

Financial Statements

United Way of Massachusetts Bay, Inc.

June 30, 2011 and 2010



Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

UNITED WAY OF MASSACHUSETTS BAY, INC.

Financial Statements

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Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

500 Boylston Street ■ Boston, MA 02116
Tel: 617.761.0600 ■ Fax: 617.761.0601 ■ www.cbiztofias.com

Independent Auditors' Report

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

We have audited the accompanying statement of financial position of United Way of Massachusetts Bay, Inc. ("UWMB") as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. 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 that has been derived from the UWMB 2010 financial statements were audited by other auditors whose report dated November 2, 2010 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of United Way of Massachusetts Bay, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.

October 31, 2011
Boston, Massachusetts

UNITED WAY OF MASSACHUSETTS BAY, INC.

Statement of Financial Position

June 30, 2011

(with comparative totals for 2010)

	<i>2011</i>			<i>2010</i>	
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	<i>Total</i>
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,589,468	\$ 2,202,418	\$ -	\$ 3,791,886	\$ 4,724,649
Contributions receivable, net	-	13,953,235	-	13,953,235	14,672,506
Grants receivable	375,318	-	-	375,318	453,857
Other current assets	223,792	113,601	-	337,393	269,791
Investments	36,124,551	5,112,420	5,568,743	46,805,714	40,841,962
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	38,313,129	21,381,674	5,568,743	65,263,546	60,962,765
Property and equipment, net	3,831,358	-	-	3,831,358	4,222,350
Investments in perpetual trusts	-	-	5,010,165	5,010,165	4,146,177
Other assets	185,221	423,832	3,183	612,236	264,975
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 42,329,708	\$ 21,805,506	\$ 10,582,091	\$ 74,717,305	\$ 69,596,267
Liabilities					
Accounts payable and accrued expenses	\$ 1,702,587	\$ 326,695	\$ -	\$ 2,029,282	\$ 1,766,170
Program initiatives payable	3,692,879	-	-	3,692,879	4,596,843
Donor designations payable	-	3,872,012	-	3,872,012	2,779,386
Grant designations payable	-	38,570	-	38,570	38,570
Deferred revenue	-	870,873	-	870,873	693,506
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	5,395,466	5,108,150	-	10,503,616	9,874,475
Deferred lease incentive	1,252,044	-	-	1,252,044	1,443,835
Deferred rent	1,108,003	-	-	1,108,003	1,096,010
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	7,755,513	5,108,150	-	12,863,663	12,414,320
Net Assets					
General operations	14,198,714	-	-	14,198,714	10,582,714
Property and equipment	3,831,358	-	-	3,831,358	4,222,350
Designated by the Board of Directors:					
Stabilization fund	281,661	-	-	281,661	243,501
Endowment fund	4,654,840	5,112,420	-	9,767,260	8,183,991
Program allocation reserves	11,607,622	11,000,212	-	22,607,834	23,747,000
Donor restricted	-	584,724	10,582,091	11,166,815	10,202,391
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	34,574,195	16,697,356	10,582,091	61,853,642	57,181,947
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Total liabilities and net assets	\$ 42,329,708	\$ 21,805,506	\$ 10,582,091	\$ 74,717,305	\$ 69,596,267

UNITED WAY OF MASSACHUSETTS BAY, INC.

