

**UNITED WAY OF THE GREATER CAPITAL REGION, INC.
AND
STATE EMPLOYEES FEDERATED APPEAL**

**Combined Financial Statements as of
June 30, 2018
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

April 18, 2019

To the Board of Directors of
United Way of the Greater Capital Region, Inc. and State Employees Federated
Appeal:

Report on the Financial Statements

We have audited the accompanying combined financial statements of United Way of the Greater Capital Region, Inc. (a New York State not-for-profit corporation) and State Employees Federated Appeal (collectively referred to as the Organization), which comprise the combined statement of financial position as of June 30, 2018, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of United Way of the Greater Capital Region, Inc. and State Employees Federated Appeal as of June 30, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the United Way of the Greater Capital Region, Inc. and State Employees Federated Appeal's 2017 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated December 11, 2017. 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 combined financial statements from which it has been derived.

Report on Combining Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements of United Way of the Greater Capital Region, Inc. and State Employees Federated Appeal as a whole. The combining information presented in Schedules I and II is presented for the purposes of additional analysis of the combined financial statements rather than to present the financial position and results of activities of the individual companies, and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

The 2017 supplementary information is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position and results of activities of the individual companies, and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of those combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 supplementary information is fairly stated in all material respects in relation to the combined financial statements from which it has been derived.

**UNITED WAY OF THE GREATER CAPITAL REGION, INC. AND
STATE EMPLOYEES FEDERATED APPEAL**

**COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018**

(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 1,300,906	\$ 593,692
Investments	3,721,247	3,746,350
Pledges receivable, net of allowance for uncollectible pledges	1,707,815	2,437,814
Other receivables	82,502	95,858
Prepaid expenses and other assets	38,682	61,424
Property and equipment, net	236,786	267,898
Beneficial interest in perpetual trust	<u>479,727</u>	<u>460,459</u>
	<u>\$ 7,567,665</u>	<u>\$ 7,663,495</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 157,705	\$ 168,658
Grants and investments payable	932,467	1,200,222
Due to designated agencies	1,291,056	1,381,571
Long-term debt	<u>49,463</u>	<u>234,434</u>
Total liabilities	<u>2,430,691</u>	<u>2,984,885</u>
NET ASSETS:		
Unrestricted -		
Undesignated	1,463,703	1,229,726
Board designated	<u>3,080,006</u>	<u>2,874,887</u>
Total unrestricted	4,543,709	4,104,613
Temporarily restricted	477	477
Permanently restricted	<u>592,788</u>	<u>573,520</u>
Total net assets	<u>5,136,974</u>	<u>4,678,610</u>
	<u>\$ 7,567,665</u>	<u>\$ 7,663,495</u>

The accompanying notes are an integral part of these statements.

