

BERKSHIRE UNITED WAY, INC.

FINANCIAL STATEMENTS

***JUNE 30, 2019 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2018***

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 |
| Statements of Functional Expenses | 6 - 7 |
| Notes to Financial Statements | 8 - 18 |



MeyersBrothersKalicka , P.C.

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS STRATEGISTS

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 statements of financial position as of June 30, 2019, 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, 2019, 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.

Emphasis of Matter

As discussed in Note 2, during the year ended June 30, 2019, Berkshire United Way, Inc. adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958); Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and our report dated October 25, 2018, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mayes Brothers Kalicka, P.C.

Holyoke, Massachusetts
October 18, 2019

BERKSHIRE UNITED WAY, INC.

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

ASSETS

| | 2019 | 2018 |
|-------------------------------|----------------------------|----------------------------|
| Assets | | |
| Cash | \$ 327,605 | \$ 269,566 |
| Contributions receivable, net | 631,796 | 772,473 |
| Grants receivable | 21,106 | 48,184 |
| Other receivables | 2,500 | 12,849 |
| Prepaid expenses | 21,755 | 21,459 |
| Investments, at market value | 3,262,311 | 3,325,590 |
| Property and equipment, net | <u>274,996</u> | <u>312,099</u> |
| Total assets | <u>\$ 4,542,069</u> | <u>\$ 4,762,220</u> |

LIABILITIES AND NET ASSETS

| | | |
|---|----------------------------|----------------------------|
| Liabilities | | |
| Community grants payable | \$ 1,362,389 | \$ 1,306,759 |
| Due to designated agencies | 106,989 | 168,066 |
| Accounts payable | 39,318 | 45,276 |
| Accrued expenses | <u>42,374</u> | <u>47,128</u> |
| Total liabilities | <u>1,551,070</u> | <u>1,567,229</u> |
| Net assets | | |
| Without donor restrictions | | |
| Undesignated | 346,147 | 405,156 |
| Board designated reserve | 806,830 | 841,000 |
| Property and equipment | <u>274,996</u> | <u>312,099</u> |
| Total without donor restrictions | 1,427,973 | 1,558,255 |
| With donor restrictions | <u>1,563,026</u> | <u>1,636,736</u> |
| Total net assets | <u>2,990,999</u> | <u>3,194,991</u> |
| Total liabilities and net assets | <u>\$ 4,542,069</u> | <u>\$ 4,762,220</u> |

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

BERKSHIRE UNITED WAY, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR 2018

| | 2019 | | 2018 |
|--|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues, gains and other support | | | |
| Campaign contributions | | | |
| Total campaign amounts raised | \$ 2,037,454 | \$ - | \$ 2,037,454 |
| Special events | 134,202 | - | 134,202 |
| In-kind support | 17,868 | - | 17,868 |
| Less: amounts raised on behalf of others | (106,519) | - | (106,519) |
| Less: provision for uncollectible pledges | (56,914) | - | (56,914) |
| Net campaign contributions | 2,026,091 | - | 2,026,091 |
| Interest and dividend income, net of investment fees | 18,204 | 28,037 | 46,241 |
| Administrative fees charged on designations | 9,085 | - | 9,085 |
| Grant income | 210,258 | - | 210,258 |
| Rental income | 87,905 | - | 87,905 |
| Realized and unrealized gains on investments | 71,508 | 63,569 | 135,077 |
| Released from restrictions (SABIC endowment) | 124,269 | (124,269) | - |
| Investment return released for operations | 41,047 | (41,047) | - |
| Total revenues, gains and other support | <u>2,588,367</u> | <u>(73,710)</u> | <u>2,514,657</u> |
| Expenses | | | |
| Program services -community investment | 2,010,589 | - | 2,010,589 |
| Supporting services: | | | |
| Management and general | 219,352 | - | 219,352 |
| Fundraising (resource development) | 488,708 | - | 488,708 |
| Total expenses | <u>2,718,649</u> | <u>-</u> | <u>2,718,649</u> |
| Change in net assets | <u>(130,282)</u> | <u>(73,710)</u> | <u>(203,992)</u> |
| Net assets, beginning of year | <u>1,558,255</u> | <u>1,636,736</u> | <u>3,194,991</u> |
| Net assets, end of year | <u>\$ 1,427,973</u> | <u>\$ 1,563,026</u> | <u>\$ 2,990,999</u> |
| | | | <u>\$ 3,194,991</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, 2019 AND 2018**

