

Financial Statements

United Way of Massachusetts Bay, Inc.

June 30, 2014 and 2013



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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Independent Auditors' Report

The Board of Directors
United Way of Massachusetts Bay, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of United Way of Massachusetts Bay, Inc. ("UWMB"), which comprise the statement of financial position as of June 30, 2014, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Massachusetts Bay, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the United Way of Massachusetts Bay, Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maye Hoffman McCann P.C.

November 20, 2014
Boston, Massachusetts

UNITED WAY OF MASSACHUSETTS BAY, INC.

Statement of Financial Position

June 30, 2014

(with comparative totals for 2013)

| | 2014 | | | | 2013 |
|---|----------------------|------------------------|------------------------|----------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Total |
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 1,819,593 | \$ 2,622,838 | \$ - | \$ 4,442,431 | \$ 1,741,036 |
| Contributions receivable, net | - | 13,518,248 | - | 13,518,248 | 14,131,539 |
| Grants receivable | 600,555 | 4,000 | - | 604,555 | 384,976 |
| Other current assets | 201,525 | 222,668 | - | 424,193 | 356,808 |
| Investments | 37,409,107 | 5,591,186 | 5,585,952 | 48,586,245 | 46,258,620 |
| Total current assets | 40,030,780 | 21,958,940 | 5,585,952 | 67,575,672 | 62,872,979 |
| Property and equipment, net | 2,285,556 | - | - | 2,285,556 | 2,527,797 |
| Investments in perpetual trusts | - | - | 5,642,685 | 5,642,685 | 5,071,327 |
| Other assets | 109,258 | 2,292 | - | 111,550 | 586,367 |
| Total assets | \$ 42,425,594 | \$ 21,961,232 | \$ 11,228,637 | \$ 75,615,463 | \$ 71,058,470 |
| Liabilities | | | | | |
| Accounts payable and accrued expenses | \$ 2,180,780 | \$ 338,427 | \$ - | \$ 2,519,207 | \$ 2,246,616 |
| Line of credit | 2,000,000 | - | - | 2,000,000 | - |
| Program initiatives payable | 1,143,914 | - | - | 1,143,914 | 1,660,583 |
| Donor designations payable | - | 5,539,495 | - | 5,539,495 | 4,792,193 |
| Deferred revenue | - | 749,710 | - | 749,710 | 133,520 |
| Total current liabilities | 5,324,694 | 6,627,632 | - | 11,952,326 | 8,832,912 |
| Deferred lease incentive | 812,788 | - | - | 812,788 | 972,681 |
| Deferred rent and other | 823,091 | 75,000 | - | 898,091 | 954,804 |
| Total liabilities | 6,960,573 | 6,702,632 | - | 13,663,205 | 10,760,397 |
| Net Assets | | | | | |
| General operations | 18,834,005 | - | - | 18,834,005 | 17,188,958 |
| Property and equipment | 2,285,556 | - | - | 2,285,556 | 2,527,797 |
| Designated by the Board of Directors: | | | | | |
| Stabilization fund | 336,701 | - | - | 336,701 | 301,220 |
| Endowment fund | 4,857,278 | 5,591,185 | - | 10,448,463 | 9,397,496 |
| Program allocation reserves | 9,151,481 | 8,648,519 | - | 17,800,000 | 19,085,146 |
| Donor restricted: | | | | | |
| Endowment fund | - | - | 5,585,952 | 5,585,952 | 5,585,952 |
| Perpetual trusts and other | - | 1,018,896 | 5,642,685 | 6,661,581 | 6,211,504 |
| Total net assets | 35,465,021 | 15,258,600 | 11,228,637 | 61,952,258 | 60,298,073 |
| Total liabilities and net assets | \$ 42,425,594 | \$ 21,961,232 | \$ 11,228,637 | \$ 75,615,463 | \$ 71,058,470 |

UNITED WAY OF MASSACHUSETTS BAY, INC.

