

**United Way of Massachusetts
Bay, Inc.**
Financial Statements
June 30, 2009 and 2008

United Way of Massachusetts Bay, Inc.
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June 30, 2009 and 2008

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Report of Independent Auditors

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

In our opinion, the accompanying statement of financial position and the related statements 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, 2009, 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 audit. The prior year summarized comparative information has been derived from UWMB's 2008 financial statements, and in our report dated October 30, 2008, we expressed an unqualified opinion on those financial statements. We conducted our audit 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 audit provides a reasonable basis for our opinion.

As discussed in Note 5 to the financial statements, effective July 1, 2008, UWMB adopted Financial Accounting Board Statement of Financial Accounting Standard No. 157, *Fair Value Measurement*. As discussed in Note 6 to the financial statements, effective July 1, 2007, UWMB adopted Financial Accounting Standards Board Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*.

PricewaterhouseCoopers LLP

November 11, 2009

United Way of Massachusetts Bay, Inc.
Statement of Financial Position
June 30, 2009
(with Comparative Totals for 2008)

	2009			Total	2008
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
Assets					
Current assets					
Cash and cash equivalents	\$ 2,484,078	\$ 1,445,173	\$ 32,873	\$ 3,962,124	\$ 6,243,963
Receivables					
Contributions receivable, net of allowance for uncollectible pledges	-	14,967,160	-	14,967,160	18,060,113
Grants receivable	150,000	278,225	-	428,225	265,950
Other current assets	1,341,617	111,474	-	1,453,091	1,387,949
Investments	28,149,579	3,361,663	5,434,870	36,946,112	42,471,373
Total current assets	32,125,274	20,163,695	5,467,743	57,756,712	68,429,348
Property and equipment, at cost, less accumulated depreciation	3,823,534	-	-	3,823,534	3,938,640
Investments in perpetual trusts	-	-	3,833,820	3,833,820	4,885,032
Other assets	-	146,079	11,716	157,795	1,151,963
Total assets	<u>\$ 35,948,808</u>	<u>\$ 20,309,774</u>	<u>\$ 9,313,279</u>	<u>\$ 65,571,861</u>	<u>\$ 78,404,983</u>
Liabilities					
Accounts payable and accrued expenses	\$ 2,021,149	\$ 111,844	\$ -	\$ 2,132,993	\$ 2,810,541
Program initiatives payable	4,687,919	-	-	4,687,919	3,929,944
Donor designations payable	-	2,211,676	-	2,211,676	2,663,449
Grant designations payable	-	38,570	-	38,570	73,030
Deferred revenue	-	781,728	-	781,728	623,687
Total current liabilities	6,709,068	3,143,818	-	9,852,886	10,100,651
Deferred lease incentive	1,635,626	-	-	1,635,626	2,003,026
Deferred rent	704,234	-	-	704,234	642,609
Total liabilities	9,048,928	3,143,818	-	12,192,746	12,746,286
Commitments and contingencies					
Net Assets					
General operations	7,459,553	-	-	7,459,553	13,515,128
Property and equipment	3,823,534	-	-	3,823,534	3,938,640
Designated by the Board of Directors					
Stabilization fund	216,042	-	-	216,042	583,487
Endowment fund	3,888,044	3,361,663	-	7,249,707	9,809,271
Program allocation reserves	11,512,707	13,804,293	-	25,317,000	27,438,000
Donor restricted	-	-	9,313,279	9,313,279	10,374,171
Total net assets	<u>26,899,880</u>	<u>17,165,956</u>	<u>9,313,279</u>	<u>53,379,115</u>	<u>65,658,697</u>
Total liabilities and net assets	<u>\$ 35,948,808</u>	<u>\$ 20,309,774</u>	<u>\$ 9,313,279</u>	<u>\$ 65,571,861</u>	<u>\$ 78,404,983</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, 2009
(with Comparative Totals for 2008)