**UNITED WAY OF THE GREATER CAPITAL REGION, INC. AND
STATE EMPLOYEES FEDERATED APPEAL**

**COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2018</u>	<u>2017</u>
SUPPORT, REVENUE AND GAINS:					
Support					
Contributions received - United Way Campaign	\$ 4,399,060	\$ -	\$ -	\$ 4,399,060	\$ 5,058,512
Less: Donor designations	(1,219,445)	-	-	(1,219,445)	(2,040,162)
Allowance for uncollectible pledges	(787,411)	-	-	(787,411)	(204,000)
Subtotal	<u>2,392,204</u>	<u>-</u>	<u>-</u>	<u>2,392,204</u>	<u>2,814,350</u>
Grants	356,083	-	-	356,083	276,890
Contributed goods and services	63,184	-	-	63,184	69,115
Legacies and bequests	19,470	-	-	19,470	19,846
Events	161,642	-	-	161,642	137,094
Net assets released from restrictions	-	-	-	-	-
Total support	<u>2,992,583</u>	<u>-</u>	<u>-</u>	<u>2,992,583</u>	<u>3,317,295</u>
Revenue and gains					
Federated campaign income	281,056	-	-	281,056	307,332
Donor designated service fees	42,259	-	-	42,259	39,341
Interest and dividends	97,956	-	-	97,956	101,444
Rental revenue	44,581	-	-	44,581	45,200
Gain on investments	131,587	-	-	131,587	197,252
Gain (Loss) permanently restricted	-	-	19,268	19,268	29,341
Total revenue and gains	<u>597,439</u>	<u>-</u>	<u>19,268</u>	<u>616,707</u>	<u>719,910</u>
Total support, revenue, and gains	<u>3,590,022</u>	<u>-</u>	<u>19,268</u>	<u>3,609,290</u>	<u>4,037,205</u>
EXPENSES:					
Program services:					
Community impact	1,351,034	-	-	1,351,034	2,036,879
SEFA and CFC	452,229	-	-	452,229	521,040
Total program services	<u>1,803,263</u>	<u>-</u>	<u>-</u>	<u>1,803,263</u>	<u>2,557,919</u>
Supporting services:					
Management and general	713,217	-	-	713,217	472,032
Fundraising	634,446	-	-	634,446	615,551
Total supporting services	<u>1,347,663</u>	<u>-</u>	<u>-</u>	<u>1,347,663</u>	<u>1,087,583</u>
Total expenses	<u>3,150,926</u>	<u>-</u>	<u>-</u>	<u>3,150,926</u>	<u>3,645,502</u>
CHANGE IN NET ASSETS	439,096	-	19,268	458,364	391,703
NET ASSETS - beginning of year	<u>4,104,613</u>	<u>477</u>	<u>573,520</u>	<u>4,678,610</u>	<u>4,286,907</u>
NET ASSETS - end of year	<u>\$ 4,543,709</u>	<u>\$ 477</u>	<u>\$ 592,788</u>	<u>\$ 5,136,974</u>	<u>\$ 4,678,610</u>

The accompanying notes are an integral part of these statements.

**UNITED WAY OF THE GREATER CAPITAL REGION, INC. AND
STATE EMPLOYEES FEDERATED APPEAL**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

(With Comparative Totals for 2017)

	Community Impact	SEFA/CFC	Management and General	Fundraising	Total 2018	2017
Salaries and payroll taxes	\$ 189,905	\$ 96,000	\$ 365,970	\$ 362,889	\$ 1,014,764	\$ 912,595
Retirement expenses	5,461	5,639	22,290	27,923	61,313	60,330
Other employee benefits	16,397	10,517	64,722	28,679	120,315	168,984
Temporary employees	-	-	-	-	-	29,609
Total salaries and related expenses	<u>211,763</u>	<u>112,156</u>	<u>452,982</u>	<u>419,491</u>	<u>1,196,392</u>	<u>1,171,518</u>
Community Care Fund allocations	748,748	-	-	-	748,748	1,300,000
Federated Campaign Expenses	-	321,122	-	-	321,122	404,841
Professional fees and services	211,241	-	19,287	21,353	251,881	259,434
Advertising, publicity, and special events	82,788	-	82,788	82,788	248,364	258,470
Subscriptions and dues	39,815	-	25,815	25,815	91,445	72,142
Transitional expenses	-	-	60,019	-	60,019	-
Occupancy	16,450	-	17,052	23,399	56,901	36,014
Equipment, software, and hardware	11,622	-	11,610	17,698	40,930	-
Depreciation	9,063	-	9,054	13,802	31,919	32,382
Telephone and postage	7,803	-	7,795	11,883	27,481	23,336
Loaned executive expense	-	18,951	-	-	18,951	21,718
Employee expenses	5,167	-	5,162	7,868	18,197	9,456
Insurance	2,996	-	6,310	4,562	13,868	10,731
Interest expense	-	-	9,070	-	9,070	18,901
General office supplies and printing	2,209	-	2,207	3,364	7,780	4,927
Travel and related costs	767	-	3,027	1,341	5,135	13,659
Miscellaneous	602	-	1,039	1,082	2,723	7,973
	<u>\$ 1,351,034</u>	<u>\$ 452,229</u>	<u>\$ 713,217</u>	<u>\$ 634,446</u>	<u>\$ 3,150,926</u>	<u>\$ 3,645,502</u>

The accompanying notes are an integral part of these statements.

