

BERKSHIRE UNITED WAY, INC.
FINANCIAL STATEMENTS
JUNE 30, 2018 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2017

BERKSHIRE UNITED WAY, INC.
FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Berkshire United Way, Inc.

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 financial statements, and our report dated November 9, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Meyer Brothers Kalicka, P.C.

Holyoke, Massachusetts
October 25, 2018

BERKSHIRE UNITED WAY, INC.

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

ASSETS

	2018	2017
Assets		
Cash	\$ 269,566	\$ 231,382
Contributions receivable, net	772,473	840,766
Grants receivable	48,184	45,457
Other receivables	12,849	3,752
Prepaid expenses	21,459	24,554
Investments, at market value	3,325,590	3,334,679
Property and equipment, net	312,099	303,747
Total assets	\$ 4,762,220	\$ 4,784,337

LIABILITIES AND NET ASSETS

Liabilities		
Community grants payable	\$ 1,306,759	\$ 1,230,376
Due to designated agencies	168,066	170,389
Accounts payable	45,276	26,427
Accrued expenses	47,128	41,123
Total liabilities	1,567,229	1,468,315
Net assets		
Unrestricted		
Unrestricted	405,156	535,358
Board designated reserve	841,000	816,000
Property and equipment	312,099	303,747
Total unrestricted	1,558,255	1,655,105
Temporarily restricted	1,150,448	1,174,629
Permanently restricted	486,288	486,288
Total net assets	3,194,991	3,316,022
Total liabilities and net assets	\$ 4,762,220	\$ 4,784,337

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

BERKSHIRE UNITED WAY, INC.

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

	2018			2017	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues, gains and other support					
Campaign contributions					
Total campaign amounts raised	\$ 2,397,264			\$ 2,397,264	\$ 2,464,770
Special events	72,536			72,536	29,514
In-kind support	29,391			29,391	38,554
Less: amounts raised on behalf of others	(193,812)			(193,812)	(219,949)
Less: provision for uncollectible pledges	(107,938)			(107,938)	(108,936)
Net campaign contributions	2,197,441			2,197,441	2,203,953
Interest and dividend income, net	16,780	\$ 29,018		45,798	39,788
Administrative fees charged on designations	14,266			14,266	18,014
Grant income	165,499			165,499	200,970
Gifts and bequests	-			-	1,000,000
Rental income	84,930			84,930	84,930
Realized and unrealized gains on investments	89,923	33,419		123,342	192,290
Released from restrictions	65,000	(65,000)		-	-
Investment return released for operations	21,618	(21,618)		-	-
Total revenues, gains and other support	<u>2,655,457</u>	<u>(24,181)</u>	<u>-</u>	<u>2,631,276</u>	<u>3,739,945</u>
Community impact and other expenses					
Community investment	1,987,544			1,987,544	1,852,530
Resource development	496,548			496,548	481,230
Management and general	268,215			268,215	266,755
Total community impact and other expenses	<u>2,752,307</u>	<u>-</u>	<u>-</u>	<u>2,752,307</u>	<u>2,600,515</u>
Change in net assets	(96,850)	(24,181)	-	(121,031)	1,139,430
Net assets, beginning of year	<u>1,655,105</u>	<u>1,174,629</u>	<u>\$ 486,288</u>	<u>3,316,022</u>	<u>2,176,592</u>
Net assets, end of year	<u>\$ 1,558,255</u>	<u>\$ 1,150,448</u>	<u>\$ 486,288</u>	<u>\$ 3,194,991</u>	<u>\$ 3,316,022</u>

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

BERKSHIRE UNITED WAY, INC.

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

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (121,031)	\$ 1,139,430
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	28,268	27,759
Net realized and unrealized (gain) on investments	(123,342)	(192,290)
Provision for uncollectible pledges	107,938	108,936
Contributions restricted for long-term investments	-	(1,000,000)
Change in operating assets and liabilities:		
Contributions receivable	(39,645)	(55,449)
Grants receivable	(2,727)	49,097
Other receivables	(9,097)	20,458
Prepaid expenses	3,095	924
Community grants payable	76,383	(42,477)
Due to designated agencies	(2,323)	(62,174)
Accounts payable	18,849	4,528
Accrued expenses	6,005	(6,617)
Net cash used in operating activities	(57,627)	(7,875)
Cash flows from investing activities		
Purchase of property and equipment	(36,620)	(36,100)
Purchase of investments	(2,273,820)	(2,183,029)
Proceeds from the sales of investments	2,406,251	1,243,534
Net cash provided by (used in) investing activities	95,811	(975,595)
Cash flows from financing activities		
Repayments on line of credit	-	(150,000)
Principal payments on long-term debt	-	(39,787)
Contributions restricted for long-term investments	-	1,000,000
Net cash provided by financing activities	-	810,213
Net increase (decrease) in cash	38,184	(173,257)
Cash, beginning of year	231,382	404,639
Cash, end of year	\$ 269,566	\$ 231,382
Supplemental disclosure of cash flow information:		
Interest paid	\$ -	\$ 3,706

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

BERKSHIRE UNITED WAY, INC.

