

CEO/CFO Financial Statement Certification



**United Way  
of Massachusetts Bay  
and Merrimack Valley**

CERTIFICATIONS

I hereby certify that:

1. I have read the audited financial statements of United Way of Massachusetts Bay, Incorporated for the year ended June 30, 2010.
2. I have disclosed to our organization's auditors all relevant controls and procedures established to assure the accuracy and integrity of information provided.
3. Based on my knowledge, these financial statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading.
4. Based on my knowledge, the financial statements and other financial information included in this report, fairly present, in all material respects, the financial condition, results of operations and cash flows of United Way of Massachusetts Bay, Incorporated as of and for the period ended June 30, 2010.

*Chairman of the Board*

Myra H. Kraft

Michael K. Durkin

President and Chief Executive Officer

*AnsIn Executive Leadership Chair*

*Boston*

51 Sleeper Street

Boston, MA 02210-1208

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*Lowell*

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*United Way of Greater Seacoast*


Pease International Tradeport

112 Corporate Drive, Unit 3

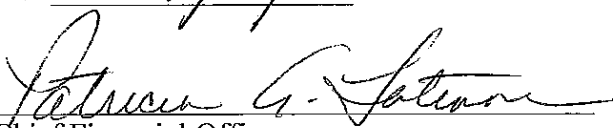
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\_\_\_\_\_  
President and Chief Executive Officer

Date 11/20/10

  
\_\_\_\_\_  
Chief Financial Officer

Date 11/18/10

supportunitedway.org

# **United Way of Massachusetts Bay, Inc.**

**Financial Statements**

**For the Years Ended June 30, 2010 and 2009**

**United Way of Massachusetts Bay, Inc.**  
**Index**  
**For the years ended June 30, 2010 and 2009**

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**Report of Independent Auditor**

To the Board of Directors of  
United Way of Massachusetts Bay, Inc.

In our opinion, the accompanying statement of financial position and the related statement of activities and changes in net assets, cash flows, and expenses by function present fairly, in all material respects, the financial position of United Way of Massachusetts Bay, Inc. ("UWMB") at June 30, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of UWMB's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from UWMB's 2009 financial statements, and in our report dated November 11, 2009, we expressed an unqualified opinion on those financial statements. We conducted our audits of these statements 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the accompanying financial statements, effective July 1, 2009, UWMB merged with United Way of the Greater Seacoast ("UWGS") and have applied the pooling of interests method as of July 1, 2009 to account for this merger. In addition, the financial statements of UWGS as of June 30, 2009 and for the year then ended were audited by other auditors whose report dated March 30, 2010 expressed an unqualified opinion on those statements.

*PricewaterhouseCoopers LLP*

November 2, 2010

**United Way of Massachusetts Bay, Inc.**  
**Statement of Financial Position**  
**Year Ended June 30, 2010**  
**(with Comparative Totals for 2009)**

	2010			Total	2009
	Unrestricted	Temporarily Restricted	Permanently Restricted		(Note 2) Total
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 3,092,201	\$ 1,599,575	\$ 32,873	\$ 4,724,649	\$ 6,010,475
Receivables					
Contributions receivable, net of allowance for uncollectible pledges	-	14,672,506	-	14,672,506	16,181,930
Grants receivable	356,097	97,760	-	453,857	428,225
Other current assets	148,258	121,533	-	269,791	1,729,663
Investments	31,393,007	4,013,085	5,435,870	40,841,962	36,946,112
Total current assets	34,989,563	20,504,459	5,468,743	60,962,765	61,296,405
Property and equipment, at cost, less accumulated depreciation					
	4,222,350	-	-	4,222,350	3,884,796
Investments in perpetual trusts	-	-	4,146,177	4,146,177	3,833,820
Other assets	210,543	44,461	9,971	264,975	157,795
Total assets	<u>\$ 39,422,456</u>	<u>\$ 20,548,920</u>	<u>\$ 9,624,891</u>	<u>\$ 69,596,267</u>	<u>\$ 69,172,816</u>
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 1,644,267	\$ 121,903	\$ -	\$ 1,766,170	\$ 2,406,901
Program initiatives payable	4,596,843	-	-	4,596,843	4,687,919
Donor designations payable	-	2,779,386	-	2,779,386	3,357,125
Grant designations payable	-	38,570	-	38,570	38,570
Deferred revenue	-	693,506	-	693,506	781,728
Total current liabilities	6,241,110	3,633,365	-	9,874,475	11,272,243
Deferred lease incentive	1,443,835	-	-	1,443,835	1,635,626
Deferred rent	1,096,010	-	-	1,096,010	704,234
Total liabilities	8,780,955	3,633,365	-	12,414,320	13,612,103
Commitments and contingencies					
<b>Net Assets</b>					
General operations	10,582,714	-	-	10,582,714	8,304,709
Property and equipment	4,222,350	-	-	4,222,350	3,884,796
Designated by the Board of Directors					
Stabilization fund	243,501	-	-	243,501	216,042
Endowment fund	4,170,906	4,013,085	-	8,183,991	7,249,707
Program allocation reserves	11,422,030	12,324,970	-	23,747,000	26,014,680
Donor restricted	-	577,500	9,624,891	10,202,391	9,890,779
Total net assets	30,641,501	16,915,555	9,624,891	57,181,947	55,560,713
Total liabilities and net assets	<u>\$ 39,422,456</u>	<u>\$ 20,548,920</u>	<u>\$ 9,624,891</u>	<u>\$ 69,596,267</u>	<u>\$ 69,172,816</u>

