

**BERKSHIRE UNITED WAY, INC.**  
*FINANCIAL STATEMENTS*  
*JUNE 30, 2017 WITH COMPARATIVE TOTALS*  
*FOR THE YEAR ENDED JUNE 30, 2016*

**BERKSHIRE UNITED WAY, INC.**  
**FINANCIAL STATEMENTS**

**TABLE OF CONTENTS**

Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statement of Activities	4
Statements of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7 - 19



## 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, 2017, 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, 2017, 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 2016 financial statements, and our report dated October 27, 2016, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Meyer Brothers Kalicka, P.C.*

Holyoke, Massachusetts  
November 9, 2017

**BERKSHIRE UNITED WAY, INC.**

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016**

*ASSETS*

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Cash	\$ 231,382	\$ 404,639
Contributions receivable, net	840,766	894,253
Grants receivable	45,457	94,554
Other receivables	3,752	24,210
Prepaid expenses	24,554	25,478
Investments, at market value	3,334,679	2,202,894
Property and equipment, net	303,747	295,406
<b>Total assets</b>	<b>\$ 4,784,337</b>	<b>\$ 3,941,434</b>

*LIABILITIES AND NET ASSETS*

<b>Liabilities</b>		
Borrowings under line of credit	\$ -	\$ 150,000
Community grants payable	1,230,376	1,272,853
Due to designated agencies	170,389	232,563
Accounts payable	26,427	21,899
Accrued expenses	41,123	47,740
Long-term debt	-	39,787
<b>Total liabilities</b>	<b>1,468,315</b>	<b>1,764,842</b>
<b>Net assets</b>		
Unrestricted		
Unrestricted	535,358	472,319
Board designated reserve	816,000	767,000
Property and equipment	303,747	295,406
Total unrestricted	1,655,105	1,534,725
Temporarily restricted	1,174,629	155,579
Permanently restricted	486,288	486,288
<b>Total net assets</b>	<b>3,316,022</b>	<b>2,176,592</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,784,337</b>	<b>\$ 3,941,434</b>

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

**BERKSHIRE UNITED WAY, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE TOTALS FOR 2016**

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Revenues, gains and other support</b>					
Campaign contributions					
Total campaign amounts raised	\$ 2,464,770			\$ 2,464,770	\$ 2,387,417
Less: amounts raised on behalf of others	(219,949)			(219,949)	(252,542)
Less: provision for uncollectible pledges	(108,936)			(108,936)	(82,107)
Net campaign contributions	2,135,885			2,135,885	2,052,768
Interest and dividend income, net	19,818	\$ 19,970		39,788	31,739
Administrative fees charged on designations	18,014			18,014	25,815
Grant income	200,970			200,970	314,773
Special events, net	29,514			29,514	21,799
In-kind support	38,554			38,554	48,119
Gifts and bequests	-	1,000,000		1,000,000	45,247
Rental income	84,930			84,930	84,930
Realized and unrealized gain (loss) on investments	122,930	69,360		192,290	-
Released from restrictions	51,244	(51,244)		-	-
Investment return released for operations	19,036	(19,036)		-	-
<b>Total revenues, gains and other support</b>	<u>2,720,895</u>	<u>1,019,050</u>	<u>-</u>	<u>3,739,945</u>	<u>2,557,633</u>
<b>Community impact and other expenses</b>					
Community investment	1,852,530			1,852,530	1,925,381
Resource development	481,230			481,230	471,974
Management and general	266,755			266,755	319,131
<b>Total community impact and other expenses</b>	<u>2,600,515</u>	<u>-</u>	<u>-</u>	<u>2,600,515</u>	<u>2,716,486</u>
<b>Change in net assets</b>	120,380	1,019,050	-	1,139,430	(158,853)
<b>Net assets, beginning of year</b>	<u>1,534,725</u>	<u>155,579</u>	<u>\$ 486,288</u>	<u>2,176,592</u>	<u>2,335,445</u>
<b>Net assets, end of year</b>	<u>\$ 1,655,105</u>	<u>\$ 1,174,629</u>	<u>\$ 486,288</u>	<u>\$ 3,316,022</u>	<u>\$ 2,176,592</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, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,139,430	\$ (158,853)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	27,759	44,802
Net realized and unrealized (gain) loss on investments	(192,290)	67,557
Provision for uncollectible pledges	108,936	82,107
Contributions restricted for long-term investments	(1,000,000)	-
Change in operating assets and liabilities:		
Contributions receivable	(55,449)	(25,164)
Grants receivable	49,097	45,949
Other receivables	20,458	807
Prepaid expenses	924	(4,279)
Community grants payable	(42,477)	(234,254)
Due to designated agencies	(62,174)	81,369
Accounts payable	4,528	4,383
Accrued expenses	(6,617)	10,285
Net cash used in operating activities	(7,875)	(85,291)
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(36,100)	(6,497)
Purchase of investments	(2,183,029)	(1,426,130)
Proceeds from the sales of investments	1,243,534	1,540,175
Net cash (used in) provided by investing activities	(975,595)	107,548
<b>Cash flows from financing activities</b>		
(Repayments) borrowings on line of credit	(150,000)	150,000
Principal payments on long-term debt	(39,787)	(16,802)
Contributions restricted for long-term investments	1,000,000	-
Net cash provided by financing activities	810,213	133,198
Net (decrease) increase in cash	(173,257)	155,455
<b>Cash, beginning of year</b>	<b>404,639</b>	<b>249,184</b>
<b>Cash, end of year</b>	<b>\$ 231,382</b>	<b>\$ 404,639</b>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 3,706	\$ 4,576