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

	Total		
	2018	2017	2017
Community impact grants to organizations	\$ 1,168,743	\$ 1,168,743	\$ 1,087,302
Salaries and related expenses			
Salaries	344,474	\$ 264,222	\$ 167,112
Employee benefits	62,709	34,583	32,107
Payroll taxes	26,821	23,223	14,386
Total salaries and related expenses	434,004	322,028	213,605
Support costs			
Contracted services	118,393	42,801	4,976
Supplies and small equipment	68,610	9,807	4,962
Telephone	1,366	1,016	697
Postage	238	2,892	662
Occupancy, other than depreciation	44,185	10,099	6,394
Equipment maintenance	4,913	5,337	4,240
Printing and publications	1,008	9,911	297
Advertising	21,438	1,529	79
Travel	5,340	1,343	713
Conferences, meetings and special events	19,015	21,714	-
Conferences, training	7,745	10,088	2,720
Dues and subscriptions	985	1,166	605
National and state affiliation dues	13,770	10,150	6,837
General and liability insurance	3,984	1,365	898
Bank charges	1,578	5,985	806
Interest	-	-	-
Depreciation	20,466	4,777	3,025
Technology	31,591	25,136	16,188
In-kind expenses	20,047	9,344	-
Miscellaneous expense (income)	125	60	511
Total support costs	384,797	174,520	54,610
Total community impact and other expenses	\$ 1,987,544	\$ 496,548	\$ 268,215
			\$ 2,752,307
			\$ 2,600,515

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

BERKSHIRE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

1. ORGANIZATION:

Berkshire United Way, Inc. (the "Organization") is a nonprofit organization that ignites the collective power of individuals and organizations to build a stronger community together. The Organization raises funds through workplace campaigns, corporate gifts, sponsorships, government and foundation grants and individual donations. The Organization invests these resources in support of three priority community issues: early childhood literacy, positive youth development and economic prosperity. The Organization partners with a variety of nonprofit organizations in Berkshire County. The Organization leads several initiatives to address community needs including Pittsfield Promise, Chapter One and the Economic Prosperity Impact Council.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The statements of financial position presents assets and liabilities in order of their relative liquidity.

Comparative financial information

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

Revenue recognition

Contributions and grants are recognized as support at the time they are pledged. Grants are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted. Conditional promises to give are not included as support until such time as the conditions are substantially met.

The Organization reports campaign contributions net of amounts that are designated by donors to a specific non-profit agency. Donor designated pledges were assessed a processing fee of 11.0% and 9.8% (which includes administrative costs) for the years ended June 30, 2018 and 2017, respectively, with a maximum fee of \$200 per donor which is based on historical costs in accordance with United Way Worldwide membership standards.

Campaign contributions include amounts donated by SABIC retirees, and the related corporate match, paid as a pass-through payment to recipient organizations. The amount of these pass-through funds was \$77,250 and \$155,250 for the years ended June 30, 2018 and 2017, respectively, and are not reflected in the statements of activities.

BERKSHIRE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Contributions and grants receivable

Contributions receivable are typically due within one year or less and therefore are recorded without any present value discount. The Organization provides for an allowance for uncollectible contributions and grants receivable based upon historical averages and management's estimates of current economic factors. Accounts are written off against the allowance when management has exhausted all reasonable collection efforts. The allowance for uncollectible contributions receivable was \$98,678 and \$91,890 as of June 30, 2018 and 2017, respectively. There was no allowance for grants receivable as of June 30, 2018 and 2017.

Investments, including endowments

Investments are recorded at fair value using methodologies discussed in Note 4. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains and losses resulting from sales or maturities are calculated on a specific identification basis. Investment activity is reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

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

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

Professional accounting standards provide guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Massachusetts Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") which serves as a model act for states to modernize their laws governing donor restricted endowment funds.