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

**United Way of Massachusetts Bay, Inc.**  
**Statement of Activities**  
**Year Ended June 30, 2010**  
**(with Comparative Totals for 2009)**

	2010			2009	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	(Note 2) Total
<b>Public support</b>					
Donor contributions	\$ -	\$ 41,014,475	\$ -	\$ 41,014,475	\$ 42,767,052
Grant revenue	3,639,616	-	-	3,639,616	3,214,828
In-kind revenue and other income	268,617	-	-	268,617	601,531
Gross total public support	3,908,233	41,014,475	-	44,922,708	46,583,411
Less					
Provision for uncollectible pledges	-	(1,912,565)	-	(1,912,565)	(2,823,570)
Donor designations, net of service fees	-	(5,193,450)	-	(5,193,450)	(4,171,426)
Net total public support	3,908,233	33,908,460	-	37,816,693	39,588,415
Net assets released from restriction	36,753,991	(36,753,991)	-	-	-
Total public support	40,662,224	(2,845,531)	-	37,816,693	39,588,415
<b>Distributions and expenses</b>					
Agency allocations and other distributions	25,923,929	-	-	25,923,929	28,974,201
Grant expenses	3,881,058	-	-	3,881,058	3,509,143
Total distributions	29,804,987	-	-	29,804,987	32,483,344
Functional expenses					
Community services	4,974,652	-	-	4,974,652	6,051,859
Fundraising	5,715,887	-	-	5,715,887	6,115,227
Management and general	2,242,124	-	-	2,242,124	2,760,400
Total functional expenses	12,932,663	-	-	12,932,663	14,927,486
Total distributions and expenses	42,737,650	-	-	42,737,650	47,410,830
Deficit of distributions and expenses from current operations over public support	(2,075,426)	(2,845,531)	-	(4,920,957)	(7,822,415)
<b>Endowment and investment activities</b>					
Portfolio dividends and interest	1,415,933	114	-	1,416,047	2,131,885
Portfolio gain (loss), net of fees	2,362,271	802,492	-	3,164,763	(7,609,983)
Scholarship, preservation contributions and bequests	85,962	254	(745)	85,471	586,097
Distributions from funds held by others	1,563,553	-	-	1,563,553	1,572,866
Unrealized gain (loss) on perpetual trusts	-	-	312,357	312,357	(1,052,298)
Total increase (decrease) from endowment and investment activities	5,427,719	802,860	311,612	6,542,191	(4,371,433)
Increase (decrease) in net assets	3,352,293	(2,042,671)	311,612	1,621,234	(12,193,848)
Net assets					
Beginning of year	27,289,208	18,958,226	9,313,279	55,560,713	67,754,561
End of year	\$ 30,641,501	\$ 16,915,555	\$ 9,624,891	\$ 57,181,947	\$ 55,560,713

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

**United Way of Massachusetts Bay, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2010**  
**(with Comparative Totals for 2009)**

	Community Services				Support Services		Totals	
	Children	Youth	Families	Program Administration	Total	Fundraising	Management and General	(Note 2) 2009
<b>Expenses</b>								
Salaries	\$ 626,804	\$ 685,651	\$ 659,333	\$ 472,541	\$ 2,444,329	\$ 2,727,288	\$ 1,117,847	\$ 7,804,190
Employee benefits	127,462	123,439	132,000	84,568	467,469	576,189	182,432	1,379,952
Payroll taxes and related	50,613	63,202	53,360	40,097	207,272	261,561	88,150	642,860
Total salaries and related expenses	804,879	872,292	844,693	597,206	3,119,070	3,565,038	1,388,429	9,827,002
Building occupancy	183,874	172,994	194,424	131,704	682,996	630,351	169,099	1,226,939
Supplies	27,343	30,970	27,487	10,642	96,442	287,473	9,639	365,943
Printing and publications	14,345	14,621	14,394	8,146	51,506	72,936	11,039	167,607
Repairs, maintenance and equipment rental	4,360	4,857	6,373	3,356	18,946	19,745	4,581	66,727
Telephone and postage	21,812	20,208	20,790	12,644	75,454	123,877	91,426	345,359
Professional fees	19,182	21,028	20,591	39,157	99,958	88,763	150,842	416,555
Contracted services and consultants	80,336	79,804	86,430	60,744	307,314	324,591	161,797	791,372
Miscellaneous, travel and training	24,474	21,125	17,654	24,148	87,401	89,195	70,170	470,079
United Way Worldwide dues	45,270	52,030	48,786	30,769	176,855	204,122	56,707	504,103
Total other expenses	420,996	417,637	436,929	321,310	1,596,872	1,841,053	725,300	4,354,684
Depreciation and amortization	68,560	67,666	72,817	49,667	258,710	309,796	128,395	745,800
Total functional expenses	\$ 1,294,435	\$ 1,357,595	\$ 1,354,439	\$ 968,183	\$ 4,974,652	\$ 5,715,887	\$ 2,242,124	\$ 14,927,486

