



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

CEO/CFO Audited Financial Statement Certification  
December 6, 2016

CERTIFICATIONS

I hereby certify that:

1. I have read the Audited Financial Statement of United Way of Massachusetts Bay, Incorporated for the year ended June 30, 2016.
2. Based on my knowledge, the information included in this statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading.
3. Based on my knowledge, the information included in this Audited Financial Statement is complete and accurate.

A handwritten signature in black ink, appearing to read "Michael Durkin", written over a horizontal line.

Michael Durkin  
President

A handwritten signature in blue ink, appearing to read "Patricia A. Latimore", written over a horizontal line.

Patricia Latimore  
Chief Financial Officer

# **Financial Statements**

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

**June 30, 2016 and 2015**



# 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, 2016, 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.



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*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, 2016, 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 2015 financial statements, and our report dated November 19, 2015, expressed an unmodified audit opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mayer Hoffmann McCann P.C.*

November 17, 2016  
Boston, Massachusetts

UNITED WAY OF MASSACHUSETTS BAY, INC.

Statement of Financial Position

June 30, 2016  
(with comparative totals for 2015)

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 621,438	\$ 2,745,674	\$ -	\$ 3,367,112	\$ 3,440,409
Contributions receivable, net	-	9,921,950	-	9,921,950	11,786,815
Grants receivable	2,069,572	20,000	-	2,089,572	1,080,768
Other current assets	73,701	272,784	-	346,485	347,347
Investments	30,885,606	4,680,385	5,967,952	41,533,943	45,429,558
Total current assets	33,650,317	17,640,793	5,967,952	57,259,062	62,084,897
Property and equipment, net	2,262,190	-	-	2,262,190	2,322,393
Investments in perpetual trusts	-	-	5,315,011	5,315,011	5,501,093
Other assets	63,872	-	-	63,872	83,937
<b>Total assets</b>	<b>\$ 35,976,379</b>	<b>\$ 17,640,793</b>	<b>\$ 11,282,963</b>	<b>\$ 64,900,135</b>	<b>\$ 69,992,320</b>
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 2,936,408	\$ 358,529	\$ -	\$ 3,294,937	\$ 2,720,120
Line of credit	-	-	-	-	1,000,000
Program initiatives payable	810,507	-	-	810,507	1,500,616
Donor designations payable	-	3,827,070	-	3,827,070	4,099,656
Deferred revenue	-	31,500	-	31,500	-
Total current liabilities	3,746,915	4,217,099	-	7,964,014	9,320,392
Deferred lease incentive	493,003	-	-	493,003	652,896
Deferred rent and other	408,272	95,317	-	503,589	766,416
<b>Total liabilities</b>	<b>4,648,190</b>	<b>4,312,416</b>	<b>-</b>	<b>8,960,606</b>	<b>10,739,704</b>
<b>Net Assets</b>					
General operations	14,851,688	-	-	14,851,688	16,609,752
Property and equipment	2,262,190	-	-	2,262,190	2,348,393
Designated by the Board of Directors:					
Stabilization fund	338,181	-	-	338,181	342,880
Endowment fund	4,443,170	4,680,385	-	9,123,555	10,020,667
Program allocation reserves	9,432,960	6,792,429	-	16,225,389	16,956,999
Donor restricted:					
Endowment fund	-	-	5,967,952	5,967,952	5,585,952
Perpetual trusts and other	-	1,855,563	5,315,011	7,170,574	7,387,973
<b>Total net assets</b>	<b>31,328,189</b>	<b>13,328,377</b>	<b>11,282,963</b>	<b>55,939,529</b>	<b>59,252,616</b>
<b>Total liabilities and net assets</b>	<b>\$ 35,976,379</b>	<b>\$ 17,640,793</b>	<b>\$ 11,282,963</b>	<b>\$ 64,900,135</b>	<b>\$ 69,992,320</b>

UNITED WAY OF MASSACHUSETTS BAY, INC.