The Board of Directors (the "Board") has interpreted UPMIFA, as adopted by the Commonwealth of Massachusetts, as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of bequests donated to the permanent endowment.

The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: the duration and preservation of the funds, the purpose of the Organization and the donor restricted endowment funds, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Organization, and the investment policies of the Organization.

BERKSHIRE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Investments, including endowments (continued)

The Organization's endowment spending policy is 4.5% of its endowment fund's average fair value as of June 30th of the preceding three years in which the distribution was planned for. In fiscal years 2018 and 2017, this amounted to \$21,618 and \$19,036, respectively, which was used by the Organization. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. Although not required by state law, the same spending policy is followed for unrestricted investment funds.

Recent accounting standards

The Financial Accounting Standards Board ("FASB") has issued Accounting Standards Update ("ASU") No. 2016-14, *Not for Profit Entities*. This standard requires net assets to be presented in two classifications (without donor restriction and with donor restriction), essentially collapsing 'temporarily restricted' and 'permanently restricted' net assets into one net asset class. The election to treat gifts to purchase long-lived assets as temporarily restricted net assets has been eliminated. When implemented, an organization with underwater endowment funds will reclassify the underwater portion of the endowment fund from 'without donor restriction' to 'with donor restrictions'. The ASU requires that direct internal investment expenses be included as an investment expense, shown netted from investment revenue. Additionally, organizations will be required to provide qualitative and quantitative information on the way they manage their liquidity and availability of funds. Management is currently assessing the impact of this standard on their financial statements and will apply its requirements for the year ended June 30, 2019.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. As part of this new standard, there are significant changes that call for the treatment of current operating leases as capital leases, resulting in recognition by the lessee (the Organization) of a lease liability and a corresponding right-of-use asset. The lessor will recognize an asset representing its right to receive payments. The Organization is not required to apply the new standard until years beginning after December 15, 2019 (for the year ending June 30, 2021). The Organization may also early adopt the new standard. In preparation of this standard, management will be reviewing and evaluating all leases, review its capitalization policy, and assess the potential impact on any related financial covenants required by the Organization financing arrangements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue From Contracts With Customers*. This may impact the way the Organization recognizes revenue under accounting principles generally accepted in the United States of America ("GAAP"). The new standard will require the Organization to recognize revenue when promised goods or services are transferred to customers and in the amount of consideration to which the Organization expects to be entitled. The Organization will be required to follow a five step process outlined by the FASB to determine recognized revenue for each contract which may result in differences from the current method. The Organization is not required to apply the new standard until years beginning after December 15, 2018 (for the year ending June 30, 2020) and management is currently assessing the impact of this standard.

BERKSHIRE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Recent accounting standards (continued)

In June 2018, FASB issued ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The guidance will assist organizations in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the Scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. These changes will be implemented simultaneously with adoption of the new revenue standard (for the year ending June 30, 2020) and management is currently assessing the impact of this standard.

Property and equipment, net

Property and equipment are carried at cost less accumulated depreciation. The Organization capitalizes expenditures for equipment in excess of \$2,500. The fair value of donated equipment is similarly capitalized. Depreciation is calculated based on the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives of buildings and improvements is from seven to twenty years and the lives of furniture and equipment is from three to ten years.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to operations for the period. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized. The Organization evaluated the carrying value of its property and equipment and no impairment was recorded.

Depreciation expense was \$28,268 and \$27,759 for the years ended June 30, 2018 and 2017, respectively.

Community grants payable

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

Due to designated agencies

Contributions that are designated to a specific third-party beneficiary are recorded as a liability at the time that the contribution is received. These pledges are paid to designated agencies, as received, with payments issued at least twice per year. The Organization received donor designations to outside parties of \$193,812 and \$219,949 for the years ended June 30, 2018 and 2017, respectively.

Net assets

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

BERKSHIRE UNITED WAY, INC.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Net assets (continued)

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

Unrestricted net assets - Net assets, including the Organization's operating accounts and board designated funds set aside for long term investment purposes, not subject to donor-imposed stipulations. Board designated net assets are a portion of the accumulation of unrestricted surpluses that are available for use at the discretion of the Organization's Board of Directors.

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

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

The Board has adopted a reserve policy whereby certain unrestricted net assets are board designated in order to establish a means to provide ongoing funding for operations and community programs related to significant operational disruptions for a period of four months. This allows time to develop alternative plans if there is an unanticipated decline in available funds. Additionally, it provides a rational basis by which to determine a target range that is not excessive.