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

**United Way of Massachusetts Bay, Inc.**  
**Statement of Cash Flows**  
**Years Ended June 30, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ 1,621,234	\$ (12,193,848)
Reconciliation of net assets to cash used in operating activities		
Depreciation and amortization	696,901	745,800
Loss on disposal	-	9,806
Allowance for uncollectible pledges	(750,687)	699,842
Realized (gain) on investments	(144,113)	(247,809)
Unrealized (gain) loss on investments	(3,020,650)	7,667,125
Unrealized (gain) loss on investments in perpetual trusts	(312,357)	1,052,298
Donor gifts to endowment fund	(1,000)	(39,679)
Changes in operating assets and liabilities		
Contributions receivable	2,260,112	2,363,282
Other receivables	117,594	(22,365)
Other current assets	1,342,279	(135,956)
Other long-term assets	(107,179)	994,168
Grants receivable	(25,632)	(162,275)
Accounts payable and accrued expenses	(640,731)	(506,141)
Program initiatives payable	(91,076)	102,432
Donor designations payable	(577,739)	(451,773)
Grant designations payable	-	(34,460)
Deferred rent	391,776	61,626
Deferred lease incentive	(191,791)	(357,564)
Deferred revenue	(88,222)	158,041
Net cash provided by (used in) operating activities	<u>478,719</u>	<u>(297,450)</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(1,034,455)	(672,834)
Purchases of investments	(6,209,476)	(5,863,905)
Proceeds from sale of investments	5,478,386	3,968,765
Net cash used in investing activities	<u>(1,765,545)</u>	<u>(2,567,974)</u>
<b>Cash flows from financing activities</b>		
Donor gifts to endowment fund	1,000	39,679
Borrowings on line of credit	2,500,000	2,000,000
Payments on line of credit	(2,500,000)	(2,000,000)
Net cash provided by financing activities	<u>1,000</u>	<u>39,679</u>
Net decrease in cash and cash equivalents	(1,285,826)	(2,825,745)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>6,010,475</u>	<u>8,836,220</u>
End of year	<u>\$ 4,724,649</u>	<u>\$ 6,010,475</u>

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

# United Way of Massachusetts Bay, Inc.

## Notes to Financial Statements

### Years Ended June 30, 2010 and 2009

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#### 1. Nature of the Organization

United Way of Massachusetts Bay, Inc. ("UWMB"), which does business as United Way of Massachusetts Bay and Merrimack Valley, is a not-for-profit organization that develops and distributes resources to address human service needs in Eastern Massachusetts, the Seacoast region of New Hampshire and Southern Maine. Through workplace fund drives, special events, direct mail, and other solicitations, UWMB funds both its own community investment programs as well as those of other affiliated and nonaffiliated area not-for-profit health and human service organizations. UWMB's funds are primarily derived from contributions from businesses and individuals in one hundred and thirty four cities and towns in Massachusetts, New Hampshire and Maine.

UWMB is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code.

#### 2. Merger

On June 17, 2009, the Board of Directors of UWMB voted to authorize a merger with United Way of the Greater Seacoast, Inc. ("UWGS"). UWGS was organized and operated to provide services in the Portsmouth, New Hampshire region similar to those provided by UWMB. The merger was effective July 1, 2009 and UWMB is the surviving organization.

The merger has been accounted for using the pooling of interests method and, accordingly, UWMB's 2009 financial statements and related notes are restated to include UWGS's accounts and operating results. At June 30, 2009 and for the year then ended, UWGS had total assets of \$3,600,955, total net assets of \$2,181,598 and total revenue of \$2,966,984. UWGS accounted for donor contributions and pledges receivable as unrestricted. UWMB reclassified these receivables totaling \$1,214,770 at June 30, 2009 from unrestricted to temporarily-restricted to be consistent with UWMB's accounting policy. There were no significant inter-company transactions or balances prior to merger and no other adjusting entries were made.

#### 3. Accounting Policies

The accompanying financial statements have been prepared on the accrual basis of accounting. The following is a summary of significant accounting policies of UWMB.

Resources are classified into three net asset categories; permanently restricted, temporarily restricted and unrestricted, which are defined as follows:

Permanently restricted net assets include the historical dollar amounts of gifts, including pledges, trusts, and remainder interests, which are required by donors to be permanently retained to produce income for general purposes. Pledges, trusts and remainder interests are reported at their estimated present values.