	2009			2008	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public support					
Donor contributions	\$ -	\$ 39,638,506	\$ -	\$ 39,638,506	\$ 47,898,036
Grant revenue	2,543,878	-	-	2,543,878	1,426,349
In-kind revenue and other income	294,713	2,440	-	297,153	565,990
Gross total public support	2,838,591	39,640,946	-	42,479,537	49,890,375
Less					
Provision for uncollectible pledges	-	(2,588,485)	-	(2,588,485)	(2,169,248)
Donor designations, net of service fees	-	(3,199,732)	-	(3,199,732)	(3,557,027)
Net total public support	2,838,591	33,852,729	-	36,691,320	44,164,100
Net assets released from restriction	36,035,561	(36,035,561)	-	-	-
Total public support	38,874,152	(2,182,832)	-	36,691,320	44,164,100
Distributions and expenses					
Agency allocations and other distributions	28,253,278	-	-	28,253,278	28,107,903
Grant expenses	2,853,480	-	-	2,853,480	1,599,067
Total distributions	31,106,758	-	-	31,106,758	29,706,970
Functional expenses					
Community services	5,591,767	-	-	5,591,767	6,842,732
Fundraising	5,512,852	-	-	5,512,852	6,943,252
Management and general	2,318,203	-	-	2,318,203	2,369,188
Total functional expenses	13,422,822	-	-	13,422,822	16,155,172
Total distributions and expenses	44,529,580	-	-	44,529,580	45,862,142
Deficit of distributions and expenses from current operations over public support	(5,655,428)	(2,182,832)	-	(7,838,260)	(1,698,042)
Endowment and investment activities					
Portfolio dividends and interest	2,131,832	53	-	2,131,885	1,906,018
Portfolio loss, net of fees	(5,793,543)	(1,816,440)	-	(7,609,983)	(3,165,195)
Scholarship, preservation contributions and bequests	586,751	7,940	(8,594)	586,097	433,512
Distributions from funds held by others	1,502,977	-	-	1,502,977	1,355,825
Unrealized loss on perpetual trusts	-	-	(1,052,298)	(1,052,298)	(565,632)
Total decrease from endowment and investment activities	(1,571,983)	(1,808,447)	(1,060,892)	(4,441,322)	(35,472)
Decrease in net assets	(7,227,411)	(3,991,279)	(1,060,892)	(12,279,582)	(1,733,514)
Net assets					
Beginning of year	34,127,291	21,157,235	10,374,171	65,658,697	67,392,211
End of year	\$ 26,899,880	\$ 17,165,956	\$ 9,313,279	\$ 53,379,115	\$ 65,658,697

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, 2009
(with Comparative Totals for 2008)

	Program			Support Services			Totals		
	Children	Youth	Families	Administration	Total	Fundraising	Management and General	2009	2008
Expenses									
Salaries	\$ 785,594	\$ 818,804	\$ 858,609	\$ 476,073	\$ 2,939,080	\$ 2,888,615	\$ 1,159,756	\$ 6,987,451	\$ 7,787,941
Employee benefits	147,501	145,030	165,266	80,286	538,083	497,156	188,550	1,223,789	1,328,567
Payroll taxes and related	65,025	69,953	92,262	41,379	268,619	284,204	90,037	642,860	655,624
Total salaries and related expenses	998,120	1,033,787	1,116,137	597,738	3,745,782	3,669,975	1,438,343	8,854,100	9,772,132
Building occupancy	157,599	150,864	181,796	93,230	583,489	392,598	129,792	1,105,879	1,305,950
Supplies	19,473	20,882	18,342	3,248	61,945	238,372	8,780	309,097	118,482
Printing and publications	19,239	19,323	19,092	7,511	65,165	87,653	12,031	164,849	396,765
Repairs, maintenance and equipment rental	4,363	4,336	4,915	2,073	15,687	11,014	4,686	31,387	58,730
Telephone and postage	39,193	37,971	39,477	11,830	128,471	118,129	83,921	330,521	459,949
Professional fees	15,889	18,656	17,468	42,359	94,372	82,171	182,124	358,667	704,876
Contracted services and consultants	74,262	74,348	86,539	43,826	278,975	253,308	158,329	690,612	1,567,530
Miscellaneous, travel and training	39,549	34,915	30,713	27,786	132,963	126,003	104,410	363,376	370,628
Product distribution	-	-	-	-	-	-	-	-	238,082
United Way of America dues	47,537	56,122	51,627	27,741	183,027	236,157	58,674	477,858	476,310
Total other expenses	417,104	417,417	449,969	259,604	1,544,094	1,545,405	742,747	3,832,246	5,697,302
Depreciation and amortization	81,061	79,834	91,939	49,057	301,891	297,472	137,113	736,476	685,738
Total functional expenses	\$ 1,496,285	\$ 1,531,038	\$ 1,658,045	\$ 906,399	\$ 5,591,767	\$ 5,512,852	\$ 2,318,203	\$ 13,422,822	\$ 16,155,172

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

United Way of Massachusetts Bay, Inc.
Statement of Cash Flows
Year Ended June 30, 2009
(with Comparative Totals for 2008)

