 | 1,671,027 |
| Deferred Revenue, net of current portion | 150,500 | 172,000 |
| Capital Lease Obligation, net of current portion | 27,047 | 40,940 |
| Total liabilities | 2,968,724 | 3,186,946 |
| Net Assets: | | |
| Unrestricted: | | |
| Operating | 808,979 | 780,161 |
| Property and equipment | 535,387 | 513,081 |
| Board designated | 79,817 | 139,817 |
| Total unrestricted | 1,424,183 | 1,433,059 |
| Temporarily restricted | 230,286 | 254,974 |
| Permanently restricted | 115,338 | 115,338 |
| Total net assets | 1,769,807 | 1,803,371 |
| Total liabilities and net assets | \$ 4,738,531 | \$ 4,990,317 |

UNITED WAY OF TRI-COUNTY, INC.

 Statement of Activities
 For the Year Ended June 30, 2018

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|--------------------|
| Public Support and Revenues: | | | | |
| Gross campaign results | \$ 3,046,666 | \$ - | \$ - | \$ 3,046,666 |
| Less - donor designations, net of service fees of \$270,240 | 880,596 | - | - | 880,596 |
| Less - provision for uncollectible pledges and designations | 332,378 | - | - | 332,378 |
| Net campaign revenue | <u>1,833,692</u> | <u>-</u> | <u>-</u> | <u>1,833,692</u> |
| Product Philanthropy: | | | | |
| Donated products | 1,110,262 | - | - | 1,110,262 |
| Less - cost of goods donated to the community | 1,115,257 | - | - | 1,115,257 |
| | (4,995) | - | - | (4,995) |
| Distribution services portage fees and member dues | 315,667 | - | - | 315,667 |
| Net Product Philanthropy | <u>310,672</u> | <u>-</u> | <u>-</u> | <u>310,672</u> |
| Other public support and revenues: | | | | |
| Donated goods and services | 2,305,637 | - | - | 2,305,637 |
| Call center management fees | 1,375,551 | - | - | 1,375,551 |
| Special events | 492,277 | - | - | 492,277 |
| Grants and contributions | 338,144 | 1,762 | - | 339,906 |
| Service fees | 270,240 | - | - | 270,240 |
| Miscellaneous income | 92,647 | - | - | 92,647 |
| Investment earnings used for operations under the spending policy | 7,091 | - | - | 7,091 |
| Net assets released from program restrictions | 2,097 | (2,097) | - | - |
| Net assets released from time restrictions | 25,000 | (25,000) | - | - |
| Total other public support and revenues | <u>4,908,684</u> | <u>(25,335)</u> | <u>-</u> | <u>4,883,349</u> |
| Total public support and revenues | <u>7,053,048</u> | <u>(25,335)</u> | <u>-</u> | <u>7,027,713</u> |
| Operating Expenses: | | | | |
| Program services: | | | | |
| Allocations | 488,535 | - | - | 488,535 |
| United Way Distribution Services | 706,384 | - | - | 706,384 |
| Call Center | 1,379,909 | - | - | 1,379,909 |
| Food Security | 2,628,809 | - | - | 2,628,809 |
| Other Program Services | 677,278 | - | - | 677,278 |
| Total program services | <u>5,880,915</u> | <u>-</u> | <u>-</u> | <u>5,880,915</u> |
| Supporting services: | | | | |
| General and administrative | 493,358 | - | - | 493,358 |
| Fundraising | 702,703 | - | - | 702,703 |
| Total supporting services | <u>1,196,061</u> | <u>-</u> | <u>-</u> | <u>1,196,061</u> |
| Total operating expenses | <u>7,076,976</u> | <u>-</u> | <u>-</u> | <u>7,076,976</u> |
| Changes in net assets from operations | (23,928) | (25,335) | - | (49,263) |
| Non-Operating Revenue (Expenses): | | | | |
| Investment return, net | 15,052 | 6,694 | - | 21,746 |
| Change in value of charitable lead trust | - | 1,044 | - | 1,044 |
| Investment earnings used for operations under the spending policy | - | (7,091) | - | (7,091) |
| Changes in net assets | <u>\$ (8,876)</u> | <u>\$ (24,688)</u> | <u>\$ -</u> | <u>\$ (33,564)</u> |

UNITED WAY OF TRI-COUNTY, INC.