Statement of Activities

*Year Ended June 30, 2011
(with comparative totals for 2010)*

	<i>2011</i>				<i>2010</i>
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	<i>Total</i>
Public support:					
Donor contributions	\$ -	\$ 39,379,907	\$ -	\$ 39,379,907	\$ 41,014,475
Grant revenue	7,371,889	-	-	7,371,889	3,639,616
In-kind revenue and other income	243,049	78,941	-	321,990	268,617
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Gross total public support	7,614,938	39,458,848	-	47,073,786	44,922,708
Less:					
Provision for uncollectible pledges	-	(1,559,350)	-	(1,559,350)	(1,912,565)
Donor designations, net of service fees	(26,694)	(6,102,055)	-	(6,128,749)	(5,193,450)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net total public support	7,588,244	31,797,443	-	39,385,687	37,816,693
Appropriated investment income	1,884,513	454,412	-	2,338,925	2,229,533
Net assets released from restriction	33,836,618	(33,836,618)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total public support	43,309,375	(1,584,763)	-	41,724,612	40,046,226
Distributions and expenses:					
Agency allocations and other distributions	23,747,417	-	-	23,747,417	25,923,929
Grant expenses	7,373,633	-	-	7,373,633	3,881,058
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total distributions	31,121,050	-	-	31,121,050	29,804,987
Functional expenses:					
Community services	4,735,770	-	-	4,735,770	4,974,652
Fundraising	5,498,193	-	-	5,498,193	5,715,887
Management and general	2,173,822	-	-	2,173,822	2,242,124
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total functional expenses	12,407,785	-	-	12,407,785	12,932,663
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total distributions and expenses	43,528,835	-	-	43,528,835	42,737,650
Distributions and expenses in excess of public support	(219,460)	(1,584,763)	-	(1,804,223)	(2,691,424)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Endowment and investment activities, net amounts appropriated for operations:					
Investment income, net appropriated	4,028,724	1,370,013	-	5,398,737	3,819,831
Bequests and Scholarship gifts	23,850	(3,449)	93,213	113,614	85,471
Perpetual trust income	99,580	-	-	99,580	94,999
Gain on investments in perpetual trusts	-	-	863,987	863,987	312,357
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total increase from endowment and investment activities	4,152,154	1,366,564	957,200	6,475,918	4,312,658
Increase (decrease) in net assets	3,932,694	(218,199)	957,200	4,671,695	1,621,234
Net assets, beginning of year	30,641,501	16,915,555	9,624,891	57,181,947	55,560,713
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 34,574,195	\$ 16,697,356	\$ 10,582,091	\$ 61,853,642	\$ 57,181,947

UNITED WAY OF MASSACHUSETTS BAY, INC.

Statement of Functional Expenses

*Year Ended June 30, 2011
(with comparative totals for 2010)*

	<i>Community Services</i>				<i>Support Services</i>		<i>Totals</i>		
	<i>Children</i>	<i>Youth</i>	<i>Families</i>	<i>Program Administration</i>	<i>Total</i>	<i>Fundraising</i>	<i>Management and General</i>	<i>2011</i>	<i>2010</i>
Expenses:									
Salaries	\$ 676,650	\$ 637,399	\$ 685,818	\$ 482,434	\$ 2,482,301	\$ 2,696,891	\$ 1,070,729	\$ 6,249,921	\$ 6,289,464
Employee benefits	135,211	119,476	135,428	84,717	474,832	551,479	190,791	1,217,102	1,226,090
Payroll taxes and related	52,800	50,241	53,832	35,979	192,852	258,459	94,108	545,419	556,983
Total salaries and related expenses	864,661	807,116	875,078	603,130	3,149,985	3,506,829	1,355,628	8,012,442	8,072,537
Building occupancy	138,543	124,316	139,177	86,997	489,033	564,113	172,453	1,225,599	1,482,446
Supplies	27,662	27,827	27,788	8,512	91,789	261,749	10,473	364,011	393,554
Printing and publications	17,787	16,593	17,839	8,631	60,850	99,453	14,560	174,863	135,481
Repairs, maintenance and equipment rental	4,937	4,356	4,946	3,045	17,284	20,066	7,049	44,399	43,272
Telephone and postage	20,231	17,254	18,844	11,374	67,703	96,570	92,590	256,863	290,757
Professional fees	18,080	19,914	19,368	24,573	81,935	74,554	92,640	249,129	339,563
Contracted services and consultants	78,007	71,568	80,557	57,017	287,149	306,642	186,908	780,699	793,702
Miscellaneous, travel and training	21,024	21,647	22,977	23,760	89,408	90,530	70,892	250,830	246,766
United Way Worldwide dues	40,173	45,702	43,394	26,492	155,761	187,970	48,399	392,130	437,684
Total other expenses	366,444	349,177	374,890	250,401	1,340,912	1,701,647	695,964	3,738,523	4,163,225
Depreciation and amortization	67,552	62,714	67,805	46,802	244,873	289,717	122,230	656,820	696,901
Total functional expenses	\$ 1,298,657	\$ 1,219,007	\$ 1,317,773	\$ 900,333	\$ 4,735,770	\$ 5,498,193	\$ 2,173,822	\$ 12,407,785	\$ 12,932,663

UNITED WAY OF MASSACHUSETTS BAY, INC.