**UNITED WAY OF THE GREATER CAPITAL REGION, INC. AND
STATE EMPLOYEES FEDERATED APPEAL**

**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)**

	<u>2018</u>	<u>2017</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 458,364	\$ 391,703
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	33,019	32,382
Interest expenses on amortization of debt issuance costs	2,820	2,820
Provision for bad debts	(787,411)	-
(Gain) on investments	(131,587)	(197,252)
Loss (gain) on permanently restricted	(19,268)	(29,341)
Changes in:		
Pledges receivable	1,517,410	(376,478)
Other receivables	13,356	(10,456)
Prepaid expenses and other assets	22,742	3,593
Accounts payable and accrued expenses	(10,953)	12,739
Grants and investments payable	(267,755)	(235,488)
Due to designated agencies	<u>(90,515)</u>	<u>18,148</u>
Net cash flow from operating activities	<u>740,222</u>	<u>(387,630)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of investments	(3,672)	(1,211,592)
Proceeds from sales of investments	160,362	1,296,922
Purchases of property and equipment	<u>(1,907)</u>	<u>-</u>
Net cash flow from investing activities	<u>154,783</u>	<u>85,330</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Payments on long-term debt	<u>(187,791)</u>	<u>(68,386)</u>
Net cash flow from financing activities	<u>(187,791)</u>	<u>(68,386)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	707,214	(370,686)
CASH AND CASH EQUIVALENTS - beginning of year	<u>593,692</u>	<u>964,378</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 1,300,906</u>	<u>\$ 593,692</u>

The accompanying notes are an integral part of these statements.

UNITED WAY OF THE GREATER CAPITAL REGION, INC., AND STATE EMPLOYEES FEDERATED APPEAL

NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2018

1. ORGANIZATION AND HISTORY

United Way of the Greater Capital Region, Inc. (UWGCR), a New York not-for-profit corporation, provides services to individuals and corporations in the Capital Region. Our mission is to improve lives and advance the common good in the Capital Region by mobilizing the caring power of donors, volunteers, and community partners to give, volunteer, and advocate for people in need within our region.

Our vision is to be a recognized leader in the development and investment of philanthropic and volunteer resources in programs and initiatives that improve the quality of life for children, families, elders, and people in need. We will accomplish this by investing resources in programs that address needs in the area of early childhood education and health, income, and financial stability of low income families and individuals, and for the Basic Needs of our communities most vulnerable.

United Way of the Greater Capital Region, Inc. is a member of the United Way WorldWide. To maintain membership within this Organization, United Way of the Greater Capital Region, Inc. must make a membership investment to United Way WorldWide based on a percentage of annual contributions received. This membership fee paid to United Way WorldWide was \$49,802 and \$51,581 for the years ended June 30, 2018 and 2017, respectively.

UWGCR focuses on improving lives and community conditions across the Greater Capital Region. We do this by investing in programs and participating in initiatives that bring partners together around issues that require a collective response. Our work is based on the belief that together, united, we achieve far more than any single person or agency could alone.

During 2018, UWGCR issued grants to 69 local programs and special initiatives representing 55 agencies. More than 100,000 Greater Capital Region residents benefited from United Way-funded programs in 2017-2018.

UWGCR also helped mobilize more than 387 volunteers who contributed their time and expertise to community projects, organizational leadership and planning, fundraising and more.

EDUCATION

United Way invested in early childhood development programs, academic support for school-age children, employment training and skill building, adult literacy programs, parent support, school partnerships and more. Through our Bright Starts for Brilliant Futures initiative, UWGCR invested in three home visiting programs, two regional coalitions to improve early childhood success and positive educational outcomes, and made a concentrated effort to improve quality early childcare in Rensselaer County.

1. ORGANIZATION AND HISTORY (Continued)

INCOME

United Way invested in programs that help families gain financial stability through asset and debt management, programs helping the homeless achieve independence, and tax preparation and counsel for income-eligible families. Much of this work is accomplished through the CASH Coalition, a United Way-led partnership that helps low and moderate income families benefit from the Earned Income Tax Credit and other savings and learn financial management skills. United Way also supports programs that help people meet their basic needs by providing food, safe shelter and other critical assistance.

HEALTH

United Way invested in programs that address health related issues such as independent living, challenges facing older adults, persons with disabilities, and mental health.

BASIC NEEDS

United Way invested in safety net services that provide food, shelter, and safety to people with physical and developmental disabilities, and safe places for children after school. United Way also invested in United Way 2-1-1 Northeast Region, a free and confidential telephone information and referral service that connects callers with community resources. Through our United Against Hunger Initiative, we invested with five local summer food service providers to serve 135,000 meals in neighborhoods with concentrations of poverty.