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, 2017  
WITH COMPARATIVE TOTALS FOR 2016**

	Total		
	Community Investment	Resource Development	Management and General
	2017	2016	2016
Community impact grants to organizations	\$ 1,087,302	\$ 1,087,302	\$ 1,137,508
Salaries and related expenses			
Salaries	376,908	\$ 260,898	\$ 155,536
Employee benefits	62,252	33,779	33,013
Payroll taxes	31,228	20,807	12,908
Total salaries and related expenses	470,388	315,484	201,457
Support costs			
Contracted services	85,482	15,408	7,540
Supplies and small equipment	35,701	23,628	4,279
Telephone	1,786	919	585
Postage	159	6,608	980
Occupancy, other than depreciation	26,216	18,429	11,726
Equipment maintenance	6,643	4,996	2,639
Printing and publications	521	12,184	-
Advertising	21,992	1,604	-
Travel	6,667	3,012	619
Conferences, meetings	12,585	2,905	1,677
Conferences, training	2,407	1,632	846
Dues and subscriptions	333	290	153
National and state affiliation dues	14,035	10,069	6,407
General and liability insurance	2,764	1,982	1,261
Bank charges	1,487	5,155	679
Interest	1,705	1,223	778
Depreciation	12,769	9,160	5,830
Technology	46,846	23,930	15,756
In-kind expenses	14,742	22,612	1,200
Miscellaneous expense (income)	-	-	2,343
Total support costs	294,840	165,746	65,298
<b>Total community impact and other expenses</b>	<b>\$ 1,852,530</b>	<b>\$ 481,230</b>	<b>\$ 266,755</b>
	<b>\$ 1,087,302</b>	<b>\$ 1,087,302</b>	<b>\$ 1,137,508</b>

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



# BERKSHIRE UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

### 1. ORGANIZATION:

Berkshire United Way, Inc. (the “Organization”) is a nonprofit organization that improves the quality of life in Berkshire County by mobilizing resources to address community priorities and create sustainable change. The Organization raises funds through workplace campaigns (employee payroll deduction, corporate gifts and 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 financial stability, the building blocks for a good quality of life. With leadership from staff and volunteers with expertise in each of these areas, strategies are developed to impact positive change. The Organization leads several initiatives, using cross sector engagement and the collective impact framework to identify shared goals, measures and align programs and services to reach specified outcomes.

### 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.

#### **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. For fiscal year 2017, the Board of Directors voted to decrease the rate charged on designated pledges to include only transaction processing costs on designations. Donor designated pledges were assessed a processing fee of 9.8% (which includes administrative costs) and 19.0% (which includes fundraising and administrative costs) for the years ended June 30, 2017 and 2016, with a maximum fee of \$200 and \$100 per donor which is based on historical costs in accordance with United Way Worldwide membership standards.

Campaign efforts include amounts raised by participating companies that are paid directly to the recipient organization. The amount of these pass-through funds was \$155,250 and \$290,878 for the years ended June 30, 2017 and 2016, respectively, and are not reflected in the statements of activities.