Statement of Cash Flows

*Year Ended June 30, 2011
(with comparative totals for 2010)*

	<i>2011</i>	<i>2010</i>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 4,671,695	\$ 1,621,234
Reconciliation of net assets to cash used in operating activities:		
Depreciation and amortization	656,820	696,901
Allowance for uncollectible pledges	(573,299)	(750,687)
Realized gain on investments	(505,956)	(397,140)
Unrealized gain on investments	(4,954,169)	(3,020,650)
Gain on investments in perpetual trusts	(863,988)	(312,357)
Donor gifts to endowment fund	(123,849)	(1,000)
Changes in operating assets and liabilities:		
Contributions receivable	1,292,569	2,260,112
Grants receivable	78,539	117,594
Other current assets	(67,602)	1,235,100
Other assets	(347,267)	(25,632)
Accounts payable and accrued expenses	263,112	(640,731)
Program initiatives payable	(903,964)	(91,076)
Donor designations payable	1,092,626	(577,739)
Deferred revenue	177,367	(88,222)
Deferred lease incentive	(191,791)	(191,791)
Deferred rent	11,993	391,776
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	(287,164)	225,692
	<hr/>	<hr/>
Cash flows from investing activities:		
Purchases of property and equipment	(266,172)	(1,034,455)
Purchases of investments	(4,254,358)	(5,956,449)
Proceeds from sale of investments	3,751,082	5,478,386
	<hr/>	<hr/>
Net cash used in investing activities	(769,448)	(1,512,518)
	<hr/>	<hr/>
Cash flows from financing activities:		
Donor gifts to endowment fund	123,849	1,000
	<hr/>	<hr/>
Net cash provided by financing activities	123,849	1,000
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(932,763)	(1,285,826)
	<hr/>	<hr/>
Cash and cash equivalents, beginning of year	4,724,649	6,010,475
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 3,791,886	\$ 4,724,649
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UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 1 - Nature of 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. Such exemption also applies to state income taxes. As such, no provision for income taxes is included in the accompanying financial statements.

Note 2 - Significant 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 carry donor-imposed stipulations that they be maintained permanently by UWMB. These resources include past gifts and investments in perpetual trusts. Unexpended appreciation on past gifts are included in temporarily restricted net assets while unexpended appreciation associated with perpetual trusts is included in permanently restricted net assets as those funds are not subject to board control over appropriation.

Temporarily restricted net assets carry restrictions from donors relative to time and/or purpose. Pledges to be paid in the future are considered time restricted unless otherwise specified by the donor. Temporarily restricted net assets are released to unrestricted when an expense is incurred that satisfies the donor-imposed purpose restriction or the time restriction is satisfied. Time restrictions are considered satisfied upon collection of the related pledge. In addition, accumulated unspent appreciation on permanently restricted funds is considered temporarily restricted until appropriated by the Board pursuant to local laws regarding the treatment of such funds.

Unrestricted net assets carry no donor restrictions and may be used to carry out any of UWMB’s objectives.

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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with UWMB’s financial statements for the year ended June 30, 2010, from which the summarized information was derived.

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 2 - Significant Accounting Policies (Continued)

Donor Contributions, Donor Designations and Contributions Receivable

Fund-raising campaigns to raise donor contributions are conducted primarily from July through March. All contributions are considered to be available for unrestricted use unless specifically restricted or designated by the donor.

Contributions receivable are initially recorded at fair value as contribution revenue when verifiably committed by the donor. Fair value is determined by estimating net collections when contributions are made with a present value factor for long-term contributions. Conditional promises to give are not included as support until such time as the conditions are substantially met. Collectability of contributions receivable is analyzed by management based on the history of collections and management's judgment. The risk of non collection is mitigated by UWMB's policy to reduce payments of donor designations and allocations in the event that actual collections are lower than estimated amounts.