 Statement of Activities (Restated)
 For the Year Ended June 30, 2017

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Public Support and Revenues: | | | | |
| Gross campaign results | \$ 3,565,583 | \$ - | \$ - | \$ 3,565,583 |
| Less - donor designations, net of service fees of \$292,896 | 497,606 | - | - | 497,606 |
| Less - provision for uncollectible pledges and designations | 402,176 | - | - | 402,176 |
| Net campaign revenue | <u>2,665,801</u> | <u>-</u> | <u>-</u> | <u>2,665,801</u> |
| Product Philanthropy: | | | | |
| Donated products | 944,881 | - | - | 944,881 |
| Less - cost of goods donated to the community | 944,780 | - | - | 944,780 |
| | 101 | - | - | 101 |
| Distribution services portage fees and member dues | 318,984 | - | - | 318,984 |
| Net Product Philanthropy | <u>319,085</u> | <u>-</u> | <u>-</u> | <u>319,085</u> |
| Other public support and revenues: | | | | |
| Donated goods and services | 2,123,013 | - | - | 2,123,013 |
| Call center management fees | 1,221,886 | - | - | 1,221,886 |
| Special events | 526,549 | - | - | 526,549 |
| Grants and contributions | 349,019 | 2,097 | - | 351,116 |
| Service fees | 292,896 | - | - | 292,896 |
| Miscellaneous income | 65,151 | - | - | 65,151 |
| Investment earnings used for operations under the spending policy | 7,113 | - | - | 7,113 |
| Net assets released from program restrictions | 22,656 | (22,656) | - | - |
| Net assets released from time restrictions | 25,000 | (25,000) | - | - |
| Total other public support and revenues | <u>4,633,283</u> | <u>(45,559)</u> | <u>-</u> | <u>4,587,724</u> |
| Total public support and revenues | <u>7,618,169</u> | <u>(45,559)</u> | <u>-</u> | <u>7,572,610</u> |
| Operating Expenses: | | | | |
| Program services: | | | | |
| Allocations | 550,135 | - | - | 550,135 |
| United Way Distribution Services | 692,779 | - | - | 692,779 |
| Call Center | 1,221,886 | - | - | 1,221,886 |
| Food Security | 2,486,364 | - | - | 2,486,364 |
| Other Program Services | 738,613 | - | - | 738,613 |
| Total program services | <u>5,689,777</u> | <u>-</u> | <u>-</u> | <u>5,689,777</u> |
| Supporting services: | | | | |
| General and administrative | 477,463 | - | - | 477,463 |
| Fundraising | 860,916 | - | - | 860,916 |
| Total supporting services | <u>1,338,379</u> | <u>-</u> | <u>-</u> | <u>1,338,379</u> |
| Total operating expenses | <u>7,028,156</u> | <u>-</u> | <u>-</u> | <u>7,028,156</u> |
| Changes in net assets from operations | 590,013 | (45,559) | - | 544,454 |
| Non-Operating Revenue (Expenses): | | | | |
| Investment return, net | 20,934 | 11,509 | - | 32,443 |
| Change in value of charitable lead trust | - | (3,833) | - | (3,833) |
| Investment earnings used for operations under the spending policy | - | (7,113) | - | (7,113) |
| Changes in net assets | <u>\$ 610,947</u> | <u>\$ (44,996)</u> | <u>\$ -</u> | <u>\$ 565,951</u> |

UNITED WAY OF TRI-COUNTY, INC.Statements of Changes in Net Assets
For the Years Ended June 30, 2018 and 2017

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|----------------------------|-----------------------------------|-----------------------------------|----------------------------|
| Balance, June 30, 2016, as previously stated | \$ 1,033,556 | \$ 299,970 | \$ 115,338 | \$ 1,448,864 |
| Prior period adjustment | <u>(211,444)</u> | <u>-</u> | <u>-</u> | <u>(211,444)</u> |
| Balance, June 30, 2016, as restated | 822,112 | 299,970 | 115,338 | 1,237,420 |
| Changes in net assets, as restated | <u>610,947</u> | <u>(44,996)</u> | <u>-</u> | <u>565,951</u> |
| Balance, June 30, 2017, as restated | 1,433,059 | 254,974 | 115,338 | 1,803,371 |
| Changes in net assets | <u>(8,876)</u> | <u>(24,688)</u> | <u>-</u> | <u>(33,564)</u> |
| Balance, June 30, 2018 | <u><u>\$ 1,424,183</u></u> | <u><u>\$ 230,286</u></u> | <u><u>\$ 115,338</u></u> | <u><u>\$ 1,769,807</u></u> |

UNITED WAY OF TRI-COUNTY, INC.

Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> (Restated) |
|--|--------------------|----------------------------------|
| Cash Flows from Operating Activities: | | |
| Changes in net assets | \$ (33,564) | \$ 565,951 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Provision for uncollectible pledges | 332,378 | 402,176 |
| Depreciation | 125,720 | 130,742 |
| Investment return, net | (21,746) | (32,443) |
| Deferred revenue | (21,500) | (21,500) |
| Change in value of charitable lead trust | (1,044) | 3,833 |
| Changes in operating assets and liabilities: | | |
| Pledges receivable | (29,002) | (194,841) |
| Designations receivable | (221,828) | (209,883) |
| Accounts receivable | 249 | (88,761) |
| Contribution receivable - charitable lead trust | 25,000 | 25,000 |
| Inventory | 4,995 | (101) |
| Prepaid expenses | 10,960 | (1,385) |
| Accounts payable, accrued expenses and other | 46,345 | (88,343) |
| Accrued designations | (10,784) | (36,374) |
| Designations payable | (61,234) | (211,387) |
| Net cash provided by operating activities | <u>144,945</u> | <u>242,684</u> |
| Cash Flows from Investing Activities: | | |
| Proceeds from sale of investments | 315,664 | 198,991 |
| Purchase of investments | (315,664) | - |
| Purchase of property and equipment | (33,653) | (375,913) |
| Increase in security deposits | - | (4,200) |
| Net cash used in investing activities | <u>(33,653)</u> | <u>(181,122)</u> |
| Cash Flows from Financing Activities: | | |
| Proceeds from long-term debt | 60,000 | - |
| Principal payments on long-term debt | (204,024) | (123,585) |
| Principal payments on capital lease obligation | (27,025) | (29,024) |
| Net cash used in financing activities | <u>(171,049)</u> | <u>(152,609)</u> |
| Net Change in Cash | (59,757) | (91,047) |
| Cash: | | |
| Beginning of year | <u>232,818</u> | <u>323,865</u> |
| End of year | <u>\$ 173,061</u> | <u>\$ 232,818</u> |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid for interest | <u>\$ 87,376</u> | <u>\$ 95,414</u> |
| Unrealized gain (loss) on investments | <u>\$ (13,215)</u> | <u>\$ 11,971</u> |

The accompanying notes are an integral part of these statements.