Statement of Activities

*Year Ended June 30, 2014
(with comparative totals for 2013)*

| | <i>2014</i> | | | <i>2013</i> | |
|---|----------------------|-----------------------------------|-----------------------------------|----------------------|----------------------|
| | <i>Unrestricted</i> | <i>Temporarily Restricted</i> | <i>Permanently Restricted</i> | <i>Total</i> | <i>Total</i> |
| Public support: | | | | | |
| Donor contributions | \$ - | \$ 38,024,654 | \$ - | \$ 38,024,654 | \$ 38,793,357 |
| Grant revenue | 6,016,430 | 430,805 | - | 6,447,235 | 4,013,986 |
| In-kind revenue and other income | 677,850 | - | - | 677,850 | 583,980 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Gross total public support | 6,694,280 | 38,455,459 | - | 45,149,739 | 43,391,323 |
| Less: | | | | | |
| Provision for uncollectible pledges | (68,186) | (2,396,514) | - | (2,464,700) | (1,792,794) |
| Designations, net of service fees | (90,000) | (9,590,824) | - | (9,680,824) | (9,305,472) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Net total public support | 6,536,094 | 26,468,121 | - | 33,004,215 | 32,293,057 |
| Appropriated investment income | 2,301,008 | 496,992 | - | 2,798,000 | 2,137,721 |
| Net assets released from restriction | 27,743,836 | (27,743,836) | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total public support | 36,580,938 | (778,723) | - | 35,802,215 | 34,430,778 |
| Distributions and expenses: | | | | | |
| Agency allocations and other distributions | 19,085,146 | - | - | 19,085,146 | 19,140,901 |
| Grant expenses | 6,891,053 | - | - | 6,891,053 | 3,600,665 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total distributions | 25,976,199 | - | - | 25,976,199 | 22,741,566 |
| Functional expenses: | | | | | |
| Community services | 5,200,959 | - | - | 5,200,959 | 5,331,964 |
| Fundraising | 4,795,744 | - | - | 4,795,744 | 5,970,349 |
| Management and general | 2,368,298 | - | - | 2,368,298 | 2,274,451 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total functional expenses | 12,365,001 | - | - | 12,365,001 | 13,576,764 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total distributions and expenses | 38,341,200 | - | - | 38,341,200 | 36,318,330 |
| Distributions and expenses in excess of public support | (1,760,262) | (778,723) | - | (2,538,985) | (1,887,552) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Endowment, investment and other activities, net amounts appropriated for operations: | | | | | |
| Investment income, net of appropriated amounts | 2,980,812 | 495,248 | - | 3,476,060 | 2,568,853 |
| Bequests and charitable gift annuities | 27,119 | 273 | - | 27,392 | 114,048 |
| Perpetual trust income | 125,531 | - | - | 125,531 | 113,287 |
| Gain on investments in perpetual trusts | - | - | 571,357 | 571,357 | 283,147 |
| Loss on disposal of property and equipment | (7,170) | - | - | (7,170) | (677,254) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total increase (decrease) from endowment, investment and other activities | 3,126,292 | 495,521 | 571,357 | 4,193,170 | 2,402,081 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Increase (decrease) in net assets | 1,366,030 | (283,202) | 571,357 | 1,654,185 | 514,529 |
| Net assets, beginning of year | 34,098,991 | 15,541,802 | 10,657,280 | 60,298,073 | 59,783,544 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Net assets, end of year | \$ 35,465,021 | \$ 15,258,600 | \$ 11,228,637 | \$ 61,952,258 | \$ 60,298,073 |

UNITED WAY OF MASSACHUSETTS BAY, INC.