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 as donor designations, net of service fees. The amount of donor designations to specific agencies that remains unpaid at year-end is reflected as donor designations payable. Service fees of \$635,115 and \$756,498 were deducted from these contributions in fiscal 2011 and 2010, respectively, to cover the costs incurred by UWMB in raising and processing them. Donor designations include approximately \$2,097,000 and \$893,000 in donor contributions in 2011 and 2010, respectively, 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.

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.

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.

Property and Equipment

Property and equipment are stated at cost at the date of acquisition, or fair value at the date of donation in the case of gifts.

Depreciation is recorded on the straight-line basis over the estimated future life of the related assets as follows:

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

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 2 - Significant Accounting Policies (Continued)

Property and Equipment (Continued)

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 Revenue

UWMB reflects certain services that require specific expertise as revenue in the financial statements. These services consisted primarily of legal services. In addition, a substantial number of volunteers have donated significant amounts of their time to UWMB's program and fund-raising activities which are not recognized as in-kind revenue under accounting standards.

Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and highly liquid investments in a money market fund with original maturities of three months or less. UWMB maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. UWMB monitors its exposure associated with cash and cash equivalents and has not experienced any loss in such accounts.

Investments

Investments are carried at fair value. Fair value is determined as per the fair value policies described later in this section.

Interest, dividends and net gains or losses on investments are reported as increases or decreases in temporarily restricted net assets if the terms of the gift and/or relevant state law impose restrictions on the current use of such returns, as permanently restricted if held in a perpetual trust and as increases or decreases in unrestricted net assets in all other cases.

Fair Value Measurements

UWMB reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, UWMB reports certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require UWMB to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 2 - Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date or are subject to certain lock up periods pursuant to the practical expedient rules. Fair value at times is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument or are subject to certain lock up periods pursuant to the practical expedient rules. The inputs into the determination of fair value can require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of UWMB's financial instruments, see Note 5 - Fair Values of Financial Instruments.

Deferred Lease Incentive and Rent

Lease incentives are amortized over the term of the lease on a straight-line basis. Rent expense is also recorded on a straight-line basis to account for the effects of free rent and changes in lease rates.

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 for fiscal years 2011 and 2010.

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 2 - Significant Accounting Policies (Continued)

Board-Designated Net Assets (Continued)

Program allocation reserves represent board-approved spending of up to \$22,608,000 and \$23,747,000 for the years ended June 30, 2011 and 2010, 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, approximately \$5,151,314 and \$4,513,000 of donor-designated distributions were approved by the Board of Directors for fiscal years 2011 and 2010, 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.

Investments in Perpetual Trusts

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.

Uncertain Tax Positions

UWMB accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. Interest and penalties assessed, if any, are accrued as income tax expense.

UWMB has identified its status as a tax exempt entity as its only significant position and has determined that such position does not result in an uncertainty requiring recognition. UWMB is not currently under examination by any taxing jurisdiction. Its federal and state income tax returns are generally open for examination for the three years after the date of filing of the related return.

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 2 - Significant Accounting Policies (Continued)

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. Significant estimates include the allowance for uncollectible contributions, fair value of certain investments, useful lives assigned to depreciable assets, and the allocation of common expenses over program functions.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order to conform with the current year presentation.

Subsequent Events

UWMB has evaluated subsequent events through October 31, 2011, the date the financial statements were available to be issued.

Note 3 - Contributions Receivable, Net

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

	<i>2011</i>	<i>2010</i>
Contributions receivable	\$ 18,659,800	\$ 19,517,370
Less allowance for uncollectible contributions	(4,244,537)	(4,805,997)
Less present value discount	<u>(42,604)</u>	<u>(2,264)</u>
Contributions receivable, net	<u>\$ 14,372,659</u>	<u>\$ 14,709,109</u>
Net amounts due as of June 30:		
Less than one year	\$ 13,953,235	\$ 14,672,506
One to five years (included in other assets)	<u>419,424</u>	<u>36,603</u>
	<u>\$ 14,372,659</u>	<u>\$ 14,709,109</u>

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 4 - Property and Equipment, Net