Temporarily restricted net assets include gifts, pledges, investment income and gains which can be expended but for which restrictions have not yet been met. Such restrictions are purpose restrictions imposed by donors, by law or implied by the nature of the gift such as pledges to be paid in the future. Temporarily restricted revenues are released to unrestricted net assets when a pledge is received or when an expense is incurred that satisfies the donor-imposed purpose restriction. The deficit in temporarily restricted total public support revenues for the year ending June 30, 2010 is due to the timing of revenue recognition and cash collections on pledges and gifts.

# United Way of Massachusetts Bay, Inc.

## Notes to Financial Statements

### Years Ended June 30, 2010 and 2009

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Unrestricted net assets generally result from revenues derived from providing services, receiving unrestricted contributions, realized and unrealized gains and losses on unrestricted investments, and receiving dividends and interest from investing in income-producing assets, less expense incurred in providing services, raising contributions and performing administrative functions.

#### **Prior Year Summarized and Comparative 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with UWMB's financial statements for the year ended June 30, 2009, from which the summarized information was derived. Also, certain reclassifications have been made to the prior year amounts to conform to the current presentation.

#### **Revenue Recognition**

Campaigns are primarily conducted from July through March to raise support for allocations and grants which are disbursed to participating agencies. Contributions and pledges of contributions are recognized as revenue at their fair value when the contribution is received or the pledge is made. Donated investments are recorded at fair value on the date received. This revenue remains temporarily restricted until payment is received. At that time, funds are released from restriction. All contributions are considered to be available for unrestricted use when paid unless specifically restricted by the donor.

Undesignated grants received by UWMB are treated as deferred revenue and the grant revenue is recognized as expenses are incurred. Designated grants are recorded as a deduction from grant revenue rather than grant expenses.

#### **Donor Designations**

Donors to the campaign may designate all or part of their contributions to specific agencies. Such amounts are not included as allocations to agencies and are recorded as a deduction from donor contributions in the statement of activities. The amount of donor designations to specific agencies that remains unpaid at year-end is reflected as donor designations payable. Service fees of \$756,498 and \$797,939 were deducted from these contributions in fiscal 2010 and 2009, respectively, to cover the costs incurred by UWMB in raising and processing them. Donor designations also include approximately \$893,000 in donor contributions from campaigns managed by UWMB that were designated to specific agencies and paid directly to third parties. UWMB does not earn service fees on contributions that are paid in this manner.

#### **Program Initiatives Payable**

Program initiatives payable consists of Board authorized programs to fund and address specific community issues. Funds are available to both partner and grantee organizations.

#### **Capitalization and Depreciation/Amortization**

UWMB follows the practice of capitalizing expenditures for equipment, vehicles, building improvements, and computer hardware and software. Donated equipment is recorded at fair market value at date of gift. Depreciation is calculated on a straight-line basis using a half-year convention.

# United Way of Massachusetts Bay, Inc.

## Notes to Financial Statements

### Years Ended June 30, 2010 and 2009

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During the year, UWMB changed the estimated useful life of computer hardware from 5 years to 3 years and computer software from 3 years to 5 years. The changes have been accounted as a change in estimates and are applied prospectively. The impact of these changes did not have a material impact on UWMB's statement of financial position, statement of activities, or statement of cash flows. The estimated useful lives of assets are as follows:

Office furniture and equipment	10 years
Computer hardware	3 years
Computer software	5 years

Leasehold improvements are amortized over the shorter of the term of the lease or life of the asset. When assets are retired or otherwise disposed of, the assets and the related allowances for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the statement of activities.

#### **In-Kind Donations**

Substantial numbers of volunteers have donated significant amounts of their time to UWMB's program services and to its fund-raising campaigns. The financial statements do not include amounts for these contributed volunteer services.

UWMB pays for substantially all services requiring specific expertise. However, in-kind revenue for equipment and certain donated services requiring specific expertise in the amounts of \$195,232 and \$270,807 were recorded in the statements of activities for the years ended June 30, 2010 and 2009, respectively and consisted primarily of legal and investment management services.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and all investments with an original maturity of three months or less when purchased.

UWMB maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. UWMB has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### **Fair Value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs in fair value measurements and expands disclosures about fair value measurements. "Level 1" measurements are measurements using quoted prices in active markets for identical assets or liabilities. "Level 2" measurements use significant other observable inputs. "Level 3" measurements are measurements using significant unobservable inputs which require a company to develop its own assumptions. In recording the fair value of assets and liabilities, UWMB uses the market approach.

#### **Investments**

Investment income is recorded when earned and is considered available for unrestricted use unless otherwise restricted by the donor or UWMB's endowment spending policy. Realized and unrealized gains and losses are determined on the basis of specific identification. The Investment Committee of the Board of Directors regularly reviews the investment portfolio policies and performance.