Statement of Functional Expenses

*Year Ended June 30, 2014
(with comparative totals for 2013)*

| | <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>2014</i> | <i>2013</i> |
| Expenses: | | | | | | | | | |
| Salaries | \$ 676,123 | \$ 768,966 | \$ 724,103 | \$ 534,688 | \$ 2,703,880 | \$ 2,360,524 | \$ 1,114,948 | \$ 6,179,352 | \$ 6,806,670 |
| Employee benefits | 139,756 | 155,772 | 148,308 | 93,821 | 537,657 | 502,121 | 224,113 | 1,263,891 | 1,340,806 |
| Payroll taxes and related | 56,823 | 68,937 | 54,409 | 41,848 | 222,017 | 200,590 | 76,919 | 499,526 | 532,969 |
| Total salaries and related expenses | 872,702 | 993,675 | 926,820 | 670,357 | 3,463,554 | 3,063,235 | 1,415,980 | 7,942,769 | 8,680,445 |
| Building occupancy | 101,771 | 117,868 | 111,873 | 68,152 | 399,664 | 372,046 | 169,986 | 941,696 | 1,185,782 |
| Supplies | 31,278 | 31,186 | 34,233 | 6,960 | 103,657 | 252,694 | 19,287 | 375,638 | 446,571 |
| Printing and publications | 15,196 | 16,289 | 16,598 | 7,920 | 56,003 | 66,377 | 17,011 | 139,391 | 180,287 |
| Repairs, maintenance and equipment rental | 1,224 | 1,408 | 1,323 | 788 | 4,743 | 4,313 | 1,994 | 11,050 | 19,829 |
| Telephone and postage | 19,884 | 22,739 | 21,232 | 12,126 | 75,981 | 75,025 | 96,900 | 247,906 | 231,893 |
| Professional fees | 36,393 | 40,364 | 39,033 | 52,455 | 168,245 | 105,621 | 75,178 | 349,044 | 560,095 |
| Contracted services and consultants | 115,011 | 130,253 | 122,659 | 78,693 | 446,616 | 402,967 | 237,344 | 1,086,927 | 1,004,798 |
| Miscellaneous, travel and training | 38,087 | 38,908 | 38,714 | 26,973 | 142,682 | 140,075 | 94,279 | 377,036 | 279,200 |
| United Way Worldwide dues | 28,867 | 34,780 | 33,098 | 19,174 | 115,919 | 113,201 | 155,571 | 384,691 | 390,600 |
| Total other expenses | 387,711 | 433,795 | 418,763 | 273,241 | 1,513,510 | 1,532,319 | 867,550 | 3,913,379 | 4,299,055 |
| Depreciation and amortization | 55,833 | 63,369 | 63,026 | 41,667 | 223,895 | 200,190 | 84,768 | 508,853 | 597,264 |
| Total functional expenses | \$ 1,316,246 | \$ 1,490,839 | \$ 1,408,609 | \$ 985,265 | \$ 5,200,959 | \$ 4,795,744 | \$ 2,368,298 | \$ 12,365,001 | \$ 13,576,764 |

UNITED WAY OF MASSACHUSETTS BAY, INC.

Statement of Cash Flows

*Year Ended June 30, 2014
(with comparative totals for 2013)*

| | 2014 | 2013 |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 1,654,185 | \$ 514,529 |
| Reconciliation of net assets to cash used in operating activities: | | |
| Depreciation and amortization | 541,088 | 611,035 |
| Loss on disposal of software | 7,170 | 677,254 |
| Allowance for uncollectible pledges | (208,478) | (321,634) |
| Realized gain on investments | (495,737) | (1,150,054) |
| Unrealized gain on investments | (3,872,097) | (1,259,871) |
| Gain on investments in perpetual trusts | (571,357) | (283,147) |
| Changes in operating assets and liabilities: | | |
| Contributions receivable | 821,769 | 727,622 |
| Grants receivable | (219,579) | 439,024 |
| Other current assets | (67,385) | (131,623) |
| Other assets | 474,817 | 287,568 |
| Accounts payable and accrued expenses | 272,591 | 780,121 |
| Program initiatives payable | (516,669) | (1,833,216) |
| Donor designations payable | 747,301 | (1,054,483) |
| Deferred revenue | 616,190 | (56,874) |
| Deferred lease incentive | (159,893) | (87,572) |
| Deferred rent | (56,713) | (113,210) |
| | <u>(1,032,797)</u> | <u>(2,254,531)</u> |
| Net cash used in operating activities | (1,032,797) | (2,254,531) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (306,087) | (386,695) |
| Purchases of investments | (1,127,054) | (2,494,621) |
| Proceeds from sale of investments | 3,167,332 | 2,965,371 |
| | <u>1,734,191</u> | <u>84,055</u> |
| Net cash provided by investing activities | 1,734,191 | 84,055 |
| Cash flows from financing activities: | | |
| Net change in line of credit | 2,000,000 | - |
| | <u>2,000,000</u> | <u>-</u> |
| Net cash provided by financing activities | 2,000,000 | - |
| Net increase (decrease) in cash and cash equivalents | 2,701,395 | (2,170,476) |
| Cash and cash equivalents, beginning of year | 1,741,036 | 3,911,512 |
| | <u>1,741,036</u> | <u>3,911,512</u> |
| Cash and cash equivalents, end of year | \$ 4,442,431 | \$ 1,741,036 |

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 and also as United Way of the Greater Seacoast, 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 - Summary of 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with UWMB’s financial statements for the year ended June 30, 2013, from which the summarized information was derived.