Statement of Activities

Year Ended June 30, 2016  
(with comparative totals for 2015)

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public support:					
Donor contributions	\$ -	\$ 37,620,406	\$ -	\$ 37,620,406	\$ 37,298,092
Grant revenue	7,962,590	1,818,988	-	9,781,578	8,203,287
In-kind revenue and other income	1,613,196	158,250	-	1,771,446	2,186,168
Gross total public support	9,575,786	39,597,644	-	49,173,430	47,687,547
Less:					
Provision for uncollectible pledges	-	(1,708,985)	-	(1,708,985)	(1,185,765)
Designations, net of service fees	(80,000)	(12,410,124)	-	(12,490,124)	(11,392,316)
Net total public support	9,495,786	25,478,535	-	34,974,321	35,109,466
Appropriated investment income	2,273,247	524,753	-	2,798,000	2,798,000
Net assets released from restriction	27,578,689	(27,578,689)	-	-	-
<b>Total public support</b>	<b>39,347,722</b>	<b>(1,575,401)</b>	<b>-</b>	<b>37,772,321</b>	<b>37,907,466</b>
Distributions and expenses:					
Agency allocations and other distributions	17,216,909	-	-	17,216,909	18,586,293
Grant expenses	9,409,864	-	-	9,409,864	7,543,973
Total distributions	26,626,773	-	-	26,626,773	26,130,266
Functional expenses:					
Community services	6,743,863	-	-	6,743,863	6,065,808
Fundraising	5,372,511	-	-	5,372,511	4,938,461
Management and general	2,571,814	-	-	2,571,814	2,570,239
Total functional expenses	14,688,188	-	-	14,688,188	13,574,508
<b>Total distributions and expenses</b>	<b>41,314,961</b>	<b>-</b>	<b>-</b>	<b>41,314,961</b>	<b>39,704,774</b>
Distributions and expenses in excess of public support	(1,967,239)	(1,575,401)	-	(3,542,640)	(1,797,308)
<b>Endowment, investment and other activities, net amounts appropriated for operations:</b>					
Investment loss, net of appropriated amounts	(1,357,615)	(906,452)	-	(2,264,067)	(886,639)
Bequests and charitable gift annuities	414	(1,433)	300,000	298,981	7,937
Perpetual trust income	116,052	-	-	116,052	117,960
Loss on investments in perpetual trusts	-	-	(186,082)	(186,082)	(141,592)
<b>Total increase (decrease) from endowment, investment and other activities</b>	<b>(1,241,149)</b>	<b>(907,885)</b>	<b>113,918</b>	<b>(2,035,116)</b>	<b>(902,334)</b>
<b>Increase (decrease) in net assets</b>	<b>(3,208,388)</b>	<b>(2,483,286)</b>	<b>113,918</b>	<b>(5,577,756)</b>	<b>(2,699,642)</b>
Net assets, beginning of year	32,945,465	15,220,106	11,087,045	59,252,616	61,952,258
NSUW merger (see Note 13)	1,591,114	591,555	82,000	2,264,669	-
<b>Net assets, end of year</b>	<b>\$ 31,328,191</b>	<b>\$ 13,328,375</b>	<b>\$ 11,282,963</b>	<b>\$ 55,939,529</b>	<b>\$ 59,252,616</b>