# BERKSHIRE UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### **Contributions and grants receivable**

Contributions receivable are typically due within one year or less and therefore 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 \$91,890 and \$101,787 as of June 30, 2017 and 2016, respectively. There was no allowance for grants receivable as of June 30, 2017 and 2016.

#### **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, 2017 AND 2016

### 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 30<sup>th</sup> of the preceding three years in which the distribution was planned for. In fiscal years 2017 and 2016, this amounted to \$19,036 and \$14,200, 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.

#### **Recent accounting standards**

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

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

BERKSHIRE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

**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 \$27,759 and \$44,802 for the years ended June 30, 2017 and 2016, 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 \$219,949 and \$252,542 for the years ended June 30, 2017 and 2016, respectively.

**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**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.

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 \$38,554 and \$48,119 during the years ended June 30, 2017 and 2016, 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 3,500 volunteer hours were contributed, including approximately 430 hours by volunteers from local companies participating in the Organization's annual campaign during the year ended June 30, 2017. 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.

# BERKSHIRE UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### Advertising

The Organization charges advertising costs to expense as incurred which amounted to \$23,596 and \$25,550 for the years ended June 30, 2017 and 2016, respectively.

#### 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, 2014.

#### 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, 2017 and 2016, there were no cumulative losses on the investments of donor restricted endowment funds.

**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**3. INVESTMENTS: (CONTINUED)**

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			
Income exchange traded funds	159,103	159,567	464
Intermediate bond funds	185,630	183,673	(1,957)
Corporate bonds			
Government	39,844	39,801	(43)
Consumer goods	15,794	15,728	(66)
Consumer staples	26,594	26,956	362
Financial	273,562	272,446	(1,116)
Health care	100,598	100,314	(284)
Industrials	89,889	90,742	853
Information technology	94,617	95,017	400
Materials	78,782	81,833	3,051
Services	101,362	101,517	155
Energy	26,906	26,322	(584)
Telecommunication services	21,496	21,365	(131)
Common stocks			
Industrials	126,348	138,614	12,266
Materials	65,216	66,119	903
Telecommunication services	36,689	38,336	1,647
Consumer discretionary	109,731	160,278	50,547
Consumer staples	91,116	90,921	(195)
Energy	131,867	132,239	372
Financials	156,693	209,711	53,018
Health care	132,255	148,403	16,148
Information technology	182,062	237,878	55,816
Utilities	21,259	31,266	10,007
Services	41,575	41,740	165
Equity funds			
Small cap equity funds	82,114	95,160	13,046
International equity funds	173,969	181,250	7,281
Equity exchange traded funds	309,975	333,389	23,414
Mutual funds			
Small cap funds	17,000	17,401	401
Foreign large growth funds	55,320	61,364	6,044
Total investments	<u>\$ 3,082,695</u>	<u>\$ 3,334,679</u>	<u>\$ 251,984</u>

**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**3. INVESTMENTS: (CONTINUED)**

Investments at June 30, 2016 consist of:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Cash and equivalents	\$ 48,280	\$ 48,280	\$ -
Fixed income			
Nongovernment obligations	254,931	264,598	9,667
Foreign obligations	151,750	154,046	2,296
Treasury and federal agencies	39,844	40,008	164
Income exchange traded funds	214,656	220,455	5,799
Common stock			
Industrials	54,755	70,398	15,643
Materials	6,792	5,879	(913)
Telecommunication services	18,261	31,661	13,400
Consumer discretionary	66,757	104,140	37,383
Consumer staples	80,881	97,248	16,367
Energy	60,374	68,284	7,910
Financials	137,473	167,742	30,269
Health care	87,084	120,878	33,794
Information technology	153,953	180,528	26,575
Utilities	13,983	23,168	9,185
Equity funds			
Small cap equity funds	87,593	87,593	-
International equity funds	71,625	73,887	2,262
Equity exchange traded funds	441,374	444,101	2,727
Total investments	<u>\$ 1,990,366</u>	<u>\$ 2,202,894</u>	<u>\$ 212,528</u>

The Organization's bonds were rated as follows as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
AA	\$ 130,436	\$ 116,622
A	631,410	342,030
BAA	95,051	-
BBB	15,144	-
Total	<u>\$ 872,041</u>	<u>\$ 458,652</u>