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Donor Contributions, Donor Designations and Contributions Receivable

Fundraising 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. The initially recorded fair value is considered a Level 2 fair value approach. 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 \$673,627 and \$664,885 were deducted from these contributions in fiscal 2014 and 2013, respectively, to cover the costs incurred by UWMB in raising and processing them. Donor designations include approximately \$5,399,000 and \$4,761,000 in donor contributions in 2014 and 2013, 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. Designations paid to UWMB by third parties are shown net of fees deducted by the processor in total public support.

UWMB records as revenue, the value of donated services provided by qualified professionals that UWMB would have purchased if not donated. Additionally, a substantial number of volunteers have donated significant amounts of their time on UWMB's behalf, which has not been recognized in the accompanying financial statements.

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.

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments (Continued)

A portion of the non-endowed investment portfolio is used to balance the ongoing cash needs of UWMB in the ordinary course of business.

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.

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 2 also includes investments accounted for under the net asset practical expedient with lock up periods of 90 days or less.

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. Level 3 also includes investments accounted for under the net asset value practical expedient with lock up periods greater than 90 days.

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.

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

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).

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. Fair value of donated property and equipment is effectively recorded using a Level 3 market approach when applicable.

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 |

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.

Investments in Perpetual Trusts

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 of the underlying investments in the trusts. The resulting unrealized gain or loss is included in the statement of activities.

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.

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.

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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 fundraising may be insufficient to continue UWMB's level of community investment in certain years. These funds are invested and both gains and losses, associated with the underlying investment performance, are reflected in the fund balance. Additions to and withdrawals from the fund are at the discretion of the Board of Directors. There were no fund withdrawals for fiscal years 2014 and 2013.

Program allocation reserves represent board-approved spending of up to \$17,800,000 and \$19,085,146 at years ended June 30, 2014 and 2013, respectively. The program allocation reserve supports the work of our community-based partners as well as targeted programs and initiatives overseen by UWMB. In addition, approximately \$8,844,000 and \$7,391,000 of donor-designated distributions were approved by the Board of Directors at fiscal years ended 2014 and 2013, 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.

Grants

Grants include non-campaign contributions (excluding bequests and gifts) that are restricted as to time or purpose. Grants to be used for a specific purpose or in the future are reported as temporarily restricted until either the restriction expires or the purpose is fulfilled. Grants received for exchange transactions or conditional promises to give are recorded as deferred revenue and are recognized as expenses are incurred or when the conditions are met. Designated grants are considered agency transactions and are recorded as a deduction from grant revenue rather than grant expenses.

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 fundraising activities which are not recognized as in-kind revenue under accounting standards.

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 uncertainties 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 - Summary of 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.

Subsequent Events

UWMB has evaluated subsequent events through November 20, 2014, the date the financial statements were authorized 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>2014</i> | <i>2013</i> |
|--|-----------------------------|-----------------------------|
| Contributions receivable | \$ 17,066,890 | \$ 18,380,160 |
| Less allowance for uncollectible contributions | (3,548,642) | (3,771,031) |
| Less present value discount | - | (27,821) |
| | <u> </u> | <u> </u> |
| Total contributions receivable, net | \$ <u>13,518,248</u> | \$ <u>14,581,308</u> |
| Net amounts due as of June 30: | | |
| Less than one year (contributions receivable, net shown in current assets on the statement of financial position) | \$ 13,518,248 | \$ 14,131,539 |
| One to five years (included in other assets) | - | 449,769 |
| | <u> </u> | <u> </u> |
| Net amounts due | \$ <u>13,518,248</u> | \$ <u>14,581,308</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>2014</i> | <i>2013</i> |
|--|--------------------------------|--------------------------------|
| Leasehold improvements | \$ 3,814,002 | \$ 3,814,072 |
| Office furniture and equipment | 826,989 | 847,321 |
| Computer hardware | 443,420 | 373,746 |
| Computer software | <u>965,115</u> | <u>812,373</u> |
| Total property and equipment | 6,049,526 | 5,847,512 |
| Less accumulated depreciation and amortization | <u>(3,763,970)</u> | <u>(3,319,715)</u> |
| Property and equipment, net | \$ <u>2,285,556</u> | \$ <u>2,527,797</u> |

Depreciation and amortization expense was \$541,088 and \$611,035 in 2014 and 2013, respectively. During 2014, UWMB retired furniture and fixtures along with leasehold improvements totaling \$104,074 with a net book value of \$7,170. In 2013, UWMB retired its pledge processing system with a cost of \$1,951,343 and a net book value of \$677,254 when it was replaced with a new system.