STATE EMPLOYEES FEDERATED APPEAL (SEFA)

Workplace fund-raising campaigns - UWGCR is responsible for developing, implementing, and evaluating fund-raising programs with respective volunteer committees for the 12 county area.

State Employees Federated Appeal (SEFA)

State Employees Federated Appeal (SEFA) is an annual fund-raising campaign that occurs during the fall season. The program was established to accommodate the wishes of New York State employees who wanted a single fund-raising campaign that would reduce multiple charitable solicitations. Participating federations in the campaign include United Way of the Greater Capital Region, Inc., Community Health Charities of New York, Independent Charities of America and Global Impact to name a few. In addition to the aforementioned federations, over 400 independent agencies also participate in the campaign.

New York State regulations assign the responsibility of campaign oversight to the Capital Region SEFA Committee whose members include state employees and representatives of charitable agencies. Campaign administrative and fiscal management services are performed by personnel of United Way of the Greater Capital Region, Inc.

Principles of Combination

The amounts in the combined financial statements include the accounts of the United Way of the Greater Capital Region, Inc. (UWGCR) and State Employees Federated Appeal (SEFA). All significant intercompany balances and transactions have been eliminated in the combination. The financial statements have been combined because of common control and interrelated operating activities.

These organizations are hereafter referred to as “the Organization”.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying combined financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies followed by United Way of the Greater Capital Region, Inc. and State Employees Federal Appeal, are described below to enhance the usefulness of the combined financial statements.

Use of Estimates

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include bank demand deposit accounts, money market accounts and all highly liquid debt instruments purchased with a maturity of three months or less. The Organization's cash balances may at times exceed federally insured limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash and cash equivalents.

Investments

All investments in publicly traded equity and fixed income mutual funds are stated at fair value. Fair value is determined using quoted market prices. All realized and unrealized gains and losses are reported directly in the accompanying combined statement of activities.

Marketable securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain marketable securities, it is at least reasonably possible that changes in the values of marketable securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying combined financial statements.

Pledges Receivable

The Organization provides an allowance for uncollectible pledges based upon collection history and a review of open accounts by management. Open accounts are written off after all collection efforts have been exhausted and the pledge is determined to be uncollectable. The allowance for uncollectible pledges was \$309,000 and \$260,540 as of June 30, 2018 and 2017, respectively.

Although management has reviewed the collection history while projecting the allowance, it is reasonably possible that actual uncollectible pledges may differ from the estimated allowance.

Property and Equipment

Property and equipment are stated at cost, except for donated assets, which are recorded at their fair market value at the date of the gift. The Organization does not imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are restricted as to their use by the donor. Accordingly, those donations are recorded as support, increasing unrestricted net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When property and equipment are disposed of, the appropriate accounts are relieved of costs, and accumulated depreciation and any resultant gain or loss is reported as a change in net assets.

Depreciation is computed on a straight-line basis using the estimated useful lives (2 to 40 years) of the various assets.

Long-Lived Assets

The Organization assesses its long-lived assets for impairment when events or circumstances indicate their carrying amounts may not be recoverable. This is accomplished by comparing the expected undiscounted future cash flows of the long-lived assets with the respective carrying amount as of the date of assessment. If the expected undiscounted future cash flows exceed the respective carrying amount as of the date of assessment, the long-lived assets are considered not to be impaired. If the expected undiscounted future cash flows are less than the carrying value, an impairment loss is recognized and measured as the difference between the carrying value and the fair value of the long-lived assets. No impairment of long-lived assets was recognized in 2018 or 2017.

Debt Issuance Costs

Debt Issuance costs are amortized and recognized as interest expenses on a straight-line basis over the periods of the related debt. The unexpensed debt issuance costs approximated \$7,994 and \$10,814 at June 30, 2018 and 2017, respectively, and are netted against long-term debt on the statements of financial position. Interest expenses on amortization of debt issuance cost was \$2,820 for the years ended June 30, 2018 and 2017. Interest expenses on amortization is expected to be approximately \$2,800 each year through 2019.