In-kind contributions and contributed services

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Organization benefited from donated supplies, books, a vehicle and special event related items in the amount of \$29,391 and \$38,554 during the years ended June 30, 2018 and 2017, respectively. This amount has been reported as both in-kind revenue and expense on the statements of activities.

The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization. Approximately 5,100 and 3,500 volunteer hours were contributed, including approximately 400 and 430 hours by volunteers from local companies participating in the Organization's annual campaign during the years ended June 30, 2018 and 2017, respectively. The value of the volunteer hours has not been recorded in the statements of activities.

Functional allocation of expenses

The cost of providing the various programs and activities has been summarized on a functional basis in the statements of activities. Accordingly, certain building costs have been allocated among the programs and supporting services benefited. This allocation is based on the full time equivalent of employees in each respective department.

Advertising

The Organization charges advertising costs to expense as incurred which amounted to \$23,046 and \$23,596 for the years ended June 30, 2018 and 2017, respectively.

BERKSHIRE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Tax-exempt status

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

Uncertain tax positions

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition. The Organization's tax returns are subject to examination by taxing authorities for all years ending on or after June 30, 2015.

Use of estimates

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

3. INVESTMENTS:

The Board of Directors of the Organization, as the governing Board, is responsible for oversight of the Organization's investments. Establishment and implementation of investment policy, including the establishment of investment guidelines and the selection of investment managers, is the Board of Directors responsibility. Investments authorized include marketable equity and debt securities and other types of investments that may be made with the prior approval of the Board of Directors.

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

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

BERKSHIRE UNITED WAY, INC.

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

3. INVESTMENTS: (CONTINUED)

Investments at June 30, 2018 consist of:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Cash and equivalents	\$ 125,572	125,572	\$ -
Fixed income	387,693	384,662	(3,031)
Corporate bonds	829,292	816,039	(13,253)
Common stocks	575,389	665,957	90,568
Equity funds	1,173,765	1,241,613	67,848
Mutual funds	81,203	91,747	10,544
Total investments	\$ <u>3,172,914</u>	\$ <u>3,325,590</u>	\$ <u>152,676</u>

Investments at June 30, 2017 consist of:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Cash and equivalents	\$ 135,329	\$ 135,329	\$ -
Fixed income	344,733	343,240	(1,493)
Corporate bonds	869,444	872,041	2,597
Common stocks	1,094,811	1,295,505	200,694
Equity funds	566,058	609,799	43,741
Mutual funds	72,320	78,765	6,445
Total investments	\$ <u>3,082,695</u>	\$ <u>3,334,679</u>	\$ <u>251,984</u>

The Organization's bonds were rated as follows as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
AA	\$ 134,013	\$ 130,436
A	511,004	631,410
BAA	171,022	95,051
BBB	-	15,144
Total	\$ <u>816,039</u>	\$ <u>872,041</u>

The following schedule summarizes the investment return in the statements of activities for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 73,060	\$ 63,667
Unrealized (losses) gains	(98,559)	27,673
Realized gains	221,901	164,617
Less: fees and other costs	(27,262)	(23,879)
Total	\$ <u>169,140</u>	\$ <u>232,078</u>

BERKSHIRE UNITED WAY, INC.

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

4. FAIR VALUE MEASUREMENTS:

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

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities. Market price is generally obtained from exchange or dealer markets.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers and brokers.
- Level 3 Unobservable inputs that are supported by little or no market activity as they trade infrequently or not at all and that are significant to the fair value of the assets or liabilities.

Investments

Investments are reported at fair value based on quoted market prices, where available, and/or other market data for the same or comparable instruments and transactions in establishing the prices. Fixed income funds are valued at the closing price reported in the active market in which the bond is traded. All of the Organizations investments qualify as Level 1. (See Note 3).

5. ENDOWMENTS:

Endowment by net asset class and type at June 30, 2018 and 2017 consists of:

	Temporarily Restricted	Permanently Restricted	Total
June 30, 2018			
Donor restricted endowment funds	\$ 1,150,448	\$ 486,288	\$ 1,636,736
June 30, 2017			
Donor restricted endowment funds	\$ 1,174,629	\$ 486,288	\$ 1,660,917

BERKSHIRE UNITED WAY, INC.