	2009	2008
Cash flows from operating activities		
Decrease in net assets	\$ (12,279,582)	\$ (1,733,514)
Reconciliation of net assets to cash used in operating activities		
Depreciation and amortization	736,476	685,738
Allowance for uncollectible pledges	699,842	(302,343)
Realized gain on investments	(247,809)	(1,253,115)
Unrealized loss on investments	7,667,125	4,323,923
Unrealized loss on investments in perpetual trusts	1,052,298	565,632
Donor gifts to endowment fund	(39,679)	(337,024)
Changes in operating assets and liabilities		
Contributions receivable	2,354,611	610,221
Other receivables	(22,365)	128,218
Other current assets	(4,278)	139,343
Other long-term assets	994,168	(424,887)
Grants receivable	(162,275)	331,300
Accounts payable and accrued expenses	(687,385)	(126,954)
Program initiatives payable	757,975	1,841,762
Donor designations payable	(451,773)	(364,083)
Grant designations payable	(34,460)	(249,854)
Deferred rent	61,626	123,711
Deferred lease incentive	(357,564)	(197,799)
Deferred revenue	158,041	(269,716)
Net cash provided by operating activities	<u>194,992</u>	<u>3,490,559</u>
Cash flows from investing activities		
Purchase of property and equipment	(621,370)	(615,603)
Purchases of investments	(5,863,905)	(20,759,290)
Proceeds from sale of investments	3,968,765	19,165,411
Net cash used in investing activities	<u>(2,516,510)</u>	<u>(2,209,482)</u>
Cash flows from financing activities		
Donor gifts to endowment fund	39,679	337,024
Borrowings on line of credit	2,000,000	-
Payments on line of credit	(2,000,000)	-
Net cash provided by financing activities	<u>39,679</u>	<u>337,024</u>
Net (decrease) increase in cash and cash equivalents	(2,281,839)	1,618,101
Cash and cash equivalents		
Beginning of year	<u>6,243,963</u>	<u>4,625,862</u>
End of year	<u>\$ 3,962,124</u>	<u>\$ 6,243,963</u>

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

United Way of Massachusetts Bay, Inc.

Notes to Financial Statements

June 30, 2009

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 the greater metropolitan Boston area and the Merrimack Valley region. 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 eighty-seven cities and towns in the eastern Massachusetts area.

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

2. 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 an expense is incurred that satisfies the donor-imposed purpose restriction or the time restriction is satisfied. The deficit in temporarily restricted total public support revenues for the year ending June 30, 2009 is due to the timing of revenue recognition and cash collections on pledges and gifts.

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, 2008, from which the summarized information was derived. Also, certain reclassifications have been made to the prior year amounts to conform to the current presentation.

United Way of Massachusetts Bay, Inc.

Notes to Financial Statements

June 30, 2009

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 \$797,939 and \$867,874 were deducted from these contributions in fiscal 2009 and 2008, respectively, to cover the costs incurred by UWMB in raising and processing them.

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. The estimated useful lives of the assets are as follows:

Office furniture and equipment	10 years
Computer hardware	5 years
Computer software	3 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 \$270,807 and \$320,195 were recorded in the statements of activities for the years ended June 30, 2009 and 2008, respectively and consisted primarily of legal and investment management services.

United Way of Massachusetts Bay, Inc.

Notes to Financial Statements

June 30, 2009

UWMB operated a Gifts In Kind Program registered in the Gifts In Kind International Donation Program (an unrelated entity) which receives excess inventory from various businesses. UWMB received materials and goods valued by donors at retail cost of approximately \$0 and \$399,851 for the years ended June 30, 2009 and 2008, respectively. UWMB recorded the goods at the lower of cost or market value approximating \$0 and \$157,164, for the years ended June 30, 2009 and 2008, respectively.

On June 30, 2008 UWMB and United Way of Tri-County, Inc. (UWTC) executed an agreement effective July 1, 2008 to consolidate their respective product philanthropy programs into a new entity United Way Distribution Services, Inc. (UWDS) to be wholly-owned and controlled by UWTC. The agreement specified that UWTC hire existing UWMB product philanthropy staff and accept the transfer of a lease obligation and other related Gifts-In-Kind program responsibilities. UWMB transferred ownership of certain assets related to this program including a vehicle and inventory to the UWTC for use in UWDS. The impact of this transaction did not have a material impact on UWMB's statement of financial position, statement of activities, or statement of cash flows at June 30, 2008.