**UNITED WAY OF MASSACHUSETTS BAY, INC.**

*Statement of Functional Expenses*

*Year Ended June 30, 2016  
(with comparative totals for 2015)*

	<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>2016</i>	<i>2015</i>
Expenses:									
Salaries	\$ 759,840	\$ 854,021	\$ 922,500	\$ 666,196	\$ 3,202,557	\$ 2,678,043	\$ 1,231,446	\$ 7,112,046	\$ 6,335,157
Employee benefits	155,299	190,849	185,978	115,450	647,576	528,993	219,830	1,396,399	1,206,951
Payroll taxes and related	60,070	68,641	65,639	45,740	240,090	194,051	93,440	527,581	462,507
<b>Total salaries and related expenses</b>	<b>975,209</b>	<b>1,113,511</b>	<b>1,174,117</b>	<b>827,386</b>	<b>4,090,223</b>	<b>3,401,087</b>	<b>1,544,716</b>	<b>9,036,026</b>	<b>8,004,615</b>
Building occupancy	123,437	140,637	147,507	88,230	499,811	416,820	182,808	1,099,439	1,185,791
Supplies	27,711	28,223	29,063	4,032	89,029	351,457	15,144	455,630	372,664
Printing and publications	16,885	19,276	18,383	7,313	61,857	79,529	15,133	156,519	177,778
Repairs, maintenance and equipment rental	1,343	1,524	1,604	936	5,407	4,415	1,958	11,780	13,636
Telephone and postage	8,817	9,578	10,059	4,876	33,330	47,978	64,004	145,312	285,481
Professional fees	135,922	135,263	166,381	411,203	848,769	155,308	151,104	1,155,181	1,026,951
Contracted services and consultants	142,284	158,402	166,404	106,745	573,835	447,130	256,505	1,277,470	1,190,454
Miscellaneous, travel and training	42,287	45,370	43,274	33,343	164,274	138,879	79,469	382,622	379,286
United Way Worldwide dues	30,592	35,469	35,700	20,724	122,485	109,029	172,341	403,855	372,392
<b>Total other expenses</b>	<b>529,278</b>	<b>573,742</b>	<b>618,375</b>	<b>677,402</b>	<b>2,398,797</b>	<b>1,750,545</b>	<b>938,466</b>	<b>5,087,808</b>	<b>5,004,433</b>
Depreciation and amortization	62,983	73,443	73,975	44,442	254,843	220,879	88,632	564,354	565,460
<b>Total functional expenses</b>	<b>\$ 1,567,470</b>	<b>\$ 1,760,696</b>	<b>\$ 1,866,467</b>	<b>\$ 1,549,230</b>	<b>\$ 6,743,863</b>	<b>\$ 5,372,511</b>	<b>\$ 2,571,814</b>	<b>\$ 14,688,188</b>	<b>\$ 13,574,508</b>

**UNITED WAY OF MASSACHUSETTS BAY, INC.**

*Statement of Cash Flows*

*Year Ended June 30, 2016  
(with comparative totals for 2015)*

	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
Net decrease in net assets	\$ (5,577,756)	\$ (2,699,642)
Reconciliation of decrease in net assets to cash used in operating activities:		
Depreciation and amortization	596,191	595,211
In-kind contribution of property and equipment	-	(427,973)
Bad debt expense	1,708,985	1,185,765
Realized gain on investments	(202,513)	(2,609,728)
Unrealized loss on investments	1,652,153	2,464,673
Loss on investments in perpetual trusts	186,082	141,592
Merger - North Shore United Way	313,319	-
Changes in operating assets and liabilities:		
Contributions receivable	389,282	545,668
Grants receivable	(1,008,804)	(476,213)
Other current assets	28,220	76,846
Other assets	20,065	27,613
Accounts payable and accrued expenses	555,385	200,913
Program initiatives payable	(690,109)	356,702
Donor designations payable	(274,955)	(1,439,839)
Deferred revenue	31,500	(711,816)
Deferred lease incentive	(159,893)	(159,892)
Deferred rent	(262,827)	(169,569)
	<b>(2,695,675)</b>	<b>(3,099,689)</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(532,434)	(204,075)
Purchases of investments	(1,145,386)	(12,755,826)
Proceeds from sale of investments	5,300,198	16,057,568
	<b>3,622,378</b>	<b>3,097,667</b>
<b>Cash flows from financing activities:</b>		
Net change in line of credit	(1,000,000)	(1,000,000)
	<b>(1,000,000)</b>	<b>(1,000,000)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(73,297)</b>	<b>(1,002,022)</b>
Cash and cash equivalents, beginning of year	3,440,409	4,442,431
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,367,112</b>	<b>\$ 3,440,409</b>

*See Independent Auditors' Report and accompanying notes to financial statements.*

# 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 forty two 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.

On February 11, 2015, the Board of Directors of UWMB voted to authorize a merger with North Shore United Way (“NSUW”). The merger was completed on July 1, 2015. UWMB is the surviving organization. See Note 13 for further discussion of the merger.