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

5. ENDOWMENTS: (CONTINUED)

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

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment investments - June 30, 2016	\$ 104,335	\$ 486,288	\$ 590,623
Realized and unrealized gains	69,360	-	69,360
Interest and dividends, net	19,970	-	19,970
Contributions	1,000,000	-	1,000,000
Spending policy distribution	<u>(19,036)</u>	<u>-</u>	<u>(19,036)</u>
Endowment investments - June 30, 2017	1,174,629	486,288	1,660,917
Realized and unrealized gains	33,419	-	33,419
Interest and dividends, net	29,018	-	29,018
Distributions	(65,000)	-	(65,000)
Spending policy distribution	<u>(21,618)</u>	<u>-</u>	<u>(21,618)</u>
Endowment investments - June 30, 2018	<u>\$ 1,150,448</u>	<u>\$ 486,288</u>	<u>\$ 1,636,736</u>

6. PROPERTY AND EQUIPMENT:

The Organization's property and equipment consists of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 128,939	\$ 128,939
Buildings and improvements	616,967	616,967
Furniture and equipment	<u>265,280</u>	<u>228,661</u>
	1,011,186	974,567
Less: accumulated depreciation	<u>(699,087)</u>	<u>(670,820)</u>
Property and equipment, net	<u>\$ 312,099</u>	<u>\$ 303,747</u>

7. LINE OF CREDIT:

The Organization has a line of credit agreement with a local bank. The maximum amount available on the line of credit is \$300,000 which is due on demand. The line of credit is subject to annual renewal in June and secured by the property owned by the Organization and the unrestricted investments accounts. The line was renewed to May 31, 2019. The interest rate is the New York Prime Rate as published in the Wall Street Journal (5.0% at June 30, 2018 and 4.25% at June 30, 2017) with an interest rate floor of 2%. There was no outstanding balance against the line of credit at June 30, 2018 and 2017.

BERKSHIRE UNITED WAY, INC.

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

8. LEASE INCOME:

The Organization leases office space to two other organizations at \$4,400 per month and at \$2,817 per month, which expire June 2019 and November 2023 respectively. Total rent received was \$84,930 for both the years ended June 30, 2018 and 2017, respectively.

The future minimum rental income is as follows:

<u>Year Ending June 30</u>	
2019	\$ 86,605
2020	33,805
2021	33,805
2022	33,805
2023	33,805
Thereafter	14,806

9. TEMPORARILY RESTRICTED NET ASSETS:

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

	<u>2018</u>	<u>2017</u>
SABIC endowment	\$ 973,932	\$ 1,031,393
Accumulated earnings on endowments:		
Venture endowment	130,640	113,793
Other endowments	45,876	29,443
	<u>\$ 1,150,448</u>	<u>\$ 1,174,629</u>

10. PERMANENTLY RESTRICTED NET ASSETS:

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

	<u>2018</u>	<u>2017</u>
Ruth P. Boraski – Children’s programs	\$ 211,378	\$ 211,378
General endowment	35,000	35,000
GE Good Neighbor – Community programs	62,425	62,425
Venture endowment – Human services	177,485	177,485
	<u>\$ 486,288</u>	<u>\$ 486,288</u>

BERKSHIRE UNITED WAY, INC.

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

11. NET ASSETS RELEASED FROM RESTRICTIONS:

The restricted net assets released from restrictions in 2018 related to the following:

Temporarily restricted net assets released:	
SABIC endowment	\$ <u> 65,000</u>

12. RETIREMENT PLAN:

The Organization maintains a 403(b) Plan (the "Plan") for eligible employees. Employees are eligible to make salary reduction contributions upon hire. Employees are eligible for matching and base contributions from the Organization upon reaching age twenty-one and achieving one year of service (1,000 hours of service). The Organization's contribution to the Plan was \$34,691 and \$41,295 for the years ended June 30, 2018 and 2017, respectively.

13. RELATED PARTY TRANSACTIONS:

The Organization recorded grants to various agencies who had affiliations with members of the board of directors and Berkshire United Way staff, totaling approximately \$312,000 and \$182,000 for the years ended June 30, 2018 and 2017, respectively.

14. CONTINGENCIES:

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

15. CONCENTRATIONS OF CREDIT RISK:

The Organization maintains its cash balance in local financial institutions. These balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At various times during the period, the cash balances may exceed the insured amounts. The Organization has not experienced any losses on these accounts and monitors the credit-worthiness of the financial institutions with which it conducts business. The Organization believes it is not exposed to any significant credit risk with respect to its cash balances.

16. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through October 25, 2018, the date of which the financial statements were available to be issued.