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (203,992) | \$ (121,031) |
| Adjustments to reconcile change in net assets to net cash used in operating activities | | |
| Depreciation | 37,103 | 28,268 |
| Net realized and unrealized gain on investments | (135,077) | (123,342) |
| Provision for uncollectible pledges | 56,914 | 107,938 |
| Change in operating assets and liabilities: | | |
| Contributions receivable | 83,763 | (39,645) |
| Grants receivable | 27,078 | (2,727) |
| Other receivables | 10,349 | (9,097) |
| Prepaid expenses | (296) | 3,095 |
| Community grants payable | 55,630 | 76,383 |
| Due to designated agencies | (61,077) | (2,323) |
| Accounts payable | (5,958) | 18,849 |
| Accrued expenses | <u>(4,754)</u> | <u>6,005</u> |
| Net cash used in operating activities | <u>(140,317)</u> | <u>(57,627)</u> |
| Cash flows from investing activities | | |
| Purchase of property and equipment | - | (36,620) |
| Purchase of investments | (832,957) | (2,273,820) |
| Proceeds from the sales of investments | <u>1,031,313</u> | <u>2,406,251</u> |
| Net cash provided by investing activities | <u>198,356</u> | <u>95,811</u> |
| Net increase in cash | 58,039 | 38,184 |
| Cash, beginning of year | <u>269,566</u> | <u>231,382</u> |
| Cash, end of year | <u>\$ 327,605</u> | <u>\$ 269,566</u> |

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, 2019**

| | Program Services | Community Investment | Supporting Services Management and General | Fundraising | Total |
|--|---------------------|-------------------------|--|-------------------|---------------------|
| Community impact initiative work and grants to other organizations | \$ | <u>1,354,025</u> | | | <u>\$ 1,354,025</u> |
| Salaries and related expenses | | | | | |
| Salaries | 327,481 | \$ | 120,748 | \$ 248,181 | 696,410 |
| Employee benefits | 53,523 | | 14,011 | 48,772 | 116,306 |
| Payroll taxes | 28,190 | | 10,028 | 20,764 | 58,982 |
| Total salaries and related expenses | <u>409,194</u> | | <u>144,787</u> | <u>317,717</u> | <u>871,698</u> |
| Support costs | | | | | |
| Contracted services | 8,666 | | 35,674 | 17,882 | 62,222 |
| Supplies and small equipment | 13,581 | | 5,670 | 6,349 | 25,600 |
| Telephone | 3,802 | | 456 | 811 | 5,069 |
| Postage | 201 | | 462 | 4,481 | 5,144 |
| Occupancy, other than depreciation | 42,895 | | 5,322 | 8,976 | 57,193 |
| Printing and publications | 6,273 | | 3,556 | 14,329 | 24,158 |
| Advertising | 47,524 | | - | 36,828 | 84,352 |
| Travel | 3,358 | | 301 | 1,650 | 5,309 |
| Conferences, meetings and special events | 6,085 | | 1,011 | 30,007 | 37,103 |
| Conferences, training | 5,934 | | 3,683 | 4,943 | 14,560 |
| Dues and subscriptions | 510 | | 186 | 667 | 1,363 |
| National and state affiliation dues | 26,579 | | 3,189 | 5,670 | 35,438 |
| General and liability insurance | 4,839 | | 581 | 1,032 | 6,452 |
| Bank charges | 2,566 | | 855 | 2,228 | 5,649 |
| Depreciation | 27,827 | | 3,340 | 5,936 | 37,103 |
| Technology | 40,523 | | 9,583 | 15,698 | 65,804 |
| In-kind expenses | 4,707 | | 2 | 13,159 | 17,868 |
| Miscellaneous expense | 1,500 | | 694 | 345 | 2,539 |
| Total support costs | <u>247,370</u> | | <u>74,565</u> | <u>170,991</u> | <u>492,926</u> |
| Total community impact and other expenses | <u>\$ 2,010,589</u> | <u>\$</u> | <u>219,352</u> | <u>\$ 488,708</u> | <u>\$ 2,718,649</u> |