UNITED WAY OF TRI-COUNTY, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2018

(With Summarized Comparative Totals for the Year Ended June 30, 2017)

| | 2018 | | | | | | | | | 2017 | |
|--|-------------------|--|---------------------|---------------------|------------------------------|------------------------------|---------------------------------------|-------------------|---------------------------------|---------------------|---------------------|
| | Program Services | | | | | Supporting Services | | | | Total | |
| | Allocations | United Way Distribution Services | Call Center | Food Security | Other Program Services | Total Program Services | General and Adminis- trative | Fundraising | Total Supporting Services | | |
| Allocations: | | | | | | | | | | | |
| Designations to nonprofits and United Ways | \$ 373,718 | \$ - | \$ - | \$ - | \$ - | \$ 373,718 | \$ - | \$ - | \$ - | \$ 373,718 | \$ 410,318 |
| Allocations to agencies | 114,817 | - | - | - | - | 114,817 | - | - | - | 114,817 | 139,817 |
| Total allocations | 488,535 | - | - | - | - | 488,535 | - | - | - | 488,535 | 550,135 |
| Personnel and Related Costs: | | | | | | | | | | | |
| Salaries and wages | - | 389,248 | 937,630 | 315,035 | 193,008 | 1,834,921 | 100,862 | 304,364 | 405,226 | 2,240,147 | 2,201,363 |
| Fringe benefits | - | 47,277 | 73,424 | 62,668 | 60,208 | 243,577 | 36,415 | 54,135 | 90,550 | 334,127 | 342,112 |
| Payroll taxes | - | 36,416 | 84,684 | 27,505 | 19,336 | 167,941 | 6,851 | 21,471 | 28,322 | 196,263 | 199,744 |
| Total personnel and related costs | - | 472,941 | 1,095,738 | 405,208 | 272,552 | 2,246,439 | 144,128 | 379,970 | 524,098 | 2,770,537 | 2,743,219 |
| Other: | | | | | | | | | | | |
| Donated goods and services | - | - | - | 1,928,941 | 226,696 | 2,155,637 | - | - | - | 2,155,637 | 1,973,013 |
| Occupancy | - | 140,448 | 4,741 | 62,445 | 3,154 | 210,788 | 62,104 | 5,665 | 67,769 | 278,557 | 263,521 |
| Telephone | - | 11,051 | 124,756 | 6,857 | 6,165 | 148,829 | 11,074 | 5,743 | 16,817 | 165,646 | 146,658 |
| Donated advertising | - | - | - | - | 120,000 | 120,000 | - | 30,000 | 30,000 | 150,000 | 150,000 |
| Special events | - | - | - | - | - | - | - | 131,630 | 131,630 | 131,630 | 249,995 |
| Campaign expenses | - | - | - | - | - | - | - | 100,470 | 100,470 | 100,470 | 110,918 |
| Computer/hosting fees | - | 10,733 | 45,988 | 5,858 | 7,495 | 70,074 | 20,441 | 6,640 | 27,081 | 97,155 | 115,300 |
| Supplies | - | 21,536 | 9,738 | 24,023 | 2,456 | 57,753 | 29,528 | 2,852 | 32,380 | 90,133 | 67,718 |
| Interest | - | 39 | 40,152 | 17,955 | 8,066 | 66,212 | 12,829 | 8,335 | 21,164 | 87,376 | 95,415 |
| Travel and conferences | - | 2,259 | 6,758 | 44,813 | 1,764 | 55,594 | 26,232 | 1,994 | 28,226 | 83,820 | 84,354 |
| Professional fees and temporary labor | - | 1,530 | - | 1,530 | 1,650 | 4,710 | 77,461 | - | 77,461 | 82,171 | 84,581 |
| Food | - | 600 | - | 58,231 | 200 | 59,031 | 3,395 | 21 | 3,416 | 62,447 | 52,944 |
| Miscellaneous | - | 15,577 | 4,625 | 3,937 | 10,014 | 34,153 | 15,156 | 4,653 | 19,809 | 53,962 | 62,395 |
| Insurance | - | 11,691 | 1,746 | 16,615 | 798 | 30,850 | 14,783 | 1,427 | 16,210 | 47,060 | 46,814 |
| United Way dues | - | - | - | - | - | - | 44,638 | - | 44,638 | 44,638 | 48,994 |
| Equipment rental | - | 9,061 | 9,458 | 7,138 | 4,009 | 29,666 | 1,087 | 5,232 | 6,319 | 35,985 | 35,275 |
| Postage and printing | - | 574 | 3,752 | 735 | 270 | 5,331 | 13,283 | 6,883 | 20,166 | 25,497 | 16,165 |
| Total other | - | 225,099 | 251,714 | 2,179,078 | 392,737 | 3,048,628 | 332,011 | 311,545 | 643,556 | 3,692,184 | 3,604,060 |
| Depreciation | - | 8,344 | 32,457 | 44,523 | 11,989 | 97,313 | 17,219 | 11,188 | 28,407 | 125,720 | 130,742 |
| Total expenses | \$ 488,535 | \$ 706,384 | \$ 1,379,909 | \$ 2,628,809 | \$ 677,278 | \$ 5,880,915 | \$ 493,358 | \$ 702,703 | \$ 1,196,061 | \$ 7,076,976 | \$ 7,028,156 |

The accompanying notes are an integral part of these statements.