**United Way of Massachusetts Bay, Inc.**  
**Notes to Financial Statements**  
**Years Ended June 30, 2010 and 2009**

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**Board-Designated Net Assets**

The stabilization fund was established as a board-designated reserve in order to provide funds to support community investment in years of revenue decline. Revenue is affected by external conditions and, accordingly, current fund-raising may be insufficient to continue UWMB's level of community investment in certain years. These funds are invested and both gains and losses are reflected in the fund balance. Additions to and withdrawals from the fund are at the discretion of the Board of Directors. Fund withdrawals totaled \$0 and \$235,000 for fiscal years 2010 and 2009, respectively.

Program allocation reserves represent board-approved spending of up to \$23,747,000 and \$25,317,000 for the years ended June 30, 2010 and 2009, respectively. The program allocation reserve is to support community care and targeted care programs of both partner and grantee organizations as well as targeted outreach initiative programs overseen by UWMB. In addition, up to approximately \$4,513,000 and \$3,350,000 of donor-designated distributions were approved by the Board of Directors for fiscal years 2010 and 2009, respectively. Actual donor designations expense may be more or less than Board approved amounts due to either donor redirection or collections experience related to the designation.

**Assets Held with Outside Trustees**

Assets received under various split-interest agreements, including perpetual trusts and charitable lead trusts, are recorded at fair value and in the appropriate net asset category based on donor stipulation. Contributions related to perpetual trusts are recognized as revenue upon notification of the trust's existence and are equal to the fair value on that date. The related asset is adjusted annually to reflect changes in the fair value of the asset due to appreciation or depreciation in the trusts. The resulting unrealized gain or loss is included in the statement of activities.

**Use of Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, 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.

**4. Contributions Receivable**

Contributions receivable are reported at net realizable value and consist of the following at June 30, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
Contributions receivable for campaign	\$ 19,517,370	\$ 21,895,482
Less: Allowance for uncollectible pledges	(4,805,997)	(5,559,834)
Less: Present value discount	(2,264)	(15,245)
	<u>14,709,109</u>	<u>16,320,403</u>
Net amounts due as of June 30		
Less than one year	14,672,506 <sup>▼</sup>	16,181,930
One to five years	36,603 <sup>▼</sup>	138,473
	<u>\$ 14,709,109</u>	<u>\$ 16,320,403</u>

**United Way of Massachusetts Bay, Inc.**  
**Notes to Financial Statements**  
**Years Ended June 30, 2010 and 2009**

**5. Fair Value Measurements**

UWMB's investments and perpetual trusts measured using the fair value hierarchy on a recurring basis are summarized in the following table as of June 30, 2010 and 2009:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds	\$ 9,698,200	\$ -	\$ -	\$ 9,698,200
Collective trusts		27,735,937	3,379,223	31,115,160
Money market fund	28,602	-	-	28,602
Investments total	9,726,802	27,735,937	3,379,223	40,841,962
Perpetual trusts	-	-	4,146,177	4,146,177
Total June 30, 2010	<u>\$ 9,726,802</u>	<u>\$ 27,735,937</u>	<u>\$ 7,525,400</u>	<u>\$ 44,988,139</u>
Total June 30, 2009	<u>\$ 8,024,237</u>	<u>\$ 25,660,285</u>	<u>\$ 7,095,410</u>	<u>\$ 40,779,932</u>

Level 3 investment and perpetual trust activity for the fiscal year ended June 30, 2010 and 2009 was as follows:

	<b>2010</b>	<b>2009</b>
<b>Level 3 Investments</b>		
Investments at the beginning of the year	\$ 3,261,589	\$ 3,749,680
Net unrealized gains (losses)	117,634	(488,090)
Investments at the end of the year	<u>3,379,223</u>	<u>3,261,590</u>
<b>Level 3 Perpetual Trusts</b>		
Perpetual trusts at the beginning of the year	3,833,820	4,885,032
Net unrealized gains (losses)	248,172	(962,828)
Distributions	64,185	(88,384)
Perpetual trusts at the end of the year	<u>\$ 4,146,177</u>	<u>\$ 3,833,820</u>

UWMB's collective trust investments are comprised of five individual funds managed by five investment managers who were selected and are monitored by management, UWMB's Investment Committee and UWMB's independent investment advisory consultant. The Investment Committee is comprised of experienced investment professionals. Three of the five collective trust investments contain underlying assets that are principally exchange traded equities and fixed income securities in active markets. The remaining two collective trusts Investments, which account for 13% of the investment subtotal, are marketable alternative investment funds that are invested in sub-funds. These sub-funds are invested in certain derivatives and other instruments in addition to exchange traded equities and fixed income securities.

Investments in mutual funds and collective trusts include externally managed funds considered to be marketable alternative investments since UWMB holds a percentage of shares in a fund which is valued by the fund manager based on UWMB's ownership percentage, rather than specific underlying investments.