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**

| | Program Services | Supporting Services | |
|--|-------------------------|---------------------------|---------------------|
| | Community Investment | Management and General | Fundraising |
| | \$ | | Total |
| | <u>\$ 1,168,743</u> | | <u>\$ 1,168,743</u> |
| Community impact initiative work and grants to other organizations | | | |
| Salaries and related expenses | | | |
| Salaries | 344,474 | \$ 167,112 | \$ 264,222 |
| Employee benefits | 62,709 | 32,107 | 34,583 |
| Payroll taxes | 26,821 | 14,386 | 23,223 |
| Total salaries and related expenses | <u>434,004</u> | <u>213,605</u> | <u>322,028</u> |
| Support costs | | | |
| Contracted services | 118,393 | 4,976 | 42,801 |
| Supplies and small equipment | 68,610 | 4,962 | 9,807 |
| Telephone | 1,366 | 697 | 1,016 |
| Postage | 238 | 662 | 2,892 |
| Occupancy, other than depreciation | 44,185 | 6,394 | 10,099 |
| Printing and publications | 5,921 | 4,537 | 15,248 |
| Advertising | 21,438 | 79 | 1,529 |
| Travel | 5,340 | 713 | 1,343 |
| Conferences, meetings and special events | 19,015 | - | 21,714 |
| Conferences, training | 7,745 | 2,720 | 10,088 |
| Dues and subscriptions | 985 | 605 | 1,166 |
| National and state affiliation dues | 13,770 | 6,837 | 10,150 |
| General and liability insurance | 3,984 | 898 | 1,365 |
| Bank charges | 1,578 | 806 | 5,985 |
| Depreciation | 20,466 | 3,025 | 4,777 |
| Technology | 31,591 | 16,188 | 25,136 |
| In-kind expenses | 20,047 | - | 9,344 |
| Miscellaneous expense | <u>125</u> | <u>511</u> | <u>60</u> |
| Total support costs | <u>384,797</u> | <u>54,610</u> | <u>174,520</u> |
| Total community impact and other expenses | <u>\$ 1,987,544</u> | <u>\$ 268,215</u> | <u>\$ 496,548</u> |
| | | | <u>\$ 2,752,307</u> |

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

BERKSHIRE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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 and leads several initiatives to address community needs including Pittsfield Promise 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 present assets and liabilities in order of their relative liquidity.

Accounting policies adopted

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit standards, including changing from three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by the Organization, including an analysis of expenses by function, investment expenses are now included with investment return, additional disclosures related to underwater endowments and required disclosures about the liquidity and availability of resources. The new standard is effective for Berkshire United Way, Inc.'s year ended June 30, 2019 and must be applied on a retrospective basis. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

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:

Net assets without donor restrictions - Net assets are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors. Designated net assets consist of assets without restrictions designated by the Board for investment purposes.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed stipulations are perpetual in nature, where the donor stipulates 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 any related investments for general or specific purpose. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Realized and unrealized gains and losses on restricted purpose gifts are reported as net assets with donor restrictions in accordance with donor stipulations and Massachusetts law.

BERKSHIRE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Net assets (continued)

The Board has adopted a reserve policy whereby certain net assets without donor restrictions 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.

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, 2018, 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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% (which includes administrative costs) for the years ended June 30, 2019 and 2018, 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 \$228,750 and \$77,250 for the years ended June 30, 2019 and 2018, respectively, and are not reflected in the statements of activities.

Rental income is earned monthly.

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 \$73,000 and \$98,678 as of June 30, 2019 and 2018, respectively. There was no allowance for grants receivable as of June 30, 2019 and 2018.

BERKSHIRE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Investments, including endowments

Investments are recorded at fair value using methodologies discussed in Note 5. 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 net assets without donor restrictions 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 net assets with donor restrictions, the original value of bequests donated to the permanent endowment.

The remaining portion of the donor restricted endowment fund is also classified as net assets with donor restrictions 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.