### *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.

# UNITED WAY OF MASSACHUSETTS BAY, INC.

## *Notes to Financial Statements*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### *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, 2015, from which the summarized information was derived.

#### *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 \$822,644 and \$813,861 were deducted from these contributions in fiscal 2016 and 2015, respectively, to cover the costs incurred by UWMB in raising and processing them. Donor designations include approximately \$6,578,000 and \$5,787,000 in donor contributions in 2016 and 2015, 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.

# UNITED WAY OF MASSACHUSETTS BAY, INC.

## *Notes to Financial Statements*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### ***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 and donated goods as revenue in the financial statements. The services consisted primarily of legal services, and the donated goods consisted primarily of advertising, computer software, and toiletries. 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.

#### ***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.

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

#### ***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-Related Investment (PRI)***

In accordance with Section 4944(c) of the Internal Revenue Code (the "Code"), UWMB is permitted to make investments that further some aspect of its charitable mission without a significant purpose of the production of income or the appreciation of property. In 2015, UWMB made a PRI. This investment is being recorded at the lower of cost or market. The annual valuation of this investment will be based on the best available success rate at the date of the financial statements to determine impairment considerations.

# UNITED WAY OF MASSACHUSETTS BAY, INC.

## *Notes to Financial Statements*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### *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 financial instruments (but for those measured using NAV) into a three-level hierarchy, based on the priority of inputs to the valuation technique.

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).

# UNITED WAY OF MASSACHUSETTS BAY, INC.

## *Notes to Financial Statements*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### ***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 with a half-year convention 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 on a straight-line basis 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.

#### ***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.

#### ***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 2016 and 2015.

Program allocation reserves represent board-approved spending of up to \$16,225,389 and \$16,956,999 at years ended June 30, 2016 and 2015, respectively. The program allocation reserve supports the work of UWMB's community-based partners as well as targeted programs and initiatives overseen by UWMB. In addition, approximately \$11,445,000 and \$11,975,000 of donor-designated distributions were approved by the Board of Directors at fiscal years ended 2016 and 2015, 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.

# UNITED WAY OF MASSACHUSETTS BAY, INC.

## *Notes to Financial Statements*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### *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.

#### *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, decisions over what to capitalize and useful lives assigned to depreciable assets, and the allocation of common expenses over program functions, measurement of deferred revenues and considerations related to determining whether a transaction represents an agency transaction, exchange transactions or a contribution in terms of revenue recognition.

#### *Reclassifications*

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. There is no effect on previously reported net assets.

During 2016, UWMB retrospectively adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2015-07, *Fair Value Measurement (Topic 820) – Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, and investments valued at net asset value (NAV) are now presented in a separate column in the related footnote disclosure for 2016 and 2015.

#### *Subsequent Events*

UWMB has evaluated subsequent events through November 17, 2016, the date the financial statements were authorized to be issued.

# UNITED WAY OF MASSACHUSETTS BAY, INC.

## *Notes to Financial Statements*

### *Note 3 - Contributions Receivable, Net*

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

	<i>2016</i>	<i>2015</i>
Contributions receivable	\$ 12,896,792	\$ 14,814,434
Less allowance for uncollectible contributions	<u>(2,974,842)</u>	<u>(3,027,619)</u>
<b>Total contributions receivable, net</b>	<b><u>\$ 9,921,950</u></b>	<b><u>\$ 11,786,815</u></b>
Net amounts due as of June 30:		
Less than one year (contributions receivable, net shown in current assets on the statement of financial position)	<b><u>\$ 9,921,950</u></b>	<b><u>\$ 11,786,815</u></b>

### *Note 4 - Property and Equipment, Net*

Property and equipment consisted of the following at June 30:

