

2009
AUDIT

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

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	\$ 35,948,808	\$ 20,309,774	\$ 9,313,279	\$ 65,571,861	\$ 78,404,983
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	26,899,880	17,165,956	9,313,279	53,379,115	65,658,697
Total liabilities and net assets	\$ 35,948,808	\$ 20,309,774	\$ 9,313,279	\$ 65,571,861	\$ 78,404,983

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	<u>998,120</u>	<u>1,033,787</u>	<u>1,116,137</u>	<u>597,738</u>	<u>3,745,782</u>	<u>3,669,975</u>	<u>1,438,343</u>	<u>8,854,100</u>	<u>9,772,132</u>
Building occupancy	157,599	150,864	181,798	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	87,853	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	43,828	278,975	253,308	158,329	690,812	1,567,530
Miscellaneous, travel and training	39,549	34,915	30,713	27,788	132,963	128,003	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	<u>417,104</u>	<u>417,417</u>	<u>449,969</u>	<u>259,604</u>	<u>1,544,094</u>	<u>1,545,405</u>	<u>742,747</u>	<u>3,832,246</u>	<u>5,697,302</u>
Depreciation and amortization	81,061	79,634	91,939	49,057	301,891	297,472	137,113	736,478	885,738
Total functional expenses	<u>\$ 1,496,285</u>	<u>\$ 1,531,038</u>	<u>\$ 1,658,045</u>	<u>\$ 906,399</u>	<u>\$ 5,591,767</u>	<u>\$ 5,512,852</u>	<u>\$ 2,318,203</u>	<u>\$ 13,422,822</u>	<u>\$ 16,155,172</u>

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	<u>(2,281,839)</u>	<u>1,618,101</u>
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

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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

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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	138,473	975,188
	<u>\$ 15,105,633</u>	<u>\$ 19,035,301</u>

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

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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	29,087	29,197
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

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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	8,024,237	25,660,285	3,261,590	36,946,112
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)	(488,090)
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	(88,384)
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.

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

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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⁾	(1,601,633)	1,601,633	-	-
Endowment net assets, beginning of year as adjusted	4,729,880	5,079,391	5,398,015	15,207,286
Investment income	221,934	491,709	-	713,643
Net depreciation (realized and unrealized)	(842,368)	(1,856,130)	-	(2,698,498)
Total investment return	(620,434)	(1,364,421)	-	(1,984,855)
Gifts	2,824	-	36,855	39,679
Appropriation of endowment assets for expenditure	(224,226)	(353,307)	-	(577,533)
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.

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

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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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	<u>12.4 %</u>	<u>13.1 %</u>
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.