Property and equipment consisted of the following at June 30:

	<i>2011</i>	<i>2010</i>
Leasehold improvements	\$ 3,774,453	\$ 3,774,453
Office furniture and equipment	826,504	870,820
Computer hardware	253,994	967,891
Computer software	<u>2,330,027</u>	<u>2,418,472</u>
 Total property and equipment	 7,184,978	 8,031,636
 Less accumulated depreciation and amortization	 <u>(3,353,620)</u>	 <u>(3,809,286)</u>
 Property and equipment, net	 <u>\$ 3,831,358</u>	 <u>\$ 4,222,350</u>

Depreciation and amortization expense of \$656,820 and \$696,901 in 2011 and 2010, respectively, is included in functional expenses. During 2011 and 2010, fully depreciated assets totaling \$1,112,839 and \$224,132, respectively, were retired.

Note 5 - Fair Values of Financial Instruments

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, 2011 and 2010:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Mutual funds	\$ 11,007,488	\$ -	\$ -	\$ 11,007,488
Collective trusts	1,347,471	29,430,465	5,017,511	35,795,447
Money market fund	<u>2,779</u>	<u>-</u>	<u>-</u>	<u>2,779</u>
 Investments total	 12,357,738	 29,430,465	 5,017,511	 46,805,714
 Perpetual trusts	 <u>-</u>	 <u>-</u>	 <u>5,010,165</u>	 <u>5,010,165</u>
 Total June 30, 2011	 <u>\$ 12,357,738</u>	 <u>\$ 29,430,465</u>	 <u>\$ 10,027,676</u>	 <u>\$ 51,815,879</u>
 Total June 30, 2010	 <u>\$ 9,726,802</u>	 <u>\$ 25,909,027</u>	 <u>\$ 9,352,310</u>	 <u>\$ 44,988,139</u>

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 5 - Fair Values of Financial Instruments (Continued)

Investment income consisted of the following for the years ended June 30:

	<i>2011</i>	<i>2010</i>
Interest and dividends	\$ 1,382,751	\$ 1,416,077
Net realized gains	505,956	397,140
Net unrealized gains	<u>4,954,169</u>	<u>3,020,651</u>
Net investment income	6,842,876	4,833,868
Investment management expenses	(438,470)	(253,028)
Investment income appropriated	<u>(1,005,669)</u>	<u>(760,979)</u>
Investment income, net of expenses and total returns appropriated	<u>\$ 5,398,737</u>	<u>\$ 3,819,861</u>

Appropriated investment income is shown on the statement of activities in the amount of \$2,338,925 and \$2,229,533 for 2011 and 2010, respectively. These amounts include investment income appropriated of \$1,005,669 and \$760,779 noted above and Millennium Fund annual distributions of \$1,333,256 and \$1,468,554, for 2011 and 2010, respectively.

Level 3 investments and perpetual trust activity for the fiscal years ended June 30, 2011 and 2010 was as follows:

	<i>2011</i>	<i>2010</i>
Level 3 investments:		
Investments at the beginning of the year	\$ 5,206,133	\$ 5,088,499
Net realized gains	497,100	-
Net unrealized/realized gains (losses)	(118,360)	117,634
Sale of investments	(3,367,362)	-
Purchases of investments	<u>2,800,000</u>	<u>-</u>
Investments at the end of the year	<u>\$ 5,017,511</u>	<u>\$ 5,206,133</u>
Level 3 perpetual trusts:		
Perpetual trusts at the beginning of the year	\$ 4,146,177	\$ 3,833,820
Net unrealized gains	920,822	376,542
Distributions	<u>(56,834)</u>	<u>(64,185)</u>
Perpetual trusts at the end of the year	<u>\$ 5,010,165</u>	<u>\$ 4,146,177</u>

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 5 - Fair Values of Financial Instruments (Continued)

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.