The fair value of the perpetual trust investments is determined by using UWMB's percentage interest in the trust and the fair value of the trust as determined by the executor of the trust.

**United Way of Massachusetts Bay, Inc.**  
**Notes to Financial Statements**  
**Years Ended June 30, 2010 and 2009**

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The carrying amount of cash equivalents approximates fair value.

**6. Board Designated and Donor Restricted Endowment Funds**

UWMB's endowment consists of approximately \$5,468,743 individual donor restricted endowment funds and \$8,183,991 board-designated endowment funds for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. The net assets associated with endowment funds including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of Directors of UWMB has interpreted the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation 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, UWMB classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 by the Board of Directors of UWMB in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, UWMB considers the following factors in making a determination to appropriate or accumulate endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of UWMB and the donor restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of UWMB
- 7) The investment policies of UWMB
- 8) The role of each investment in the whole portfolio

Endowment net asset composition by type of fund as of June 30, 2010 and 2009:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>2010</b>	<b>2009</b>
Donor-restricted endow ment funds	\$ -	\$ -	\$ 5,468,743	\$ 5,468,743	\$ 5,467,743
Board-designated endow ment funds	4,170,906	4,013,085	-	8,183,991	7,249,707
Total endow ment funds	<u>\$ 4,170,906</u>	<u>\$ 4,013,085</u>	<u>\$ 5,468,743</u>	<u>\$13,652,734</u>	<u>\$12,717,450</u>

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Changes in endowment net assets for the year ended June 30, 2010 and 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010	2009
Endow ment net assets, beginning of year as reported	\$ 3,888,044	\$ 3,361,663	\$ 5,467,743	\$ 12,717,450	\$15,240,159
Investment income	134,182	303,579	-	437,761	713,643
Net appreciation (depreceiation) (realized and unrealized)	<u>359,989</u>	<u>814,459</u>	<u>-</u>	<u>1,174,448</u>	<u>(2,698,498)</u>
Total investment return	494,171	1,118,038	-	1,612,209	(1,984,855)
Gifts	-	-	1,000	1,000	39,679
Appropriation of endow ment assets for expenditure	<u>(211,309)</u>	<u>(466,616)</u>	<u>-</u>	<u>(677,925)</u>	<u>(577,533)</u>
Endow ment net assets, end of year	<u>\$ 4,170,906</u>	<u>\$ 4,013,085</u>	<u>\$ 5,468,743</u>	<u>\$ 13,652,734</u>	<u>\$12,717,450</u>

In June 2010, the Board appropriated \$677,925 of Board-restricted endowment assets for expenditure to be spent in fiscal year 2011. This amount is included in the unrestricted program allocation reserve total of \$23,747,000 on the statement of financial position as of June 30, 2010.

**Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowments Only)**

**Permanently Restricted Net Assets**

Perpetual endowment funds that are required to be retained permanently either by explicit donor stipulation or by The Commonwealth of Massachusetts enacted version of UPMIFA are restricted for program support.

**Temporarily Restricted Net Assets**

Temporarily restricted net assets represent residual balances of dividends, interest, realized and unrealized gains and losses earned on endowment funds in excess of the Board appropriated allocations to support UWMB programs and current operations.

**Endowment Funds with Deficits**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of temporarily restricted net assets. Deficits of this nature reported in unrestricted net assets were \$22,179 and \$153,264 as of June 30, 2010 and 2009, respectively. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments, and authorized appropriations that were deemed prudent.

# United Way of Massachusetts Bay, Inc.

## Notes to Financial Statements

### Years Ended June 30, 2010 and 2009

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#### **Return and Risk Parameters**

The Board of Directors of UWMB has assigned to the Investment Committee (the "Committee") responsibility for policy and direction for UWMB's investments. In this capacity, the Committee acknowledges its responsibility as a fiduciary and functions according to the "prudent person" standard in establishing Policy and Investment Guidelines for UWMB's Investment program. In this regard, the Committee is to 1) act for the exclusive benefit of the endowment and reserves fund (the "Fund"); 2) exercise skill, care and diligence – under circumstances then prevailing - of a prudent person acting in a similar capacity; 3) unless prudent to do otherwise, diversify investments so as to minimize the risk of large losses. UWMB has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Assets of the Fund are invested to ensure that principal is preserved and enhanced over time, both in real and nominal terms. The nominal rate of return objective for the Fund is 8%, net of fees. Additionally, total return should exceed the rate of inflation, as measured by the Consumer Price Index (CPI) by 4% per year, net of fees. Comparative performance statistics are used to evaluate investment results for each investment manager.

#### **Strategies Employed for Achieving Investment Objectives**

To achieve its long-term rate of return objectives, UWMB relies on a total market return strategy, except where specifically prohibited by related gift instruments, in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). UWMB targets a diversified asset allocation among investment managers in order to achieve an optimal balance between risk and return.