	<i>2016</i>	<i>2015</i>
Leasehold improvements	\$ 3,758,825	\$ 3,726,708
Office furniture and equipment	826,989	826,989
Computer hardware	602,287	592,088
Computer software	1,770,750	990,341
Computer software in process	<u>143,564</u>	<u>427,973</u>
Total property and equipment	7,102,415	6,564,099
Less accumulated depreciation and amortization	<u>(4,840,225)</u>	<u>(4,241,706)</u>
<b>Property and equipment, net</b>	<b><u>\$ 2,262,190</u></b>	<b><u>\$ 2,322,393</u></b>

Depreciation and amortization expense was \$596,191 and \$595,211 in 2016 and 2015, respectively. During 2015, UWMB wrote off fully depreciated leasehold improvements with an original cost of \$117,475. No assets were written off in 2016.

Computer software in process represents donated software that has yet to be placed in service.

# UNITED WAY OF MASSACHUSETTS BAY, INC.

## *Notes to Financial Statements*

### *Note 5 - Fair Values of Financial Instruments and Other Investments*

UWMB's investments and perpetual trusts measured using the fair value hierarchy on a recurring basis consisted of the following at June 30, 2016 (with summary totals for 2015):

	<i>Level 1</i>	<i>Level 3</i>	<i>Investments Measured at NAV</i>	<i>Total</i>
All Asset Fund	\$ 9,713,821	\$ -	\$ -	\$ 9,713,821
Opportunistic Investment Fund	-	-	8,855,967	8,855,967
Global Alpha Fund	-	-	9,284,189	9,284,189
Benchmark-Free and Multi-strategy Fund	-	-	9,166,090	9,166,090
Hedge Funds	-	-	3,513,876	3,513,876
	<u>9,713,821</u>	<u>-</u>	<u>30,820,122</u>	<u>40,533,943</u>
Perpetual Trusts	-	5,315,011	-	5,315,011
<b>Total investments at fair value</b>	<b>9,713,821</b>	<b>5,315,011</b>	<b>30,820,122</b>	<b>45,848,954</b>
Other investment	-	-	-	<b>1,000,000</b>
<b>Total investments June 30, 2016</b>	<b><u>\$ 9,713,821</u></b>	<b><u>\$ 5,315,011</u></b>	<b><u>\$ 30,820,122</u></b>	<b><u>\$ 46,848,954</u></b>
<b>Total investments June 30, 2015</b>	<b><u>\$ 9,858,690</u></b>	<b><u>\$ 5,501,093</u></b>	<b><u>\$ 34,570,868</u></b>	<b><u>\$ 50,930,651</u></b>

At June 30, 2016, a total of \$27,306,246 of the investments measured at NAV have redemption periods of 90 days or less and \$3,513,876 have redemption periods of over 90 days.

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

	<i>2016</i>	<i>2015</i>
Interest and dividends	\$ 1,047,772	\$ 973,922
Net realized gains	203,032	2,609,728
Net unrealized losses	(1,652,153)	(2,464,673)
Net investment return	<u>(401,349)</u>	<u>1,118,977</u>
Investment management expenses	(400,624)	(543,048)
Investment income appropriated	<u>(1,462,094)</u>	<u>(1,462,568)</u>
<b>Investment return, net of appropriated amounts</b>	<b><u>\$ (2,264,067)</u></b>	<b><u>\$ (886,639)</u></b>

# UNITED WAY OF MASSACHUSETTS BAY, INC.

## *Notes to Financial Statements*

### *Note 5 - Fair Values of Financial Instruments and Other Investments (Continued)*

Appropriated investment income is shown on the statement of activities in the amount of \$2,798,000 for 2016 and 2015. This amount includes investment income appropriated of \$1,462,094 and \$1,462,568 noted above and the Millennium Fund annual distributions of \$1,335,906 and \$1,335,432 for 2016 and 2015, respectively (see Note 8).

The perpetual trusts are invested in broadly diversified portfolios at the discretion of the trust manager.