UNITED WAY OF TRI-COUNTY, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2017

| | Program Services | | | | | Supporting Services | | | | |
|--|------------------|--|----------------|------------------|------------------------------|------------------------------|---------------------------------------|-------------|---------------------------------|--------------|
| | Allocations | United Way Distribution Services | Call Center | Food Security | Other Program Services | Total Program Services | General and Adminis- trative | Fundraising | Total Supporting Services | Total |
| Allocations: | | | | | | | | | | |
| Designations to nonprofits and United Ways | \$ 410,318 | \$ - | \$ - | \$ - | \$ - | \$ 410,318 | \$ - | \$ - | \$ - | \$ 410,318 |
| Allocation to agencies | 139,817 | - | - | - | - | 139,817 | - | - | - | 139,817 |
| Total allocations | 550,135 | - | - | - | - | 550,135 | - | - | - | 550,135 |
| Personnel and Related Costs: | | | | | | | | | | |
| Salaries and wages | - | 373,062 | 812,817 | 301,437 | 296,383 | 1,783,699 | 100,437 | 317,227 | 417,664 | 2,201,363 |
| Fringe benefits | - | 48,147 | 76,529 | 66,121 | 70,498 | 261,295 | 24,863 | 55,954 | 80,817 | 342,112 |
| Payroll taxes | - | 40,280 | 81,035 | 29,567 | 23,245 | 174,127 | 1,361 | 24,256 | 25,617 | 199,744 |
| Total personnel and related costs | - | 461,489 | 970,381 | 397,125 | 390,126 | 2,219,121 | 126,661 | 397,437 | 524,098 | 2,743,219 |
| Other: | | | | | | | | | | |
| Donated goods and services | - | - | - | 1,795,586 | 177,427 | 1,973,013 | - | - | - | 1,973,013 |
| Occupancy | - | 121,117 | 6,518 | 62,487 | 2,823 | 192,945 | 66,571 | 4,005 | 70,576 | 263,521 |
| Telephone | - | 14,627 | 95,003 | 10,294 | 2,997 | 122,921 | 18,936 | 4,801 | 23,737 | 146,658 |
| Donated advertising | - | - | - | - | 120,000 | 120,000 | - | 30,000 | 30,000 | 150,000 |
| Special events | - | - | - | - | - | - | - | 249,995 | 249,995 | 249,995 |
| Campaign expenses | - | - | - | - | - | - | - | 110,918 | 110,918 | 110,918 |
| Computer/hosting fees | - | 15,199 | 46,005 | 3,978 | 4,107 | 69,289 | 28,054 | 17,957 | 46,011 | 115,300 |
| Supplies | - | 6,371 | 8,596 | 20,804 | 1,189 | 36,960 | 28,873 | 1,885 | 30,758 | 67,718 |
| Interest | - | 181 | 9,313 | 35,514 | 16,684 | 61,692 | 16,563 | 17,160 | 33,723 | 95,415 |
| Travel and conferences | - | 6,473 | 13,273 | 41,455 | 1,531 | 62,732 | 20,463 | 1,159 | 21,622 | 84,354 |
| Professional fees and temporary labor | - | 5,931 | 132 | 7,049 | - | 13,112 | 71,469 | - | 71,469 | 84,581 |
| Food | - | 3,927 | - | 47,965 | - | 51,892 | 914 | 138 | 1,052 | 52,944 |
| Miscellaneous | - | 15,211 | 21,283 | 4,154 | 3,379 | 44,027 | 13,210 | 5,158 | 18,368 | 62,395 |
| Insurance | - | 19,111 | 1,518 | 17,970 | 864 | 39,463 | 5,522 | 1,829 | 7,351 | 46,814 |
| United Way dues | - | - | - | - | - | - | 48,994 | - | 48,994 | 48,994 |
| Equipment rental | - | 7,392 | 10,160 | 7,607 | 4,223 | 29,382 | 1,020 | 4,873 | 5,893 | 35,275 |
| Postage and printing | - | 1,623 | 3,161 | 364 | 1,145 | 6,293 | 7,624 | 2,248 | 9,872 | 16,165 |
| Total other | - | 217,163 | 214,962 | 2,055,227 | 336,369 | 2,823,721 | 328,213 | 452,126 | 780,339 | 3,604,060 |
| Depreciation | - | 14,127 | 36,543 | 34,012 | 12,118 | 96,800 | 22,589 | 11,353 | 33,942 | 130,742 |
| Total expenses | \$ 550,135 | \$ 692,779 | \$ 1,221,886 | \$ 2,486,364 | \$ 738,613 | \$ 5,689,777 | \$ 477,463 | \$ 860,916 | \$ 1,338,379 | \$ 7,028,156 |

The accompanying notes are an integral part of these statements.

UNITED WAY OF TRI-COUNTY, INC.

Notes to Financial Statements
June 30, 2018 and 2017

1. OPERATIONS AND NONPROFIT STATUS

United Way of Tri-County, Inc. (the Organization) was incorporated through the merging of five United Way organizations: the United Way of Assabet Valley, United Way of Neponset Valley, the United Way of Metro-West, the Westborough United Way, and the Clinton Community United Way. The Organization is one of 1,340 locally managed and operated United Way organizations in America. Today the Organization provides services to thousands of our neighbors and friends in thirty-four communities throughout Norfolk, Middlesex, and Worcester Counties better known as the Metro-West/495 Corridor. Community investment is made through the funding of trusted community partner agencies and through direct service programming in the areas of Food Security, Information and Referral, Product Philanthropy, and Call2Talk, our Mental Health and Suicide and Prevention program. Specifically, the Organization operates three food pantries and two congregate meal programs in Framingham, Marlborough and Clinton, Massachusetts; operates the state-wide Mass 2-1-1 Information and Referral Hotline for the Commonwealth of Massachusetts, and operates the United Way Distribution Services Product warehouse in Framingham, Massachusetts. Day-to-day management of the Organization is the responsibility of the President and Chief Professional Officer who reports directly to the Board of Directors.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Cash

The Organization considers all cash balances not included in its investment portfolio to be cash for purposes of the statements of cash flows.

Description of Net Assets

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Organization. The Organization has grouped its unrestricted net assets into the following categories:

Operating - represents funds available to carry on the operations of the Organization.

Property and Equipment - represents the net book value of the Organizations property and equipment, net of related debt.

Board Designated - represents funds set aside by the Board of Directors for future allocations and operational needs. These funds may only be used with the approval of the Board of Directors.