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 2019 and 2018, this amounted to \$41,047 and \$21,618, 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 investment funds without restrictions.

BERKSHIRE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Recent accounting standards

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.

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 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 \$37,103 and \$28,268 for the years ended June 30, 2019 and 2018, 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.

BERKSHIRE UNITED WAY, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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 \$106,519 and \$193,812 for the years ended June 30, 2019 and 2018, respectively.

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 amounts of \$17,868 and \$29,391 during the years ended June 30, 2019 and 2018, respectively. These amounts have been reported as both in-kind revenue and expense on the statement 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 4,100 and 5,100 volunteer hours were contributed, including approximately 580 and 400 hours by volunteers from local companies participating in the Organization's annual campaign during the years ended June 30, 2019 and 2018, respectively. The value of the volunteer hours has not been recorded in the statement of activities.

Functional allocation of expenses

The cost of providing the various programs and activities has been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. 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. The remaining expenses are direct or allocated based on time spent in each function.

Advertising

The Organization charges advertising costs to expense as incurred which amounted to \$84,352 and \$23,046 for the years ended June 30, 2019 and 2018, 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, 2016.

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.

BERKSHIRE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets at June 30, 2019:

| | | |
|-------------------------------------|----|---------------|
| Cash | \$ | 327,605 |
| Contributions receivable, net | | 631,796 |
| Grants receivable | | 21,106 |
| Other receivables | | 2,500 |
| Annual spending policy distribution | | <u>41,000</u> |

Total financial assets available for general expenditure at June 30, 2019 \$ 1,024,007

Berkshire United Way, Inc. manages its liquidity by developing and adopting annual operating budgets that are designed to provide sufficient funds for general expenditures and allow the Organization to satisfy its liabilities and other obligations as they become due. Berkshire United Way, Inc. maintains financial assets on hand to meet approximately three months of normal operating expenses. The Organization has Board Designated endowments available for use throughout the fiscal year (approximately \$1,693,000 at June 30, 2019). The spending policy is detailed in Note 2. The Organization also has a line of credit in the amount of \$300,000, which it could draw upon in the event of an unanticipated liquidity need. The available balance on the line was \$300,000 at June 30, 2019.

4. 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 net assets with donor restrictions under the new accounting standard in 2019. As of June 30, 2019 and 2018, there were no cumulative losses on the investments of donor restricted endowment funds.

BERKSHIRE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

4. INVESTMENTS: (CONTINUED)

Investments at June 30, 2019 consist of:

| | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized Gain/(Loss)</u> |
|--------------------------|---------------------|---------------------|-----------------------------------|
| Cash and equivalents | \$ 86,116 | \$ 86,116 | \$ - |
| Fixed income | 506,867 | 524,927 | 18,060 |
| Corporate bonds | 654,029 | 663,480 | 9,451 |
| Common stocks | 542,293 | 682,158 | 139,865 |
| Equity funds | 843,701 | 940,611 | 96,910 |
| Mutual funds | 73,977 | 84,697 | 10,719 |
| Exchange traded products | 280,498 | 280,322 | (175) |
| Total investments | <u>\$ 2,987,481</u> | <u>\$ 3,262,311</u> | <u>\$ 274,830</u> |

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> |

The Organization's bonds were rated as follows as of June 30, 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|-------|-------------------|-------------------|
| AA | \$ 80,587 | \$ 134,013 |
| A | 373,691 | 511,004 |
| BAA | 68,170 | 171,022 |
| BBB | 141,032 | - |
| Total | <u>\$ 663,480</u> | <u>\$ 816,039</u> |

The following schedule summarizes the investment return in the statement of activities for the years ended June 30, 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|----------------------------|-------------------|-------------------|
| Interest and dividends | \$ 73,331 | \$ 73,060 |
| Less: fees and other costs | (27,090) | (27,262) |
| Unrealized gains (losses) | 122,154 | (98,559) |
| Realized gains | 12,923 | 221,901 |
| Total | <u>\$ 181,318</u> | <u>\$ 169,140</u> |

BERKSHIRE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

5. 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 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 Organization's investments qualify as Level 1. (See Note 4).