Due to Affiliated Agencies/Pledge Income

Contributions which are designated to a specific third-party beneficiary are recorded as a liability at the fair market value at the time the contribution is received, net of campaign costs and allowance for uncollectible pledges. All pledges received by SEFA are considered donor-designated. These pledges are passed directly to the designated recipients and are excluded from the Organizations' revenue and expenses, except for a small portion that is allocated to revenue to cover direct campaign costs.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Financial Reporting

The Organization reports its activities and the related net assets using three net asset categories: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets are not restricted by donors or other outside agencies. The Board of Directors can authorize use of these assets, as it desires, to carry on the purposes of the Organization according to its bylaws. The Board of Directors has also designated that a portion of these monies be used to supplement program expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Reporting (Continued)

Temporarily restricted net assets represent donor-imposed restrictions that permit the donee organization to use up or expend the donated assets as specified. This temporary restriction is satisfied by the passage of time or actions by the Organization.

Permanently restricted net assets represent donor-imposed restrictions that stipulate that resources be maintained permanently, but permit the Organization to use up or expend part or all of the income derived from the donated assets.

Permanently restricted net assets consist of a beneficial interest in a perpetual trust (see Note 9) as well as bequests that require investments in perpetuity.

Donated and Contributed Services

A number of “loaned executives” have donated 947 and 1,073 hours to the Organization’s fundraising campaigns during the years ended June 30, 2018 and 2017, respectively. The services donated require specialized skills and are reflected in the combined statement of activities at their fair value. For the years ended June 30, 2018 and 2017, the amount recognized was \$63,184 and \$69,115, respectively.

Statement of Functional Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the combined statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

The Organization expenses advertising costs as incurred. Advertising expense was \$248,364 and \$258,470 for the years ended June 30, 2018 and 2017, respectively.

Financial Instruments Measured at Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methodology used for the Organization’s assets measured at fair value is to value the investments at quoted market prices on the last business day of the fiscal year.

The fair value of the beneficial interest in perpetual trusts is determined to be a level 2 measurement using the market approach as the carrying amount of these investments approximates fair value based on the value of similar assets at which the Organization could invest in.

Income Taxes

United Way of the Greater Capital Region, Inc. and SEFA are exempt from federal income tax as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and have been classified as an entity that is not a private foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications have been made to the prior year information to conform to the current year presentation.

Comparative Financial Information

The combined financial statements include certain prior-year summarized comparative information in total but not by net asset class and functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's combined financial statements for the year ended June 30, 2017, from which the summarized information was derived.

3. INVESTMENTS

Investments are managed in accordance with an investment policy that was approved by the Board of Directors. A summary of investments as of June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Mutual funds- equities	\$ 2,364,441	\$ 2,241,293
Mutual funds- fixed income	<u>1,355,565</u>	<u>1,505,057</u>
	<u>\$ 3,720,006</u>	<u>\$ 3,746,350</u>

For the years ended June 30, 2018 and 2017, the investments earned interest and dividends of \$97,980 and \$101,444, respectively. There were no investment management fees incurred for the years ended June 30, 2018 and 2017.

4. FAIR VALUE MEASUREMENTS

The Organizations investments at fair value, within the fair value hierarchy, are as follows as of June 30:

<u>Description</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
June 30, 2018:				
Mutual funds- equities	\$ 2,364,441	\$ -	\$ -	\$ 2,364,441
Mutual funds- fixed income	1,355,565	-	-	1,355,565
Beneficial interest in perpetual trust	-	479,727	-	479,727
	<u>\$ 3,720,006</u>	<u>\$ 479,727</u>	<u>\$ -</u>	<u>\$ 4,199,733</u>
June 30, 2017:				
Mutual funds- equities	\$ 2,241,293	\$ -	\$ -	\$ 2,241,293
Mutual funds- fixed income	1,505,057	-	-	1,505,057
Beneficial interest in perpetual trust	-	460,459	-	460,459
	<u>\$ 3,746,350</u>	<u>\$ 460,459</u>	<u>\$ -</u>	<u>\$ 4,206,809</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 102,300	\$ 102,300
Building and building improvements	872,572	872,572
Office equipment	<u>178,587</u>	<u>176,679</u>
	1,153,459	1,151,551
Less: Accumulated depreciation	<u>(916,673)</u>	<u>(883,653)</u>
	<u>\$ 236,786</u>	<u>\$ 267,898</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was approximately \$32,400.