UNITED WAY OF TRI-COUNTY, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description of Net Assets (Continued)

Temporarily Restricted Net Assets

The Organization receives grants and contributions which are designated by donors for specific purposes or time periods. These grants and contributions are recorded as temporarily restricted net assets until they are expended for their designated program purposes or the time period lapses. Temporarily restricted net assets also include appreciation on permanently restricted net assets.

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

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|
| Time restrictions | \$ 219,642 | \$ 243,598 |
| Appreciation on permanently restricted net assets (see Note 13) | 8,882 | 9,279 |
| Purpose restrictions | <u>1,762</u> | <u>2,097</u> |
| | <u>\$ 230,286</u> | <u>\$ 254,974</u> |

Permanently Restricted Net Assets

Permanently restricted net assets consist of donor contributions to the Success by Six Endowment Fund and are restricted by the donors against any expenditure of principal.

Permanently Restricted Net Assets Investment Spending Policy

The Organization follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Subject to the intent of a donor, the Organization may appropriate for expenditure or accumulate so much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Organization.

The Board of Directors is in the process of implementing an investment policy to address specific returns and risk parameters as well as a spending policy to allow the Organization to designate a portion of the Organization's cumulative investment return for support of operations. Under the Organization's proposed spending policy, the Board of Directors may appropriate up to 5.40% of the fair value of permanently restricted investments to support operations. The Board of Directors has made appropriations totaling \$7,091 and \$7,113 to support operations for the years ended June 30, 2018 and 2017, respectively, based on the proposed spending policy.

Revenue Recognition, Pledges and Designations Receivable/Payable

Gross campaign results, designations from other United Ways, unrestricted grants, and donated products are recorded as revenue when received or unconditionally committed. Restricted grants and contributions are recorded as temporarily restricted support and revenues and net assets when received or unconditionally committed. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed. Donor-restricted grants received and satisfied in the same period are included in unrestricted net assets. Special event revenue is recognized in the period in which the event takes place. Distribution Services membership dues are recognized at the time of enrollment. Portage fees are recognized at time of product distribution. Call center management fees, service fees and all other revenue are recorded as earned.

UNITED WAY OF TRI-COUNTY, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition, Pledges and Designations Receivable/Payable (Continued)

Pledges and designations receivable are recorded at their net present value when unconditionally committed (see Note 3). Collectability of pledges and designations receivable is analyzed by management based on the history of collections and management's judgment. The risk of not collecting the pledges and designations is mitigated by the Organization's policy to reduce payments of donor designations and allocations in the event that actual collections are lower than estimated amounts. Accordingly, accrued designations have been reduced by the same amount as the reserve amount on the designations receivable.

Donors to the campaign may designate all or part of their contributions to specific agencies. Such amounts made within the Organization's service area are not included as allocations to agencies and are recorded as designations to nonprofits and United Ways in the accompanying statements of functional expenses. Designations made by donors outside of the Organization's service area are recorded as a deduction from gross campaign results in the accompanying statements of activities as donor designations, net of service fees. The balances of donor designations to specific agencies that remain unpaid at year-end are reflected as designations payable in the accompanying statements of financial position. Service fees of \$270,240 and \$292,896 were deducted from donor designations to cover the costs incurred by the Organization in raising and processing them for the years ended June 30, 2018 and 2017, respectively. Donor designations include \$373,718 and \$367,121 in donor contributions from campaigns managed by the Organization that were designated to specific agencies and paid directly to third parties for the years ended June 30, 2018 and 2017, respectively. The Organization does not earn service fees on contributions that are paid in this manner.

Statements of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as public support and revenues and operating expenses in the accompanying statements of activities. Non-operating revenue (expenses) includes investment activity.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of 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.

Investments

Interest and dividends are recorded as investment return when earned. Gains and losses are recognized as incurred or based on fair value changes during the period (see Note 5).

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible.

UNITED WAY OF TRI-COUNTY, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Investments

Investments are recorded in the financial statements at fair value. If an investment is directly held by the Organization and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. Investments are valued using Level 1 inputs as of June 30, 2018 and 2017.

All Other Assets and Liabilities

The carrying value of all other assets and liabilities, including contribution receivable - charitable lead trust, land held for sale, and long-term debt, does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

UNITED WAY OF TRI-COUNTY, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at fair value at the time of donation (see Note 4). Renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

| | |
|-------------------------|------------------------------|
| Building | 40 years |
| Leasehold improvements | 10 years or life of lease |
| Furniture and equipment | 3 - 7 years |
| Vehicles | 5 years |
| Website development | 3 years |

Inventory

The United Way Distribution Services program links Product Philanthropy (see Note 7) (office furniture, computers, supplies, etc.) donors, including Gifts In-Kind International and local companies and institutions throughout Central New England, to community partner agencies of the Organization who are in need of these supplies. At the time of the distribution of the goods, each distribution is recognized as a donation to the partner agency for the total fair market value of the distribution. Partner agencies pay a membership fee for participation in the program. In addition, each distribution is assessed a portage fee of 15% based on the fair market value of the total order. These fees are shown as distribution services portage fees and member dues in the accompanying statements of activities.

Inventory consists of Product Philanthropy items received that have not been distributed to community partner agencies. This inventory is accounted for at the lower of donation value (see Note 7) (as determined by the first-in, first-out (FIFO) method) or market.

Inventory reserve is recorded in an amount that would bring the net inventory amount down to the expected sales price (portage fees). The inventory reserve was \$146,240 and \$174,545 as of June 30, 2018 and 2017, respectively.

Grants and Allocations Payable

The Organization reserves the right to exercise variance authority over all grants and, as such, has no legal liability to pay the balance of any grant. Accordingly, grants and allocations are expensed based on predetermined payment schedules. Any grants and allocations that are due and not paid as of year-end in accordance with the predetermined payment schedule are recorded as a liability by the Organization.