A summary of the significant categories of investments utilizing the net asset value practical expedient and their attributes are as follows:

	<i>Fair Value</i>	<i>Unfunded Commitments</i>
Equity	\$ 20,877,717	\$ -
Debt	8,491,833	-
Hedge funds	5,017,511	-
Other real assets	<u>60,915</u>	<u>-</u>
Total investments	\$ <u>34,447,976</u>	\$ <u>-</u>

All funds have a liquidation clause of 90 days or less. Investments are categorized as Level 2 instruments when UWMB has the ability to redeem its investment in the entity at net asset value per share at year-end or within 90 days of year-end. Hedge funds are classified as Level 3 because approximately eighty-five percent of assets liquidated are realized as cash in the ninety day period. The remaining cash is available after the manager completes an audit of the transactions.

Equities, debts and other real assets are held in co-mingled trusts managed by various money managers. The objective of the co-mingled trust is to provide investors with compounded annual long-term returns that are superior to the S&P 500 Index (the "Index") and savings in transactions costs. The partnership holds long and short positions primarily in equities either within or outside the Index. Derivative instruments, such as forward contracts, futures, options and swaps may be used to attempt to hedge existing long and short positions in order to both maximize returns and reduce risk.

Hedge funds are held by partnerships. These funds of funds have the following strategies: long/short equity; event-driven; relative value and global asset allocation. The purpose of these partnerships is to improve efficiencies and reduce risks for its members.

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 6 - Board-Designated and Donor-Restricted Endowment Funds

UWMB's endowment consists of \$5,568,743 individual donor-restricted endowment funds and \$9,767,260 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
- 9) The adequacy of reserves

Endowment net asset composition by type of fund as of June 30, 2011 and 2010:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>2011</i>	<i>2010</i>
Donor-restricted endowment funds	\$ -	\$ -	\$ 5,568,743	\$ 5,568,743	\$ 5,468,743
Board-designated endowment funds (including accumulated gains)	<u>4,654,840</u>	<u>5,112,420</u>	<u>-</u>	<u>9,767,260</u>	<u>8,183,991</u>
Total endowment funds	<u>\$ 4,654,840</u>	<u>\$ 5,112,420</u>	<u>\$ 5,568,743</u>	<u>\$ 15,336,003</u>	<u>\$ 13,652,734</u>

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 6 - Board-Designated and Donor-Restricted Endowment Funds (Continued)

Changes in endowment net assets for the years ended June 30, 2011 and 2010:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>2011</i>	<i>2010</i>
Endowment net assets, beginning					
of year as reported	\$ 4,170,906	\$ 4,013,085	\$ 5,468,743	\$ 13,652,734	\$ 12,717,450
Investment income	142,038	321,555	-	463,593	437,761
Net appreciation (depreciation)					
realized and unrealized	544,714	1,232,192	-	1,776,906	1,174,448
Total investment return	686,752	1,553,747	-	2,240,499	1,612,209
Gifts	-	-	100,000	100,000	1,000
Appropriation of endowment assets					
for expenditure	(202,818)	(454,412)	-	(657,230)	(677,925)
Endowment net assets, end of year	\$ 4,654,840	\$ 5,112,420	\$ 5,568,743	\$ 15,336,003	\$ 13,652,734

In June 2011, the Board appropriated \$657,230 of Board-restricted endowment assets for expenditure to be spent in fiscal year 2012. This amount is included in the unrestricted program allocation reserve total of \$22,607,834 on the statement of financial position as of June 30, 2011.

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 unrestricted net assets. Deficits of this nature reported in unrestricted net assets were \$0 and \$22,179 as of June 30, 2011 and 2010, 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.

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

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 6 - Board-Designated and Donor-Restricted Endowment Funds (Continued)

Return and Risk Parameters (Continued)

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.

Note 7 - Commitments and Contingencies

UWMB leases its office space under operating lease arrangements which expire at various dates through 2020. In addition to rent, the lease arrangements call for the payment of certain increases in operating costs for these facilities. The leases included a number of incentives and free rent.

UWMB sublets certain space in its lease facilities to various parties under operating lease arrangements running through 2020.