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, 2014 and 2013:

| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
|--|---------------------------------|---------------------------------|--------------------------------|---------------------------------|
| Opportunistic Investment Fund | \$ - | \$ 11,768,783 | \$ - | \$ 11,768,783 |
| Global Alpha Fund | - | 10,944,062 | - | 10,944,062 |
| Benchmark-Free and Multi-strategy Fund | - | 11,388,956 | - | 11,388,956 |
| All Asset Fund | 10,437,621 | - | - | 10,437,621 |
| Hedge funds | <u>-</u> | <u>-</u> | 4,046,823 | <u>4,046,823</u> |
| Investments total | 10,437,621 | 34,101,801 | 4,046,823 | 48,586,245 |
| Perpetual trusts | <u>-</u> | <u>-</u> | 5,642,685 | <u>5,642,685</u> |
| Total June 30, 2014 | \$ <u>10,437,621</u> | \$ <u>34,101,801</u> | \$ <u>9,689,508</u> | \$ <u>54,228,930</u> |
| Total June 30, 2013 | \$ <u>9,900,540</u> | \$ <u>32,577,594</u> | \$ <u>8,851,813</u> | \$ <u>51,329,947</u> |

All Level 2 and Level 3 investments are under the net asset value practical expedient methodology.

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 5 - Fair Values of Financial Instruments (Continued)

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

| | <i>2014</i> | <i>2013</i> |
|---|----------------------------|----------------------------|
| Interest and dividends | \$ 1,128,426 | \$ 1,460,525 |
| Net realized gains | 495,737 | 1,150,054 |
| Net unrealized gains | <u>3,872,097</u> | <u>1,259,871</u> |
| Net investment return | 5,496,260 | 3,870,450 |
| | | |
| Investment management expenses | (547,962) | (507,628) |
| Investment income appropriated | <u>(1,472,238)</u> | <u>(793,969)</u> |
| | | |
| Investment return, net of appropriated amounts | <u>\$ 3,476,060</u> | <u>\$ 2,568,853</u> |

Appropriated investment income is shown on the statement of activities in the amount of \$2,798,000 and \$2,137,721 for 2014 and 2013, respectively. These amounts include investment income appropriated of \$1,472,238 and \$793,969 noted above and Millennium Fund annual distributions of \$1,325,762 and \$1,343,752 for 2014 and 2013, respectively. (See Note 8)

Level 3 investments and perpetual trust activity for the fiscal years ended June 30, 2014 and 2013 was as follows:

| | <i>2014</i> | <i>2013</i> |
|--|----------------------------|----------------------------|
| Level 3 investments: | | |
| Investments at the beginning of the year | \$ 3,780,486 | \$ 3,172,589 |
| Net realized gains (losses) | (5,966) | (42,794) |
| Net unrealized gains (losses) | 353,864 | 341,062 |
| Sale of investments | (81,561) | (40,371) |
| Purchases of investments | <u>-</u> | <u>350,000</u> |
| | | |
| Investments at the end of the year | <u>\$ 4,046,823</u> | <u>\$ 3,780,486</u> |
| | | |
| Level 3 perpetual trusts: | | |
| Perpetual trusts at the beginning of the year | \$ 5,071,327 | \$ 4,788,180 |
| Net unrealized gains | 651,492 | 358,847 |
| Distributions | <u>(80,134)</u> | <u>(75,700)</u> |
| | | |
| Perpetual trusts at the end of the year | <u>\$ 5,642,685</u> | <u>\$ 5,071,327</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.