Allocations to Agencies

Non-designated Community Care contributions are allocated to community partner agencies after completion of the fundraising campaign and upon approval of the Board of Directors.

UNITED WAY OF TRI-COUNTY, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Advertising Costs

The Organization expenses advertising costs as they are incurred.

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2018 and 2017. The Organization's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through November 14, 2018, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements, other than that disclosed in Note 18.

3. PLEDGES AND DESIGNATIONS RECEIVABLE

Pledges and designations receivable were comprised of the following as of June 30:

| | 2018 | |
|---|-----------------------|----------------------------|
| | <u>Pledges</u> | <u>Designations</u> |
| Pledges and designations receivable | \$ 765,752 | \$ 786,351 |
| Less - allowance for uncollectible accounts | <u>99,765</u> | <u>232,612</u> |
| Pledges and designations receivable, net | <u>\$ 665,987</u> | <u>\$ 553,739</u> |
| | 2017 | |
| | <u>Pledges</u> | <u>Designations</u> |
| Pledges and designations receivable | \$ 892,670 | \$ 810,780 |
| Less - allowance for uncollectible accounts | <u>155,919</u> | <u>246,257</u> |
| Pledges and designations receivable, net | <u>\$ 736,751</u> | <u>\$ 564,523</u> |

All pledges and designations receivable are expected to be collected within one year.

UNITED WAY OF TRI-COUNTY, INC.Notes to Financial Statements
June 30, 2018 and 2017

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------|---------------------|---------------------|
| Land | \$ 215,000 | \$ 215,000 |
| Building | 2,036,593 | 2,036,593 |
| Leasehold improvements | 130,639 | 130,639 |
| Furniture and equipment | 765,169 | 765,169 |
| Vehicles | 209,897 | 178,744 |
| Website development | 46,376 | 43,876 |
| | <u>3,403,674</u> | <u>3,370,021</u> |
| Less - accumulated depreciation | <u>1,075,911</u> | <u>950,191</u> |
| | <u>\$ 2,327,763</u> | <u>\$ 2,419,830</u> |

On June 29, 2016, the Organization purchased the building it had previously leased for programmatic and administrative space. As part of completing this deal, the Organization purchased the building at a discount of \$215,000 and entered into a ten-year lease agreement with its former landlord to leaseback office space in the Organization's facility at a discounted price of \$100 per month (see Note 10). The property was recorded at fair value and the difference between fair value and the property's purchase price is recorded as deferred revenue in the accompanying statements of financial position. The Organization records rental income at fair value and amortizes the deferred revenue over the life of the lease. The Organization recognized \$21,500 of related rental income for the years ended June 30, 2018 and 2017, which is included in miscellaneous income in the accompanying statements of activities.

5. INVESTMENTS

Investments consist of the following at June 30:

| | <u>2018</u> | <u>2017</u> |
|-----------------------------|-------------------|-------------------|
| Cash and money market funds | \$ 1,681 | \$ 593 |
| Mutual funds: | | |
| Bond funds | 104,722 | 127,493 |
| Global markets - equity | 74,944 | 64,248 |
| Domestic markets - equity | <u>223,421</u> | <u>190,688</u> |
| | <u>\$ 404,768</u> | <u>\$ 383,022</u> |

UNITED WAY OF TRI-COUNTY, INC.

Notes to Financial Statements
June 30, 2018 and 2017

5. INVESTMENTS (Continued)

The following schedule summarizes the investment return and its classification in the accompanying statements of activities:

| | <u>2018</u> | <u>2017</u> |
|----------------------------|------------------|------------------|
| Net realized gain | \$ 31,316 | \$ 16,538 |
| Investment income | 7,253 | 8,070 |
| Investment fees | (3,608) | (4,136) |
| Net unrealized gain (loss) | <u>(13,215)</u> | <u>11,971</u> |
| Investment return | <u>\$ 21,746</u> | <u>\$ 32,443</u> |

Investments have been classified as non-current assets as it is management's intent to invest these funds for long-term purposes. Investments are not insured and are subject to market fluctuations.

6. DONATED GOODS AND SERVICES

Donated services are recognized if the services create or enhance non-financial assets or require specialized skills that would typically need to be purchased if not provided by donation.

The financial statements do not include amounts for donated services for which an objective basis of measurement of the value of such services is not available, and these services are not specialized as defined in the standard for *Contributions Received* under U.S. GAAP. However, volunteers have donated significant amounts of their time and energy to the Organization. Based on management's estimate, volunteers donated approximately 87,500 and 86,000 hours to the Organization during the years ended June 30, 2018 and 2017, respectively.

Those goods and services that are able to be valued are reflected in the accompanying financial statements based upon the estimated value (donation value) assigned to them by the donating agencies or by management. The value of donated goods and services was as follows for the years ended June 30:

| | <u>2018</u> | <u>2017</u> |
|----------------------------------|---------------------|---------------------|
| Food | \$ 1,928,941 | \$ 1,795,586 |
| Holiday Giving Program and other | 226,696 | 177,427 |
| Advertising | <u>150,000</u> | <u>150,000</u> |
| | <u>\$ 2,305,637</u> | <u>\$ 2,123,013</u> |

7. PRODUCT PHILANTHROPY

Product Philanthropy represents donated goods received by the Organization for its United Way Distribution Services (see Note 2). Of the Product Philanthropy goods received, \$945,843 and \$802,192 were distributed to community partner agencies during fiscal years 2018 and 2017, respectively. These amounts are included in cost of goods donated to the community in the accompanying statements of activities. The balance of these goods (\$25,760 and \$30,755) is shown as inventory, net in the accompanying statements of financial position as of June 30, 2018 and 2017, respectively, and reflect goods to be distributed in a future period.