The following schedule summarizes the investment return in the statements of activities for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 63,667	\$ 51,269
Unrealized gains (losses)	27,673	(45,699)
Realized gains (losses)	164,617	(21,858)
Less: fees and other costs	<u>(23,879)</u>	<u>(19,530)</u>
Total	<u>\$ 232,078</u>	<u>\$ (35,818)</u>



**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**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, 2017 and 2016 consists of:

	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>June 30, 2017</b>			
Donor restricted endowment funds	\$ <u>1,174,629</u>	\$ <u>486,288</u>	\$ <u>1,660,917</u>
 <b>June 30, 2016</b>			
Donor restricted endowment funds	\$ <u>104,335</u>	\$ <u>486,288</u>	\$ <u>590,623</u>

**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**5. ENDOWMENTS: (CONTINUED)**

The following schedule reconciles the change in endowments by net asset class for the years ended June 30, 2017 and 2016:

	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment investments - June 30, 2015	\$ 119,058	\$ 486,288	\$ 605,346
Realized and unrealized losses	(5,226)	-	(5,226)
Interest and dividends, net	8,024	-	8,024
Spending policy distribution	(14,200)	-	(14,200)
Venture grant distribution	(3,321)	-	(3,321)
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	(19,036)	-	(19,036)
Endowment investments - June 30, 2017	\$ 1,174,629	\$ 486,288	\$ 1,660,917

**6. PROPERTY AND EQUIPMENT:**

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

	<b>2017</b>	<b>2016</b>
Land	\$ 128,939	\$ 128,939
Buildings and improvements	616,967	580,867
Furniture and equipment	228,661	228,661
	974,567	938,467
Less: accumulated depreciation	(670,820)	(643,061)
Property and equipment, net	\$ 303,747	\$ 295,406

**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 June 14, 2018. The interest rate is the New York Prime Rate as published in the Wall Street Journal (4.25% at June 30, 2017 and 3.50% at June 30, 2016) with an interest rate floor of 2%. There was no outstanding balance against the line of credit at June 30, 2017. The balance outstanding at June 30, 2016 was \$150,000.

**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**8. LONG-TERM DEBT:**

The Organization's long-term debt consisted of the following at June 30:

	<b>2017</b>	<b>2016</b>
Commercial note payable to a bank in monthly installments of \$1,564 with interest to be adjusted every three years using the Federal Home Loan Bank 3/10 amortizing rate plus 2%, no lower than 3.0%. As of June 30, 2016, the interest rate was 3.0%. The note was paid off during fiscal year 2017.	\$ -	\$ 39,787
Less: current portion of long-term debt	-	(17,836)
Long-term debt, net of current portion	\$ -	\$ 21,951

The long-term debt required that the Organization meet certain reporting and financial covenants.

**9. LEASE INCOME:**

The Organization leases office space to two other organizations at \$4,194 per month and at \$2,817 per month, which expire June 2018 and November 2018, respectively. Total rent received was \$84,930 for the years ended June 30, 2016 and 2015, respectively.

The future minimum rental income is as follows:

<u>Year Ending June 30</u>	
2018	\$ 84,930
2019	14,085

**10. TEMPORARILY RESTRICTED NET ASSETS:**

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

	<b>2017</b>	<b>2016</b>
Face the facts: reduce teen pregnancy	\$ -	\$ 20,000
Workplace resource coordinator program	-	31,244
SABIC endowment	1,031,393	-
Accumulated earnings on endowments:		
Venture endowment	113,793	90,528
Other endowments	29,443	13,807
	\$ 1,174,629	\$ 155,579

**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**11. PERMANENTLY RESTRICTED NET ASSETS:**

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

	<b>2017</b>		<b>2016</b>
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
	\$ 486,288	\$	486,288

**12. NET ASSETS RELEASED FROM RESTRICTIONS:**

The restricted net assets released from restrictions in 2017 related to the following:

Temporarily restricted net assets released:			
Face the facts: reduce teen pregnancy	\$	20,000	
Workplace resource coordinator program		31,244	
Total	\$	51,244	

**13. 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 \$41,295 and \$34,119 for the years ended June 30, 2017 and 2016, respectively.

**14. 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 \$182,000 and \$170,000 for the years ended June 30, 2017 and 2016, respectively.

**15. CONTINGENCIES:**

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

**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**16. 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. The Organization has not experienced any losses on these accounts. The Organization believes it is not exposed to any significant credit risk on cash.

**17. SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through November 9, 2017, the date of which the financial statements were available to be issued.