The other investment noted above represents a program related investment made by UWMB during the year by providing investment capital of \$1,000,000 to Massachusetts Alliance for Supportive Housing, LLC (MASH), a Massachusetts limited liability company. Massachusetts Housing and Shelter Alliance (MHSA), a 501(c)(3) not-for-profit organization, is the 100% owner of MASH. The purpose of this is to provide investment capital to the Pay for Success Homeless Initiative which provides low threshold permanent supportive housing to high use homeless individuals via a contract with the Commonwealth of Massachusetts. The investment is for a period of six years with a variable rate of interest linked to the success of the Pay for Success Homeless Initiative. The valuation of this investment is based on the best available success rate at the date of the financial statements, at which time no impairment existed.

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.

Level 3 investments and perpetual trust activity for the fiscal years ended June 30, 2016 and 2015 was as follows:

	<i>2016</i>	<i>2015</i>
Level 3 perpetual trusts:		
Perpetual trusts at the beginning of the year	\$ 5,501,093	\$ 5,642,685
Net unrealized losses	(110,711)	(60,817)
Distributions	<u>(75,371)</u>	<u>(80,775)</u>
<b>Perpetual trusts at the end of the year</b>	<b><u><u>\$ 5,315,011</u></u></b>	<b><u><u>\$ 5,501,093</u></u></b>

# UNITED WAY OF MASSACHUSETTS BAY, INC.

## Notes to Financial Statements

### 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:

	<b>2016</b>	<b>2015</b>
Accumulated unspent gains and earnings on permanently restricted funds	\$ 4,680,385	\$ 5,293,135
Time restrictions:		
Amounts restricted for program services	6,792,429	8,040,091
Purpose restrictions:		
Amounts restricted for occupancy	-	510,449
Time and purpose restrictions:		
Amounts restricted by donors for grants	<u>1,855,563</u>	<u>1,376,431</u>
<b>Total</b>	<b>\$ <u>13,328,377</u></b>	<b>\$ <u>15,220,106</u></b>

UWMB's endowment consists of \$5,967,952 of individual donor-restricted endowment funds and \$9,123,555 of board-designated endowment funds. Included in board-designated endowment are unspent gains and earnings of \$4,680,385 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.

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.

# UNITED WAY OF MASSACHUSETTS BAY, INC.

## *Notes to Financial Statements*

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

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, 2016 (with summary totals for 2015):

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>2016</i>	<i>2015</i>
Board-designated endowment funds (including accumulated gains)	\$ 4,443,170	\$ 4,680,385	\$ -	\$ 9,123,555	\$ 10,020,667
Donor-restricted endowment funds	<u>-</u>	<u>-</u>	<u>5,967,952</u>	<u>5,967,952</u>	<u>5,585,952</u>
<b>Total endowment funds</b>	<b><u>\$ 4,443,170</u></b>	<b><u>\$ 4,680,385</u></b>	<b><u>\$ 5,967,952</u></b>	<b><u>\$ 15,091,507</u></b>	<b><u>\$ 15,606,619</u></b>

Changes in endowment net assets for the year ended June 30, 2016 (with summary totals for 2015):

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>2016</i>	<i>2015</i>
Endowment net assets, beginning of year as reported	\$ 4,727,532	\$ 5,293,135	\$ 5,585,952	\$ 15,606,619	\$ 16,034,415
Investment income	93,747	223,575	-	317,322	341,884
Net appreciation (depreciation) realized and unrealized	<u>(158,537)</u>	<u>(359,108)</u>	<u>-</u>	<u>(517,645)</u>	<u>(47,619)</u>
Total investment return	(64,790)	(135,533)	-	(200,323)	294,265
Additions	-	47,536	382,000	429,536	-
Appropriation of endowment assets for expenditure	<u>(219,572)</u>	<u>(524,753)</u>	<u>-</u>	<u>(744,325)</u>	<u>(722,061)</u>
<b>Endowment net assets, end of year</b>	<b><u>\$ 4,443,170</u></b>	<b><u>\$ 4,680,385</u></b>	<b><u>\$ 5,967,952</u></b>	<b><u>\$ 15,091,507</u></b>	<b><u>\$ 15,606,619</u></b>

In June 2016, the Board approved an appropriation of \$744,325 from the above funds to be spent in fiscal year 2016.