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

On July 1, 2008, UWMB adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines a hierarchy which 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, companies must use the most reliable measurement available. There was no impact to UWMB's results of operations, financial position and cash flows upon adoption of SFAS 157.

Investments

Investment income is recorded when earned and 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.

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 \$235,000 and \$1,000,000 for fiscal years 2009 and 2008, respectively.

United Way of Massachusetts Bay, Inc.
Notes to Financial Statements
June 30, 2009

Program allocation reserves represent board-approved spending of up to \$25,317,000 and \$27,438,000 for the years ended June 30, 2009 and 2008, 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 \$3,350,000 and \$4,072,000 of donor-designated distributions were approved by the Board of Directors for fiscal years 2009 and 2008, respectively. Actual donor designations expense may be more or less than Board approvals 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.

3. Contributions Receivable

Contributions receivable are reported at net realizable value and consist of the following at June 30, 2009 and 2008:

	2009	2008
Contributions receivable for		
Campaign	\$ 20,445,627	\$ 23,714,571
Endowment	-	68,500
	<u>20,445,627</u>	<u>23,783,071</u>
Less allowance for uncollectible pledges	(5,324,749)	(4,680,785)
Less present value discount	<u>(15,245)</u>	<u>(66,985)</u>
	<u>\$ 15,105,633</u>	<u>\$ 19,035,301</u>
Amounts due as of June 30		
Less than one year	\$ 14,967,160	\$ 18,060,113
One to five years	<u>138,473</u>	<u>975,188</u>
	<u>\$ 15,105,633</u>	<u>\$ 19,035,301</u>

United Way of Massachusetts Bay, Inc.
Notes to Financial Statements
June 30, 2009

4. Investments

Investments are presented in the financial statements in the aggregate at the fair value as of June 30, 2009 and 2008:

	2009	2008
Mutual funds	\$ 7,995,150	\$ 10,841,856
Collective trusts	28,921,875	31,600,320
Money market funds	<u>29,087</u>	<u>29,197</u>
Investment total	<u>\$ 36,946,112</u>	<u>\$ 42,471,373</u>

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. Total alternative investments were 19% and 28% of the investments total as of June 30, 2009 and 2008, respectively.

5. Fair Value Measurements

Effective July 1, 2008 UWMB adopted Financial Accounting Board Statement of Financial Accounting Standard No. 157, *Fair Value Measurement* (SFAS 157) for financial assets and liabilities measured on a recurring basis. SFAS 157 emphasizes that fair value is a market-based measurement, not an entity specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. SFAS 157 clarifies that fair value is an exit price, representing the amount that would be received for the sale of an asset in an orderly transaction between market participants. As a basis for considering market participant assumptions in fair value measurement, SFAS 157 established a fair value hierarchy based upon the transparency of the valuation of an asset or liability.

Financial Accounting Board Statement Accounting Standard Update 2009-12 ("ASU 2009-12") has been early adopted by UWMB effective July 1, 2008. Under the provisions of ASU 2009-12, UWMB has elected to defer the adoption of the disclosure provisions. ASU 2009-12 provides additional guidance on how UWMB should estimate the fair value of certain investments that do not have readily determinable market values and the categorization of these investments when UWMB has the ability to redeem its investment with the investee at net asset value per share at the measurement date.

These inputs may be observable whereby the market participant assumptions are developed based on market data obtained from independent sources and, unobservable whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. UWMB's financial assets measured on a recurring basis consist of investments and perpetual trusts. These assets are categorized based on the SFAS 157 hierarchy as follows:

Level 1 – inputs based on quoted prices (unadjusted) in active markets for identical assets accessible at the measurement date. This classification is applied to any investment that has a readily available quoted market price from an active market where there is significant transparency in the executed/quoted market price.

United Way of Massachusetts Bay, Inc.
Notes to Financial Statements
June 30, 2009

Level 2 – this classification is applied to investments that do not have readily determinable market values where UWMB has the ability to redeem its investment with the investee at net asset value per share at June 30, 2009.

Level 3 – unobservable inputs for the asset. This classification is applied to investments when prices are not derived from existing market data.