6. LONG-TERM DEBT

The Organization entered into a mortgage payable with a bank. It consists of monthly payments of \$3,125 including interest of 4.61%, secured by all assets of the Organization. Final payment is due June 2021, however management expects to pay off the amount due in 2019.

The future maturities of long-term debt over the next five years are as follows:

2019	\$	28,493
2020		<u>28,964</u>
Total		57,457
Less debt issuance cost		<u>(7,994)</u>
Long term debt, net	\$	<u>49,463</u>

The Organization must comply with certain financial covenants per their debt agreements. These covenants were not met as of June 30, 2018, however a waiver was granted from the financial institution.

7. LINE-OF-CREDIT

The Organization has a secured \$250,000 line-of-credit with Pioneer Savings Bank. Borrowings against the line are due on demand and interest is payable monthly at the Bank's prime rate plus one percent (6% at June 30, 2018), with a floor percentage rate of 5.25%. The balance is secured by all assets of the Organization. At June 30, 2018 and 2017 there was no outstanding balance on the line of credit.

8. TEMPORARILY RESTRICTED AND BOARD DESIGNATED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
United in action	\$ <u>477</u>	\$ <u>477</u>
	\$ <u>477</u>	\$ <u>477</u>

Unrestricted – Board designated net assets are available for the following purposes at June 30:

	<u>2018</u>	<u>2017</u>
ELAP	\$ 4,600	\$ 3,540
Funds functioning as endowment	<u>3,075,406</u>	<u>2,871,347</u>
	\$ <u>3,080,006</u>	\$ <u>2,874,887</u>

9. PERMANENTLY RESTRICTED NET ASSETS

Beneficial Interest in Perpetual Trusts

The Organization is the beneficiary of the Percy Waller Perpetual Charitable Trust (Trust). The Trust provides for annual distributions of eleven percent of the income earned on the Trust's assets. The donor has placed no restrictions as to the use of the distributions. The Trust is administered by an independent third-party trustee.

The value of the beneficial interest in perpetual trust is recorded at eleven percent of the fair market value of the Trust's assets. The Organization recognized a gain (loss) in the value of this Trust in the amount of \$19,268 and \$29,341 for the year ended June 30, 2018 and 2017, respectively.

Other Permanently Restricted Net Assets

The Organization is the beneficiary of two bequests from estates for which the donor restricted the funds to be held in perpetuity. There are no restrictions placed on the income derived from these funds. The total amounts reported as permanently restricted for these contributions are \$113,061 for both years ending June 30, 2018 and 2017.

10. EMPLOYER RETIREMENT PLANS

On January 1, 2009, the Organization established a 403(b) plan for its employees. Employer contributions to the Plan are determined annually by the Board of Directors. The Board of Directors approved a revision to the Plan, effective January 1, 2012, which includes an employer match of up to 4% of salary on employee contributions to the Plan. In addition, the Plan includes a service weighted automatic contribution of 3% of salary for employees with up to 10 years of service, and a 5% contribution for employees of over 10 years of service.

A one year waiting period is required for participation in the match and automatic contribution portions of the Plan. During the years ended June 30, 2018 and 2017, the employer contribution was \$54,092 and \$38,445 respectively.

The Organization had a noncontributory, combination pension and welfare plan available to all employees 21 years of age or older, who completed one year of service. The Plan was a defined benefit plan, which provided benefits that were generally based on years of service and final average salary. The plan was terminated as of June 30, 2016. There were no plan assets as of June 30, 2016 as the plan was terminated and all plan assets were paid to participants. The Board made a resolution to make 11 annual contributions of \$6,703 to one employee that hasn't been paid out yet, there are 5 remaining payments to be made as of June 30, 2018. These contributions are the Organization's assets until the employment is terminated. The Organization contributed approximately \$6,700 to this Plan for both of the years ended June 30, 2018 and 2017.

11. ENDOWMENT

The Organization's endowment consists of funds established to provide investment income to be used for fundraising and operating costs so that a higher percentage of donor contributions can be directed to the Community Care Fund. Its endowment includes donor-restricted and board designated endowments. As required by generally accepted accounting principles, net assets associated with endowment funds including funds, designated by the Board of Directors to function as endowments, are classified and reported based on the existence of donor-imposed restrictions.