UNITED WAY OF TRI-COUNTY, INC.Notes to Financial Statements
June 30, 2018 and 2017**8. LONG-TERM DEBT**

Long-term debt consists of the following at June 30:

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| 5% note payable to a realty trust (seller-financed note), due in monthly installments of principal and interest of \$9,000. This note matures on April 1, 2034, and may not be prepaid prior to July 1, 2021, without the written consent of the lender. This note is secured by a second mortgage on the property. | \$ 1,175,530 | \$ 1,223,431 |
| Note payable to Avidia Bank, due in monthly installments of principal and interest of \$2,388. This note accrues interest at 4.75% through June 29, 2026, at which time the interest rate will reset, and again on June 29, 2036, to the Federal Home Loan Bank rate, plus 2.5%, subject to a floor of 4.75%. This note matures on June 29, 2041, and is secured by a first mortgage on the property. | 397,814 | 407,072 |
| 5.56% note payable to Milford National Bank and Trust Company, due in monthly principal and interest installments of \$1,150 through April 2023. This note is secured by certain business assets. | 58,261 | - |
| Non-interest bearing note payable to a nonprofit organization, due in monthly principal-only installments of \$300 until the note is paid off (approximately December 2021 based on current payments). This note is unsecured. | 12,631 | 16,231 |
| 6.1% note payable to a financial institution for a vehicle, due in monthly installments of principal and interest of \$780 through March 2019. This note is secured by the vehicle. | 6,092 | 14,781 |
| 4.25% note payable to Berkshire Bank, which was due in monthly principal and interest installments of \$4,998 through January 2020. This note was secured by certain business assets. This note was repaid during fiscal year 2018 with proceeds from the Milford National Bank and Trust Company note (see above). | - | 132,837 |
| | <u>1,650,328</u> | <u>1,794,352</u> |
| Less - current portion | <u>79,434</u> | <u>123,325</u> |
| | <u>\$ 1,570,894</u> | <u>\$ 1,671,027</u> |

Maturities of long-term debt over the next five years are as follows:

| | |
|------|-----------|
| 2019 | \$ 79,434 |
| 2020 | \$ 76,941 |
| 2021 | \$ 80,845 |
| 2022 | \$ 83,128 |
| 2023 | \$ 82,955 |

These notes contain certain non-financial covenants which the Organization was not in compliance with as of June 30, 2018. Management received a covenant wavier from the bank.

UNITED WAY OF TRI-COUNTY, INC.

Notes to Financial Statements
June 30, 2018 and 2017

9. RETIREMENT PLANS

The Organization sponsors an employee pension plan for all full-time employees. For the years ended June 30, 2018 and 2017, the Organization's contributions based on a percentage of employee salaries totaled \$128,662 and \$135,489, respectively, and are included in fringe benefits in the accompanying statements of functional expenses.

The Organization also maintains an IRC Section 403(b) Tax-Deferred Annuity Plan. The Tax-Deferred Annuity Plan covers all eligible employees as defined in the plan. The Organization does not contribute to this plan.

10. LEASE AGREEMENTS

The Organization maintains an agreement to lease programmatic space through April 30, 2021. Monthly payments under this agreement are \$4,200 for the first two years and escalate to \$6,615 for the remainder of the lease term.

In addition, the Organization leases additional program space under several tenant-at-will agreements for aggregate payments of approximately \$3,200 and \$14,000 per month for fiscal years 2018 and 2017, respectively. Facility rent expense for the years ended June 30, 2018 and 2017, was \$89,772 and \$155,735, respectively, and is included in occupancy in the accompanying statements of functional expenses.

The Organization also leases various equipment under operating lease agreements that expire through October 2019. The leases require aggregate monthly payments of approximately \$1,400 and \$2,100 for fiscal years 2018 and 2017, respectively. Total lease expense on all equipment was \$16,087 and \$25,152 for the years ended June 30, 2018 and 2017, respectively, and is included in equipment rental in the accompanying statements of functional expenses.

Future minimum lease payments under non-cancelable operating leases are as follows:

| | <u>Facilities</u> | <u>Equipment</u> |
|------|-------------------|------------------|
| 2019 | \$ 55,230 | \$ 13,620 |
| 2020 | \$ 79,380 | \$ 4,540 |
| 2021 | \$ 66,150 | \$ - |

The Organization leases certain equipment with an aggregate cost of \$87,134 and \$160,012 through capital lease agreements as of June 30, 2018 and 2017, respectively. The agreement bears interest of 4.2% and is due in monthly installments of principal and interest of \$1,280 as of June 30, 2018, maturing through April 2021.

UNITED WAY OF TRI-COUNTY, INC.

Notes to Financial Statements
June 30, 2018 and 2017

10. LEASE AGREEMENTS (Continued)

Future minimum lease payments under these agreements are as follows:

| | |
|---|------------------|
| 2019 | \$ 15,360 |
| 2020 | 15,360 |
| 2021 | <u>12,800</u> |
| Total future minimum lease payments | 43,520 |
| Less - amounts representing interest | <u>2,580</u> |
| Present value of minimum lease payments | 40,940 |
| Less - current portion | <u>13,893</u> |
| | <u>\$ 27,047</u> |

For the years ended June 30, 2018 and 2017, depreciation expense on the equipment purchased under the capital leases was \$28,358 and \$32,002, respectively.

Rental Income

The Organization maintains a ten-year lease agreement with its former landlord to lease office space in the Organization's facility. Monthly payments of \$100 are due through June 30, 2026.