6. ENDOWMENTS:

Endowment by net asset class and type at June 30, 2019 and 2018 consists of:

| | Net Assets with Donor Restrictions | | |
|----------------------------------|---------------------------------------|-----------------------------|--------------|
| | Time or Purpose Restricted | Restricted in Perpetuity | Total |
| June 30, 2019 | | | |
| Donor restricted endowment funds | \$ 1,076,738 | \$ 486,288 | \$ 1,563,026 |
| June 30, 2018 | | | |
| Donor restricted endowment funds | \$ 1,150,448 | \$ 486,288 | \$ 1,636,736 |

BERKSHIRE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

6. ENDOWMENTS: (CONTINUED)

The following schedule reconciles the change in endowments by net asset class for the years ended June 30, 2019 and 2018:

| | Net Assets with Donor Restrictions | | |
|---------------------------------------|------------------------------------|--------------------------|--------------|
| | Time or Purpose Restricted | Restricted in Perpetuity | Total |
| 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 | (21,618) | - | (21,618) |
| Endowment investments - June 30, 2018 | 1,150,448 | 486,288 | 1,636,736 |
| Realized and unrealized gains | 63,569 | - | 63,569 |
| Interest and dividends, net | 28,037 | - | 28,037 |
| Distributions (SABIC) | (124,269) | - | (124,269) |
| Spending policy distribution | (41,047) | - | (41,047) |
| Endowment investments - June 30, 2019 | \$ 1,076,738 | \$ 486,288 | \$ 1,563,026 |

7. PROPERTY AND EQUIPMENT:

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

| | 2019 | 2018 |
|--------------------------------|------------|------------|
| Land | \$ 128,939 | \$ 128,939 |
| Buildings and improvements | 616,967 | 616,967 |
| Furniture and equipment | 265,280 | 265,280 |
| | 1,011,186 | 1,011,186 |
| Less: accumulated depreciation | (736,190) | (699,087) |
| Property and equipment, net | \$ 274,996 | \$ 312,099 |

8. 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 investment accounts. The line was renewed to May 31, 2020. The interest rate is the New York Prime Rate as published in the Wall Street Journal (5.25% at June 30, 2019 and 5.0% at June 30, 2018) with an interest rate floor of 2%. There was no outstanding balance against the line of credit at June 30, 2019 and 2018.

BERKSHIRE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

9. LEASE INCOME:

The Organization leases office space to two other organizations at \$4,484 per month and at \$2,817 per month, which expire June 2020 and November 2023, respectively. Total rent received was \$87,905 and \$84,930 for the years ended June 30, 2019 and 2018, respectively.

The future minimum rental income is as follows:

| <u>Year Ending June 30</u> | |
|----------------------------|-----------|
| 2020 | \$ 87,608 |
| 2021 | 33,805 |
| 2022 | 33,805 |
| 2023 | 33,805 |
| 2024 | 14,086 |

10. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with time/purpose donor restrictions are summarized as follows at June 30:

| | <u>2019</u> | <u>2018</u> |
|-------------------------------------|---------------------|---------------------|
| SABIC endowment | \$ 904,044 | \$ 973,932 |
| Accumulated earnings on endowments: | | |
| Venture endowment | 122,485 | 130,640 |
| Other endowments | 50,209 | 45,876 |
| | <u>\$ 1,076,738</u> | <u>\$ 1,150,448</u> |

Net assets with donor restrictions in perpetuity are summarized as follows at June 30:

| | <u>2019</u> | <u>2018</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> |

11. NET ASSETS RELEASED FROM RESTRICTIONS:

The net assets with donor restrictions released from restrictions in 2019 related to the following:

| | |
|--------------------------------|-------------------|
| SABIC endowment - (10% corpus) | \$ 102,400 |
| - (4.5% return) | 21,869 |
| | <u>\$ 124,269</u> |

BERKSHIRE UNITED WAY, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

12. RETIREMENT PLAN:

The Organization maintains a 403(b) Plan (the "Plan") for eligible employees. Employees are able 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 \$35,051 and \$34,691 for the years ended June 30, 2019 and 2018, 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 \$378,000 and \$312,000 for the years ended June 30, 2019 and 2018, 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 18, 2019, the date of which the financial statements were available to be issued.