#### **Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives**

Calculations are performed for individual endowment funds at a rate of 5% of the rolling three-year average of total market value of invested funds, determined quarterly. This rate is reviewed on an annual basis. Distributions of endowment funds with restricted use are made in accordance with the terms of gift instruments. Distributions of these funds and unrestricted funds shall be considered in UWMB's annual budget process, or as proposed by UWMB's President and Chief Executive Officer, subject to approval by UWMB's Board of Directors. Withdrawals from the Endowment Fund beyond the 5% distribution rate may be made in special circumstances as the Board of Directors may determine, subject, however, to the requirements of donor-imposed restrictions on particular funds and the limitations in Massachusetts General Laws Chapter 180A on the use of appreciation on institutional funds. Factors to be considered with regard to any such special withdrawals include the long and short-term needs of UWMB, past and projected investment results, the nature and extent of prior special withdrawals, the status of UWMB's operating reserve and the nature of the need or opportunity being addressed.

**United Way of Massachusetts Bay, Inc.**  
**Notes to Financial Statements**  
**Years Ended June 30, 2010 and 2009**

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**7. Property and Equipment**

At June 30, 2010 and 2009, respectively, property and equipment consisted of the following:

	<b>2010</b>	<b>2009</b>
Leasehold improvements	\$ 3,774,453	\$ 3,025,152
Office furniture and equipment	870,820	868,870
Computer hardware	967,891	959,487
Computer software	<u>2,418,472</u>	<u>2,143,672</u>
Total property and equipment	<u>8,031,636</u>	<u>6,997,181</u>
Less accumulated depreciation	<u>(3,809,286)</u>	<u>(3,112,385)</u>
Property and equipment, net accumulated depreciation	<u>\$ 4,222,350</u>	<u>\$ 3,884,796</u>

Depreciation and amortization expense of \$696,901 and \$745,800 in 2010 and 2009, respectively, is included in functional expenses. During 2010 and 2009, fully depreciated assets totaling \$224,132 and \$0, respectively, were retired.

**8. Commitments and Contingencies**

On April 12, 2005, UWMB entered into an operating lease for office space. As part of the lease agreement, UWMB received two months of free rent and a \$2.64 million allowance for leasehold improvements. These incentives were recorded as deferred credits and are being amortized over the term of the lease as a reduction of rent expense. This lease was amended May 3, 2007 to provide free space for a portion of the tenant allowance that was not used for improvements and again September 13, 2008 to return that free space to the landlord. The lease expires in July 2020.

UWMB also entered into a lease for office space in Lowell, Massachusetts dated June 2007 to November 2012. As a part of this lease agreement, UWMB received from the landlord, six months of free rent and a \$135,000 allowance for leasehold improvements for the office space.

Future minimum payments under the leases are:

2011	\$ 1,298,049
2012	1,303,797
2013	1,220,549
2014	1,157,326
2015	1,157,326
2016 and thereafter	6,362,731

Rent expense for the fiscal years 2010 and 2009 was \$1,818,427 and \$1,357,605, respectively. Fiscal 2010 includes a one-time charge of \$281,845 for subletting arrangements in reconfigured office space.

In connection with the Boston office space lease, a \$200,000 standby letter of credit issued by a bank to the landlord serves as security deposit. The standby letter of credit will remain until the end of the lease term.

**United Way of Massachusetts Bay, Inc.**  
**Notes to Financial Statements**  
**Years Ended June 30, 2010 and 2009**

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**9. Subleases**

UWMB sublets office space to tenants under four non-cancelable operating leases with terms from three to eleven years. The following is a schedule by year of future minimum rental payments under those subleases as of June 30, 2010:

2011	\$ 369,758
2012	349,967
2013	330,019
2014	330,019
2015	330,019
2016 and thereafter	989,553

**10. Assets Held with Outside Trustees**

UWMB is the beneficiary of several trust funds administered by outside trustees. The terms of the perpetual trusts require that all income or a percentage of income be paid to UWMB in perpetuity; however, distributions of principal are not permitted under the terms of the trusts.

**11. Funds Held by Others**

On September 30, 1999, UWMB entered into a joint endowment agreement with the Boston Foundation, Inc. ("TBF") for the charitable purpose of supporting human services to promote the welfare of children and families. The agreement provided for the establishment of a fund, entitled The United Way Millennium Fund for Children and Families, and for collaboration between UWMB and TBF to conduct a campaign, through December 31, 2003, to raise a targeted \$30,000,000 in contributions, which included \$10,000,000 in matching payments by TBF on a 1-for-2 basis.