11. ENDOWMENT (Continued)

Endowment net asset composition by fund type as of June 30, 2018 and 2017 is as follows:

	<u>Board Designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>June 30, 2018:</u>			
Endowment funds	<u>\$ 3,075,406</u>	<u>\$ 592,788</u>	<u>\$ 3,668,194</u>
<u>June 30, 2017:</u>			
Endowment funds	<u>\$ 2,871,347</u>	<u>\$ 573,520</u>	<u>\$ 3,444,867</u>

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

<u>Description</u>	<u>Board Designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - July 1, 2016	\$ 1,521,657	\$ 544,179	\$ 2,065,836
Contributions	1,133,000	-	1,133,000
Net appreciation	<u>216,690</u>	<u>29,341</u>	<u>246,031</u>
Endowment net assets - June 30, 2017	<u>\$ 2,871,347</u>	<u>\$ 573,520</u>	<u>\$ 3,444,867</u>
Net appreciation	<u>204,059</u>	<u>19,268</u>	<u>223,327</u>
Endowment net assets - June 30, 2018	<u>\$ 3,075,406</u>	<u>\$ 592,788</u>	<u>\$ 3,668,194</u>

Return Objectives and Risk Parameters

Investments of the Board-designated funds are made for the purpose of providing supplemental funding of fundraising and operational activities. The permanently restricted assets are those donor-restricted funds that the Organization must hold in perpetuity.

The Organization recognizes that risk (i.e. the uncertainty of future events), volatility (i.e. the potential for variability of asset values), and the possibility of loss in purchasing power (due to inflation) are present to some degree in all types of investment vehicles. While high levels of risk are to be avoided, the assumption of some risk is warranted in order to allow the investment manager the opportunity to achieve satisfactory long term results consistent with the objectives of the fund.

Strategies Employed for Achieving Objectives

The Organization has adopted investment and spending policies for endowment assets that attempt to maintain the corpus of the fund while allowing the account to grow in order to provide a resource for occasional funding to programs supported by its endowment. Endowment assets include only unrestricted and permanently restricted funds as of June 30, 2018 and 2017. Under this policy, as approved by the Board of Directors, the endowment assets are invested primarily in stocks (generally targeted at 40-60% of the fund), bonds (38-52%) and commodities (2-8%). No target growth rate is stated or implied by the Organization's investment objectives. Actual investment returns in any given year may vary.

11. ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives (Continued)

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

Management periodically presents system level initiatives that they feel worthy of Organization support. The Organization's Board reviews these suggestions and appropriates money on occasion for items they deem worthwhile. There is no annual target for expenditures.

The governing board has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation on its permanently restricted endowment gifts, beyond the original gift amount, follows the donor's restrictions on the use of the related income (interest and dividends), and income is classified as temporarily restricted until appropriated for expenditure. As of June 30, 2018, all income related to permanently restricted net assets has been expended consistent with donor intent.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 18, 2019, which is the date these combined financial statements were available to be issued.

**UNITED WAY OF THE GREATER CAPITAL REGION, INC.
STATE EMPLOYEES FEDERATED APPEAL**

Schedule I

**COMBINING SCHEDULE OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)**

	United Way of the Greater Capital Region, Inc.	State Employees Federated Appeal	Eliminations	Total 2018	2017
ASSETS					
Cash and cash equivalents	\$ 804,249	\$ 496,657	\$ -	\$ 1,300,906	\$ 593,692
Investments	3,721,247	-	-	3,721,247	3,746,350
Pledges receivable, net	1,362,492	469,015	(123,692)	1,707,815	2,437,814
Other receivables	82,502	-	-	82,502	95,858
Prepaid expenses and other assets	38,682	-	-	38,682	61,424
Property and equipment, net	236,786	-	-	236,786	267,898
Beneficial interest in perpetual trust	479,727	-	-	479,727	460,459
	<u>\$ 6,725,685</u>	<u>\$ 965,672</u>	<u>\$ (123,692)</u>	<u>\$ 7,567,665</u>	<u>\$ 7,663,495</u>
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts payable and accrued expenses	\$ 147,412	\$ 10,293	\$ -	\$ 157,705	\$ 168,658
Due to affiliated agencies	932,467	123,692	(123,692)	932,467	1,200,222
Due to designated agencies	465,466	825,590	-	1,291,056	1,381,571
Debt	43,481	5,982	-	49,463	234,434
	<u>1,588,826</u>	<u>965,557</u>	<u>(123,692)</u>	<u>2,430,691</u>	<u>2,984,885</u>
NET ASSETS:					
Unrestricted -					
Undesignated	1,463,588	115	-	1,463,703	1,229,726
Board designated	3,080,006	-	-	3,080,006	2,874,887
Total unrestricted	4,543,594	115	-	4,543,709	4,104,613
Temporarily restricted	477	-	-	477	477
Permanently restricted	592,788	-	-	592,788	573,520
	<u>5,136,859</u>	<u>115</u>	<u>-</u>	<u>5,136,974</u>	<u>4,678,610</u>
Total net assets	<u>\$ 6,725,685</u>	<u>\$ 965,672</u>	<u>\$ (123,692)</u>	<u>\$ 7,567,665</u>	<u>\$ 7,663,495</u>