Note 6 - Net Assets, Board-Designated and Donor-Restricted Endowment Funds

Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of June 30, 2014 and 2013:

| | <i>2014</i> | <i>2013</i> |
|---|-----------------------------|-----------------------------|
| Accumulated unspent gains and earnings on permanently restricted funds | \$ 5,591,185 | \$ 4,857,981 |
| Time restrictions: | | |
| Amounts restricted for program services | 8,648,519 | 9,543,644 |
| Purpose restrictions: | | |
| Amounts restricted for building | 508,656 | 507,711 |
| Time and purpose restrictions: | | |
| Amounts restricted by donors for grants | <u>510,241</u> | <u>632,466</u> |
| Total | \$ <u>15,258,600</u> | \$ <u>15,541,802</u> |

UWMB's endowment consists of \$5,585,952 individual donor-restricted endowment funds and \$10,448,463 board-designated endowment funds. Included in board-designated endowment are temporarily restricted funds of \$5,591,185 which are gains and earnings on permanently restricted funds in excess of the amounts appropriated for spending on a cumulative basis by the Board of Directors. 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.

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 6 - Net Assets, Board-Designated and Donor-Restricted Endowment Funds

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, 2014 and 2013:

| | <i>Unrestricted</i> | <i>Temporarily Restricted</i> | <i>Permanently Restricted</i> | <i>2014</i> | <i>2013</i> |
|---|----------------------------|-----------------------------------|-----------------------------------|-----------------------------|-----------------------------|
| Board-designated endowment funds (including accumulated gains) | \$ 4,857,278 | \$ 5,591,185 | \$ - | \$ 10,448,463 | \$ 9,397,496 |
| Donor-restricted endowment funds | <u>-</u> | <u>-</u> | <u>5,585,952</u> | <u>5,585,952</u> | <u>5,585,952</u> |
| Total endowment funds | <u>\$ 4,857,278</u> | <u>\$ 5,591,185</u> | <u>\$ 5,585,952</u> | <u>\$ 16,034,415</u> | <u>\$ 14,983,448</u> |

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

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

Changes in endowment net assets for the years ended June 30, 2014 and 2013:

| | <i>Unrestricted</i> | <i>Temporarily Restricted</i> | <i>Permanently Restricted</i> | <i>2014</i> | <i>2013</i> |
|--|----------------------------|-----------------------------------|-----------------------------------|-----------------------------|-----------------------------|
| Endowment net assets, beginning | | | | | |
| of year as reported | \$ 4,539,515 | \$ 4,857,981 | \$ 5,585,952 | \$ 14,983,448 | \$ 14,504,434 |
| Investment income | 120,826 | 272,861 | - | 393,687 | 427,406 |
| Net appreciation (depreciation) | | | | | |
| realized and unrealized | <u>413,885</u> | <u>957,335</u> | <u>-</u> | <u>1,371,220</u> | <u>739,410</u> |
| Total investment return | 534,711 | 1,230,196 | - | 1,764,907 | 1,166,816 |
| Gifts | - | - | - | - | 17,210 |
| Appropriation of endowment assets for expenditure | <u>(216,948)</u> | <u>(496,992)</u> | <u>-</u> | <u>(713,940)</u> | <u>(705,011)</u> |
| Endowment net assets, end of year | \$ <u>4,857,278</u> | \$ <u>5,591,185</u> | \$ <u>5,585,952</u> | \$ <u>16,034,415</u> | \$ <u>14,983,449</u> |

In June 2014, the Board approved an appropriation of \$713,940 from the above funds to be spent in fiscal year 2015.

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. There were no deficits of this nature reported as of June 30, 2014 and 2013.

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; and 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.

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

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

Return and Risk Parameters (Continued)

Assets of the Fund are invested to ensure that principal is preserved and enhanced over time, both in real and nominal terms. The total rate of return objective for the Fund is a real rate of return (after inflation as measured by the Consumer Price Index) commensurate with the spending policy, net of fees. The current spending policy adopted by UWMB is 5%. Total return includes income plus realized and unrealized gains and losses on Fund assets.

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. Comparative performance statistics are used to evaluate investment results for each investment manager.

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

Leases

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.

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)

Leases (Continued)

Future minimum payments and sublease rentals under the leases are approximately:

| | <i>Gross Lease Commitments</i> | <i>Subleases</i> | <i>Net Lease Commitments</i> |
|------------|------------------------------------|------------------|----------------------------------|
| 2015 | \$ 1,226,000 | \$ 330,000 | \$ 896,000 |
| 2016 | 1,314,000 | 330,000 | 984,000 |
| 2017 | 1,323,000 | 226,000 | 1,097,000 |
| 2018 | 1,317,000 | 191,000 | 1,126,000 |
| 2019 | 1,300,000 | 191,000 | 1,109,000 |
| Thereafter | 1,358,000 | 175,000 | 1,183,000 |

Rent expense, prior to sublease income, for the fiscal years 2014 and 2013 was \$1,156,999 and \$1,380,648, respectively.