Future minimum rental receipts are as follows:

| | |
|------------|----------|
| 2019 | \$ 1,200 |
| 2020 | \$ 1,200 |
| 2021 | \$ 1,200 |
| 2022 | \$ 1,200 |
| 2023 | \$ 1,200 |
| Thereafter | \$ 3,600 |

11. COMMITMENTS

The Organization entered into an agreement to provide comprehensive operational and management services on behalf of Mass211, Inc. (Mass211) through June 30, 2019, at a management fee equal to the direct costs incurred to carry out the services required by Mass211's grants and contracts. During fiscal years 2018 and 2017, the Organization incurred direct costs of approximately \$1,376,000 and \$1,222,000, respectively, which were billed to Mass211 for the years ended June 30, 2018 and 2017. These fees are presented as call center management fees in the accompanying statements of activities. The call center management fees comprised 20% and 16% of total public support and revenues for the years ended June 30, 2018 and 2017, respectively.

12. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in multiple banks in Massachusetts. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts at certain banks. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

UNITED WAY OF TRI-COUNTY, INC.Notes to Financial Statements
June 30, 2018 and 2017**13. ENDOWMENT**

A reconciliation of endowment activities for fiscal years 2018 and 2017 is as follows:

| | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total Endowment</u> |
|-------------------------------------|-----------------------------------|-----------------------------------|----------------------------|
| Endowment net assets, June 30, 2016 | \$ 4,883 | \$ 115,338 | \$ 120,221 |
| Investment return: | | | |
| Realized gain on investments | 5,165 | - | 5,165 |
| Investment income, net of fees | 1,267 | - | 1,267 |
| Unrealized gain on investments | <u>5,077</u> | <u>-</u> | <u>5,077</u> |
| Total investment return | <u>11,509</u> | <u>-</u> | <u>11,509</u> |
| Appropriations to operations | <u>(7,113)</u> | <u>-</u> | <u>(7,113)</u> |
| Endowment net assets, June 30, 2017 | <u>9,279</u> | <u>115,338</u> | <u>124,617</u> |
| Investment return: | | | |
| Realized gain on investments | 9,641 | - | 9,641 |
| Investment income, net of fees | 1,121 | - | 1,121 |
| Unrealized loss on investments | <u>(4,068)</u> | <u>-</u> | <u>(4,068)</u> |
| Total investment return | <u>6,694</u> | <u>-</u> | <u>6,694</u> |
| Appropriations to operations | <u>(7,091)</u> | <u>-</u> | <u>(7,091)</u> |
| Endowment net assets, June 30, 2018 | <u>\$ 8,882</u> | <u>\$ 115,338</u> | <u>\$ 124,220</u> |

14. ALLOCATIONS

Allocations to agencies consist of the following for the years ended June 30:

| <u>Agency</u> | <u>Amount</u> | |
|-------------------------------------|-------------------|-------------------|
| | <u>2018</u> | <u>2017</u> |
| Boys & Girls Clubs of MetroWest | \$ 70,000 | \$ 120,000 |
| South Middlesex Opportunity Council | 25,000 | - |
| Mass 211, Inc. | <u>19,817</u> | <u>19,817</u> |
| Total allocation to agencies | <u>\$ 114,817</u> | <u>\$ 139,817</u> |

15. CHARITABLE LEAD TRUST

The Organization is a beneficiary of a charitable lead annuity trust. The Organization is entitled to one-third of the fair value of the trust. The Organization received distributions of \$25,000 during fiscal years 2018 and 2017 and will receive annual distributions of \$25,000 until the trust is exhausted. The Organization's share of the trust of \$219,642 and \$243,598 is included in temporarily restricted net assets and contribution receivable - charitable lead trust in the accompanying statements of financial position as of June 30, 2018 and 2017, respectively. The Organization recorded a change in value of charitable lead trust of \$1,044 and \$(3,833) in the accompanying statements of activities for the years ended June 30, 2018 and 2017, respectively.

UNITED WAY OF TRI-COUNTY, INC.

Notes to Financial Statements
June 30, 2018 and 2017

16. CONTINGENCIES

The Organization, from time-to-time, is the defendant in lawsuits. It is management's experience that the results of these infrequent actions will not have a material impact on the statement of financial position or the statement of activities of the Organization. Accordingly, no amounts have been reflected in the accompanying financial statements.

17. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT OF FINANCIAL STATEMENTS

During the fiscal year ended June 30, 2018, the Organization discovered that unrestricted net assets were overstated by \$211,444 at June 30, 2016. This misstatement was caused by the Organization recording certain campaign revenue managed by other organizations totaling \$211,444 twice (as both a pledge receivable and grant expense), which resulted in an overstatement of gross campaign results and pledges receivable by the same amount. The correction of this error is shown as a prior period adjustment in the accompanying statements of changes in net assets.

During fiscal year 2017, the campaign pledge receivable that was recorded twice in fiscal year 2016 (\$211,444) was written off, and certain campaign revenue managed by other organizations totaling \$367,121 was recorded twice (as both a pledge receivable and grant expense). Accordingly, the Organization restated its results for fiscal year 2017. The effect of the restatement was to decrease the changes in unrestricted net assets by \$155,677.

The effect of the restatement on the changes in unrestricted net assets and financial position as of and for the year ended June 30, 2017, is as follows:

| | <u>As Previously Reported</u> | <u>Restated</u> |
|------------------------------------|-----------------------------------|-----------------|
| Gross campaign results | \$ 3,721,260 | \$ 3,565,583 |
| Changes in unrestricted net assets | 766,624 | 610,947 |
| Pledges receivable, net | \$ 1,103,872 | \$ 736,751 |
| Unrestricted net assets | 1,800,180 | 1,433,059 |

18. SUBSEQUENT EVENT

Effective October 1, 2018, the Organization entered into an agreement to provide comprehensive operational and management services to United Way of Pioneer Valley, Inc. through April 1, 2021, at a management fee equal to 10% of gross revenue, as defined in the agreement, payable monthly in advance of the first month. Either party can terminate this agreement without cause with 120 days prior written notice of termination.

19. RECLASSIFICATIONS

Certain amounts in the fiscal year 2017 financial statements have been reclassified to conform with the fiscal year 2018 presentation.