The accompanying notes are an integral part of these schedules.

**UNITED WAY OF THE GREATER CAPITAL REGION, INC. AND
STATE EMPLOYEES FEDERATED APPEAL**

Schedule II

**COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)**

	United Way of the Greater Capital Region, Inc.				State Employees Federated Appeal		Totals	2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Eliminations		
SUPPORT, REVENUE AND GAINS:								
Support								
Contributions received - United Way Campaign	\$ 3,049,607	\$ -	\$ -	\$ 3,049,607	1,349,453	\$ -	\$ 4,399,060	\$ 5,058,512
Less: Donor designations	(339,447)	-	-	(339,447)	(879,998)	-	(1,219,445)	(2,040,162)
Allowance for uncollectible pledges	(532,769)	-	-	(532,769)	(254,642)	-	(787,411)	(204,000)
Subtotal	2,177,391	-	-	2,177,391	214,813	-	2,392,204	2,814,350
Grants	356,083	-	-	356,083	-	-	356,083	276,890
Contributed goods and services	44,233	-	-	44,233	18,951	-	63,184	69,115
Legacies and bequests	19,470	-	-	19,470	-	-	19,470	19,846
Events	161,642	-	-	161,642	-	-	161,642	137,094
Net assets released from restrictions	-	-	-	-	-	-	-	-
Total support	2,758,819	-	-	2,758,819	233,764	-	2,992,583	3,317,295
Revenue and gains								
Federated campaign income	281,056	-	-	281,056	-	-	281,056	307,332
Donor designated service fees	42,259	-	-	42,259	-	-	42,259	39,341
Interest and dividends	97,516	-	-	97,516	440	-	97,956	101,444
Rental revenue	44,581	-	-	44,581	-	-	44,581	45,200
Gain on investments	131,587	-	-	131,587	-	-	131,587	197,252
Gain (loss) on permanently restricted	-	-	19,268	19,268	-	-	19,268	29,341
Total revenue and gains	596,999	-	19,268	616,267	440	-	616,707	719,910
Total support, revenue, and gains	3,355,818	-	19,268	3,375,086	234,204	-	3,609,290	4,037,205
EXPENSES:								
Program services:								
Community impact	1,351,034	-	-	1,351,034	-	-	1,351,034	2,036,879
SEFA and CFC	241,172	-	-	241,172	211,057	-	452,229	521,040
Total program services	1,592,206	-	-	1,592,206	211,057	-	1,803,263	2,557,919
Supporting services:								
Management and general	709,117	-	-	709,117	4,100	-	713,217	472,032
Fundraising	615,495	-	-	615,495	18,951	-	634,446	615,551
Total supporting services	1,324,612	-	-	1,324,612	23,051	-	1,347,663	1,087,583
Total expenses	2,916,818	-	-	2,916,818	234,108	-	3,150,926	3,645,502
CHANGE IN NET ASSETS	439,000	-	19,268	458,268	96	-	458,364	391,703
NET ASSETS - beginning of year	4,104,594	477	573,520	4,678,591	19	-	4,678,610	4,286,907
NET ASSETS - end of year	\$ 4,543,594	\$ 477	\$ 592,788	\$ 5,136,859	\$ 115	\$ -	\$ 5,136,974	\$ 4,678,610

The accompanying notes are an integral part of these schedules.