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 7 - Commitments and Contingencies (Continued)

Future minimum payments and sublease rentals under the leases are:

	<i>Gross Lease Commitment</i>	<i>Subleases</i>	<i>Net</i>
2012	\$ 1,358,047	\$ 349,967	\$ 1,008,080
2013	1,274,799	330,019	944,780
2014	1,207,055	330,019	877,036
2015	1,157,326	330,019	827,307
2016	1,245,263	330,019	915,244
2017 and thereafter	5,117,468	782,682	4,334,786

Rent expense for the fiscal years 2011 and 2010 was \$1,502,958 and \$1,818,427, respectively. Fiscal 2010 includes a one-time loss of \$281,845 for subletting arrangements.

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.

Note 8 - The United Way Millennium Fund for Children and Families Held by The Boston Foundation

UWMB has a joint endowment agreement with The Boston Foundation, Inc. ("TBF") to promote and support the welfare of children and families. The funds are held by TBF and are not reflected on the financial statements of UWMB given variance power granted to TBF over these funds in certain circumstances. TBF makes quarterly distributions from these funds to UWMB based on a spending rate as determined by the Board of Directors of TBF. The market value of these funds was \$30,570,026 and \$27,745,233 at June 30, 2011 and 2010, respectively.

The annual distributions to UWMB of \$1,333,256 and \$1,468,554 in 2011 and 2010, respectively, from these funds were appropriated for operations and net from Distributions from funds held by others in the statement of activities.

Note 9 - 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 and related administrative expenses were \$630,183 and \$619,279 for the years ended June 30, 2011 and 2010, respectively.

In addition, UWMB has a plan under Section 457 which is available to certain key employees. Under this plan, senior executives may elect to defer compensation on a pre-tax basis; no employer contributions are made to this plan. The assets and obligations under this arrangement were \$113,601 and \$121,533 for the years ended June 30, 2011 and 2010, respectively.

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 10 - Line of Credit

UWMB has an agreement for a \$3,000,000 revolving line of credit with a bank which expires December 30, 2011. 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 \$4,095 and \$14,219 for the years ended June 30, 2011 and 2010, respectively, for borrowings of \$1,000,000 and \$2,500,000 during the 2011 and 2010 fiscal years, respectively, on this line of credit. No amounts were outstanding under the line as of June 30, 2011 or 2010.

Note 11 - 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. In return, UWMB receives 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 is through June 30, 2012.

During 2011 and 2010, UWMB recorded \$1,002,965 and \$1,131,033, 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.

During fiscal 2011, the Board of Directors of UWONE voted to end operations as of January 1, 2012. Campaigns managed by UWONE in the past will be transitioned to local United Way organizations, including the United Way of Massachusetts Bay and Merrimack Valley.

Note 12 - Community Relationships

In its efforts to affect positive change in the community, UWMB has established many significant relationships of a volunteer nature with local business leaders and organizations. A process documenting and disclosing the relationships of Board members, volunteers, employees and their relatives, with UWMB vendors, partners and other agencies is conducted each year. The relationships were reviewed and approved by the Board of Directors who determined that all identified relationships were considered to be fair and reasonable and in the best interest of UWMB.

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 13 - Calculation of Overhead Ratio and Administrative Fee

	<i>2011</i>	<i>2010</i>
Revenue:		
Donor contributions - net of provision for uncollectible pledges	\$ 37,820,557	\$ 39,101,910
Grant revenue	7,371,889	3,639,616
Bequests, other gifts and recoveries	148,601	133,109
Investment income	1,382,751	1,416,047
Income from funds held by others	99,580	94,999
Income from Millennium Fund	1,333,256	1,468,554
Realized gain on investments, net	67,839	144,113
Donated product	68,865	-
Service fees and other income	125,717	25,747
	<u>\$ 48,419,055</u>	<u>\$ 46,024,095</u>
Total revenue	\$ 48,419,055	\$ 46,024,095
Operating expenses:		
Management and general	\$ 2,141,940	\$ 2,141,884
Fund-raising	5,465,279	5,674,500
	<u>\$ 7,607,219</u>	<u>\$ 7,816,384</u>
Total operating expenses	\$ 7,607,219	\$ 7,816,384
Management and general ratio	4.4%	4.7%
Fund-raising ratio	11.3%	12.3%
	<u>15.7%</u>	<u>17.0%</u>
Total overhead ratio	15.7%	17.0%

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 2011, UWMB used 17.0% 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%.