UWMB's investments and perpetual trusts are valued using the market approach under SFAS 157 as summarized in the following table as of June 30, 2009:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 7,995,150	\$ -	\$ -	\$ 7,995,150
Collective trusts	-	25,660,285	3,261,590	28,921,875
Money market fund	29,087	-	-	29,087
Investment total	<u>8,024,237</u>	<u>25,660,285</u>	<u>3,261,590</u>	<u>36,946,112</u>
Perpetual trusts	-	-	3,833,820	3,833,820
	<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, 2009 was as follows:

	Fiscal Year Activity
Level 3 Investments	
Investments at the beginning of the year	\$ 3,749,680
Net unrealized gains (losses)	<u>(488,090)</u>
Investments at the end of the year	<u>\$ 3,261,590</u>
Level 3 Perpetual Trusts	
Perpetual trusts at the beginning of the year	\$ 4,885,032
Net unrealized gains (losses)	(962,828)
Distributions	<u>(88,384)</u>
Perpetual trusts at the end of the year	<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. The underlying assets that make up the investments of three of the five collective trust investments are principally exchange traded equities and fixed income securities in active markets. Investments in two of the five collective trust 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.

The fair value 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.

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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 \$5,434,870 individual donor restricted endowment funds and \$7,249,707 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

UWMB had the following endowment activities during the year ended June 30, 2009 delineated by net asset class and donor-restricted versus Board-designated funds:

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 5,434,870	\$ 5,434,870
Board-designated endowment funds	3,888,044	3,361,663	-	7,249,707
Total endowment funds	<u>\$ 3,888,044</u>	<u>\$ 3,361,663</u>	<u>\$ 5,434,870</u>	<u>\$ 12,684,577</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year as reported	\$ 6,331,513	\$ 3,477,758	\$ 5,398,015	\$ 15,207,286
Reclassification of total investment return ⁽¹⁾	<u>(1,601,633)</u>	<u>1,601,633</u>	<u>-</u>	<u>-</u>
Endowment net assets, beginning of year as adjusted	<u>4,729,880</u>	<u>5,079,391</u>	<u>5,398,015</u>	<u>15,207,286</u>
Investment income	221,934	491,709	-	713,643
Net depreciation (realized and unrealized)	<u>(842,368)</u>	<u>(1,856,130)</u>	<u>-</u>	<u>(2,698,498)</u>
Total investment return	<u>(620,434)</u>	<u>(1,364,421)</u>	<u>-</u>	<u>(1,984,855)</u>
Gifts	2,824	-	36,855	39,679
Appropriation of endowment assets for expenditure	<u>(224,226)</u>	<u>(353,307)</u>	<u>-</u>	<u>(577,533)</u>
Endowment net assets, end of year	<u>\$ 3,888,044</u>	<u>\$ 3,361,663</u>	<u>\$ 5,434,870</u>	<u>\$ 12,684,577</u>

⁽¹⁾ As a result of the cumulative effect upon adoption of Financial Accounting Standards Board Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*.

In June 2009, the Board appropriated \$577,533 of endowment assets for expenditure to be spent in fiscal year 2010. This amount is included in the unrestricted program allocation reserve total of \$25,317,000 on the statement of financial position as of June 30, 2009.

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.

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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 \$153,264 and \$141 as of June 30, 2009 and 2008, respectively. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments, and authorized appropriation that was deemed prudent.

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 must 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 shall be 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 shall be 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

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special withdrawals shall 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.

7. Property and Equipment

At June 30, 2009 and 2008, respectively, property and equipment consisted of the following:

	2009	2008
Leasehold improvements	\$ 2,997,997	\$ 3,005,756
Office furniture and equipment	853,594	851,944
Computer hardware	927,166	891,699
Computer software	<u>2,143,672</u>	<u>1,551,660</u>
	<u>6,922,429</u>	<u>6,301,059</u>
Less accumulated depreciation	<u>(3,098,895)</u>	<u>(2,362,419)</u>
	<u>\$ 3,823,534</u>	<u>\$ 3,938,640</u>

Depreciation and amortization expense of \$736,476 and \$685,738 in 2009 and 2008, respectively, is included in functional expenses. During 2009 and 2008, fully depreciated assets totaling \$0 and \$22,784, 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:

2010	\$ 1,142,397
2011	1,234,249
2012	1,303,797
2013	1,220,549
2014	1,157,326
2015 and thereafter	7,520,057

Rent expense for the fiscal years 2009 and 2008 was \$1,357,605 and \$1,341,911, respectively.

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In connection with the Boston office space lease, a \$500,000 standby letter of credit was issued by a bank to the landlord. If there is no default under any of the terms of the lease agreement during the first 24 months following the rent commencement date (September 2005), then the standby letter of credit will be reduced, assuming no defaults, by \$100,000 on each of the next three successive "Replacement Dates" (September 2007-2009). After the last reduction, the standby letter of credit will remain at \$200,000 until the end of the lease term.