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.

Legal

UWMB is subject to various claims and legal proceedings that may arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition of the UWMB.

Note 8 - Funds Held by Others

UWMB has a joint endowment agreement with The Boston Foundation, Inc. ("TBF") for The United Way Millennium Fund for Children and Families 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 \$33,107,694 and \$30,180,572 at June 30, 2014 and 2013, respectively.

The annual distributions of \$1,325,762 and \$1,343,752 in 2014 and 2013, respectively, from these funds were appropriated for operations and included in appropriated investment income in the statement of activities.

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 8 - Funds Held by Others (Continued)

UWMB has an agreement with The New Hampshire Charitable Foundation (“NHCF”) established to provide permanent endowment funds. NHCF makes quarterly distributions from these funds to United Way of the Greater Seacoast of approximately five percent of the market value of these funds. The market value of these funds was \$1,088,470 and \$974,842 at June 30, 2014 and 2013, respectively.

The annual distributions were \$45,397 and \$37,586 in 2014 and 2013, respectively, from these funds.

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 \$597,456 and \$629,447 for the years ended June 30, 2014 and 2013, 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 \$222,268 and \$147,311 for the years ended June 30, 2014 and 2013, respectively.

Note 10 - Line of Credit

In June 2014, UWMB increased their existing \$5,000,000 revolving line of credit to \$7,000,000, which is secured by a pledge of certain marketable securities owned by UWMB. The line of credit bears interest at the bank’s prime rate or a LIBOR-based rate, at UWMB’s choice.

UWMB paid interest of \$23,164 and \$1,896 for the years ended June 30, 2014 and 2013, respectively, for borrowings under these arrangements. Borrowings of \$2,000,000 were outstanding under the line as of June 30, 2014. There was no amount outstanding at June 30, 2013.

Note 11 - 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 12 - Donated Services

The value of donated legal services provided by qualified professionals and recognized as unrestricted contribution revenue and a corresponding expense totaled \$202,643 and \$335,513 for years ended June 30, 2014 and 2013, respectively. Additionally, a substantial number of volunteers have donated significant amounts of time on UWMB's behalf, which has not been recognized in the accompanying financial statements.

Note 13 - Calculation of Overhead Ratio and Administrative Fee

The calculation of overhead ratio and administrative fee consisted of the following for the years ended June 30:

| | <i>2014</i> | <i>2013</i> |
|--|----------------------|----------------------|
| Revenue: | | |
| Donor contributions - net of provision for uncollectible pledges | \$ 35,559,955 | \$ 37,000,563 |
| Grant revenue | 6,447,236 | 4,013,988 |
| Bequests, other gifts and recoveries | 181,448 | 164,663 |
| Investment income | 1,128,358 | 1,460,524 |
| Income from funds held by others | 125,531 | 113,287 |
| Income from Millennium Fund | 1,325,762 | 1,343,752 |
| Realized (loss) gain on investments, net investment fees | (52,158) | 642,426 |
| Donated product | 18,289 | 17,995 |
| Service fees and other income | 302,860 | 166,856 |
| Loss on disposal of computer software | (7,170) | (677,254) |
| | \$ 45,030,111 | \$ 44,246,800 |
| Total revenue | \$ 45,030,111 | \$ 44,246,800 |
| Operating expenses: | | |
| Fundraising | \$ 4,747,244 | \$ 5,903,879 |
| Management and general | 2,342,498 | 2,250,582 |
| | \$ 7,089,742 | \$ 8,154,461 |
| Total operating expenses | \$ 7,089,742 | \$ 8,154,461 |
| Fundraising ratio | 10.5% | 13.3% |
| Management and general ratio | 5.2% | 5.1% |
| | 15.7% | 18.4% |
| Total overhead ratio | 15.7% | 18.4% |

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 13 - Calculation of Overhead Ratio and Administrative Fee (Continued)

The calculations on the previous page 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 2014, UWMB used 15.6% as an administrative fee 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 are reduced to 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 to a contractually agreed fee of 5%. In fiscal year 2013, UWMB used 15.6% as an administrative fee.