The Fund activity and fiscal year-end market value is summarized as follows:

	<b>2010</b>	<b>2009</b>
Processed pledges	\$ 20,130,511	\$ 20,130,511
Unprocessed pledges	63,735	63,735
Pledges deemed uncollectible	<u>(1,302,060)</u>	<u>(1,151,030)</u>
	18,892,186	19,043,216
Boston Foundation match	<u>9,446,094</u>	<u>9,521,608</u>
Total gift commitment	<u>28,338,280</u>	<u>28,564,824</u>
Collected pledges	18,892,187	18,892,187
Collected match	<u>9,446,094</u>	<u>9,446,094</u>
Total fund input	<u>28,338,281</u>	<u>28,338,281</u>
Market value of invested funds	<u>\$ 27,745,233</u>	<u>\$ 28,947,387</u>

**United Way of Massachusetts Bay, Inc.**  
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Beginning in June 2001, TBF began to distribute quarterly payments to UWMB in accordance with a spending rate based on total return, to be determined from time to time by the board of directors of TBF in accordance with the provisions of Massachusetts General Laws Chapter 180A. An administrative fee is deducted by TBF from these quarterly distributions. For the years ended June 30, 2010 and 2009, and included in Distributions from funds held by others on the statement of activities, are net annual distributions to UWMB of \$1,468,554 and \$1,414,593, respectively.

**12. Retirement Plan**

All eligible employees may elect to participate in a defined contribution plan which has been established as a 401(k) plan. UWMB will provide matching contributions of 100% of the first 4% of a participant's compensation contributed during the year. Additionally, UWMB will contribute a percentage of eligible employees' annual compensation to the plan. UWMB's contributions to the 401(k) plan were \$619,279 and \$631,647 for the years ended June 30, 2010 and 2009, respectively.

**13. Line of Credit**

UWMB has an agreement for a \$3,000,000 revolving line of credit with a bank which expires December 30, 2010. The availability period for the line of credit can be renewed under the same agreement upon written confirmation of renewal from the bank. Under the terms of the agreement, borrowings are unsecured, payable on demand, and bear interest at the bank's prime rate or a LIBOR-based rate, at UWMB's choice. UWMB paid interest of \$14,219 and \$13,194 for the years ended June 30, 2010 and June 30, 2009, respectively, for borrowings on this line of credit. No amounts were outstanding under the line as of June 30, 2010 or 2009.

**14. Managed Campaign Transactions**

Effective July 1, 2008, UWMB entered into a performance agreement ("agreement") with United Ways of New England, Inc. (UWONE) whereby UWMB conducts the annual UWONE fund-raising campaigns and pays all expenses for all UWONE functions. The agreement specified that UWMB receive an annual fee equal to approximately 7.5% of the internally audited gross campaign revenue of the prior year UWONE campaign for Participating United Ways and their affiliated organizations and 8.7% for Non-Participating United Ways and their affiliated organizations. The terms of the agreement are effective July 1, 2008 through June 30, 2012.

During 2010 and 2009, UWMB recorded \$1,131,033 and \$1,189,393, respectively, as a management fee. Additionally, a portion of UWONE contributions raised is allocated to UWMB and is included in donor contributions and total public support on the statement of activities.

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**15. Calculation of Overhead Ratio and Administrative Fee**

	<b>2010</b>	<b>2009</b>
Revenue		
Donor contributions - net of provision for uncollectible pledges	\$ 39,101,910	\$ 39,943,482
Grant revenue	3,639,616	3,214,828
Bequests, other gifts and recoveries	133,109	706,062
Investment income	1,416,047	2,201,774
Income from funds held by others	94,999	88,384
Income from Millennium Fund	1,468,554	1,414,593
Realized (loss) gain on investments, net	144,113	57,142
Donated product	-	26,089
Service fees and other income	25,747	193,879
Total revenue	<u>46,024,095</u>	<u>47,846,233</u>
Operating expenses		
Management and general	2,141,884	2,619,998
Fund-raising	5,674,500	6,061,252
Total operating expenses	<u>\$ 7,816,384</u>	<u>\$ 8,681,250</u>
Management and general ratio	4.7%	5.4%
Fund-raising ratio	<u>12.3%</u>	<u>12.7%</u>
Total overhead ratio	<u>17.0%</u>	<u>18.1%</u>

The calculations above are presented using the United Way Worldwide (UWW) guidelines. These guidelines require that Federal Form 990 be the source of the components of the overhead ratio calculations which exclude certain revenue and expense items presented in the statement of activities. UWMB uses the full-time equivalent method to allocate costs between programs and supporting services for this calculation.

In fiscal year 2010, UWMB used 17.4% as an administrative fee (based on the UWW calculation methodology at the time for the Federal Form 990) on donor designations unless a separate fee agreement was in place. For example, gifts processed by UWMB that are designated for other Massachusetts-based United Ways and their partner organizations are reduced by a contractually agreed to fee of 10%. Gifts that are received by UWMB from other United Ways based in Massachusetts that are designated to UWMB-affiliated agencies are reduced by a contractually agreed fee of 5%.

**16. Subsequent Events**

We have evaluated the impact of events occurring subsequent to June 30, 2010 through November 2, 2010.

No amounts were outstanding under UWMB's line of credit as of June 30, 2010. However, \$1,000,000 was drawn during September 2010 and bears interest at an annual rate of 1.5%.