9. 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.

10. 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 \$30,000,000 in contributions, including \$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:

	2009	2008
Processed pledges	\$ 20,130,511	\$ 20,130,511
Unprocessed pledges	63,735	63,735
Pledges deemed uncollectible	<u>(1,151,030)</u>	<u>-</u>
	19,043,216	20,194,246
Boston Foundation match	<u>9,521,608</u>	<u>10,000,000</u>
Total gift commitment	<u>\$ 28,564,824</u>	<u>\$ 30,194,246</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>\$ 28,947,387</u>	<u>\$ 35,122,734</u>

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, 2009 and 2008, and included in Distributions from funds held by others on the statement of activities, are net annual distributions to UWMB of \$1,414,593 and \$1,222,981, respectively.

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11. 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 \$631,647 and \$615,727 for the years ended June 30, 2009 and 2008, respectively.

12. Line of Credit

UWMB has an agreement for a \$5,000,000 line of credit with a bank which expires on December 27, 2009. 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 \$13,194 and \$0 for the years ended June 30, 2009 and June 30, 2008, respectively, for borrowings on this line of credit. No amounts were outstanding under the line as of June 30, 2009.

13. 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 2009 and 2008, UWMB recorded \$1,189,393 and \$1,143,639, 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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14. Calculation of Overhead Ratio and Administrative Fee

	2009	2008
Revenue		
Donor contributions - net of provision for uncollectible pledges	\$ 37,040,521	\$ 45,728,788
Grant revenue	2,543,878	1,426,349
Bequests, other gifts and recoveries	596,510	415,860
Scholarship and preservation contributions	-	12,319
Investment income	2,131,885	1,906,018
Income from funds held by others	88,384	132,844
Income from Millennium Fund	1,414,593	1,222,981
Realized gain on investments, net	57,142	1,199,459
Donated product	-	266,117
Service fees and other income	34,642	53,230
Total revenue	<u>\$ 43,907,555</u>	<u>\$ 52,363,965</u>
Operating expenses		
Management and general	\$ 2,177,801	\$ 2,300,275
Fund-raising	5,458,877	6,870,345
Total operating expenses	<u>\$ 7,636,678</u>	<u>\$ 9,170,620</u>
Management and general ratio	5.0 %	4.4 %
Fund-raising ratio	12.4 %	13.1 %
Total overhead ratio	<u>17.4%</u>	<u>17.5%</u>

The calculations above are presented using the United Way of America (UWA) 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 recently released guidance for completion of the new Federal Form 990, UWA revised the method for allocation of UWA dues. The revised calculation allocates these dues in the same manner as indirect expenses inclusive of all functional areas. For comparative purposes, this change has been incorporated into the fiscal year 2008 calculation and resulted in a decline of 0.3% from the previously reported total overhead ratio of 17.8%.

In fiscal year 2009, UWMB used 17.4% as an administrative fee (based on the UWA 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 rate 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%.

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15. Subsequent Events

We have evaluated the impact of events occurring subsequent to June 30, 2009 through November 11, 2009.

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 completed on July 1, 2009 and UWMB is the surviving organization.

On July 31, 2009, UWMB entered into a sublease agreement with Catholic Charities Bureau of the Archdiocese of Boston for 6,321 square feet in its primary office location at 51 Sleeper Street in Boston, Massachusetts. The sublease requires monthly payments of \$11,589 plus a percentage of operating expenses. The sublease term runs through September 2016. The impact of this transaction did not have a material impact on UWMB's statement of financial position, statement of activities, or statement of cash flows.

On September 1, 2009, UWMB terminated an agreement with the Conference Center Consulting Group for the operation and management of meeting rooms located at UWMB's Boston office. The impact of this transaction did not have a material impact on UWMB's statement of financial position, statement of activities, or statement of cash flows.

On October 26, 2009, UWMB entered into a sublease agreement with CFO Publishing Corporation for 8,487 square feet in its primary office location at 51 Sleeper Street in Boston, Massachusetts. The sublease requires monthly payments of \$15,913 plus a percentage of operating expenses. The sublease term runs through June 2020. The impact of this transaction did not have a material impact on UWMB's statement of financial position, statement of activities, or statement of cash flows.

No amounts were outstanding under UWMB's line of credit as of June 30, 2009. However, \$2,500,000 was drawn during September 2009 and bears interest at the prime rate.