# UNITED WAY OF MASSACHUSETTS BAY, INC.

## *Notes to Financial Statements*

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

#### *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, 2016 and 2015.

#### *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.

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.

# UNITED WAY OF MASSACHUSETTS BAY, INC.

## *Notes to Financial Statements*

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

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

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 July 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.

On October 28, 2015, UWMB entered into a sublease termination agreement with CFO Publishing. This agreement terminated CFO's original lease with UWMB dated as of October 26, 2009 and facilitates surrender of the premises October 31, 2015. A termination payment of \$216,801 was received during 2015 and was reported as other income at June 30, 2016 and a \$75,000 security deposit was retained by UWMB as part of this agreement. A new sublease was executed April 12, 2016 with Mosaic Research Management, LLC to occupy the vacated space.

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

	<i>Gross Lease Commitments</i>	<i>Subleases</i>	<i>Net Lease Commitments</i>
2017	\$ 1,323,000	\$ 323,000	\$ 1,000,000
2018	1,317,000	289,000	1,028,000
2019	1,300,000	289,000	1,011,000
2020	1,253,000	289,000	964,000
2021	104,000	-	104,000

# UNITED WAY OF MASSACHUSETTS BAY, INC.

## *Notes to Financial Statements*

### *Note 7 - Commitments and Contingencies (Continued)*

#### *Leases (Continued)*

Rent expense, prior to sublease income, for the fiscal years 2016 and 2015 was \$1,302,695 and \$1,431,551, 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 \$29,990,560 and \$32,142,044 at June 30, 2016 and 2015, respectively.

The annual distributions of \$1,335,906 and \$1,335,432 in 2016 and 2015, respectively, from these funds were appropriated for operations and included in appropriated investment income in the statement of activities.

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 \$978,604 and \$1,059,702 at June 30, 2016 and 2015, respectively.

The annual distributions were \$40,681 and \$37,185 in 2016 and 2015, respectively, from these funds, which is included in perpetual trust income on 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.

# UNITED WAY OF MASSACHUSETTS BAY, INC.

## *Notes to Financial Statements*

### *Note 9 - Retirement Plan (Continued)*

UWMB, at the discretion of its Board of Directors, may make an additional discretionary contribution, called the “core benefit” contribution, subject to dollar limits set by Federal law. Once an employee has completed one year of service, he or she is eligible for this core contribution. The core contribution will be made regardless of whether or not the participant is making contributions and will be equal to the percentage determined in accordance with the following table:

<i>Years of Service</i>	<i>Percentage of Earnings</i>
Executive Director	Determined yearly
One to four years	2%
Five to nine years	4%
Ten or more years	6%

UWMB’s contributions to the 401(k) plan and related administrative expenses were \$651,610 and \$598,028 for the years ended June 30, 2016 and 2015, 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 \$275,014 and \$255,115 for the years ended June 30, 2016 and 2015, respectively.

### *Note 10 - Line of Credit*

UWMB has an agreement for a line of credit of \$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 also has an additional secured line of credit of \$500,000 with another financial institution, which is secured by a money market account that UWMB is required to maintain with the financial institution and bears interest at the prime rate.

UWMB paid interest of \$5,871 and \$15,133 for the years ended June 30, 2016 and 2015, respectively, for borrowings under these arrangements. Borrowings of \$0 and \$1,000,000 were outstanding under the lines at June 30, 2016 and 2015, respectively.

### *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 Goods and Services*

UWMB included the following in-kind contributions of both goods and services as in-kind revenue and other income and a corresponding expense on the accompanying statements of activities for the years ended June 30:

	<i>2016</i>	<i>2015</i>
Donated legal services	\$ 193,194	\$ 380,593
Donated advertising	900,601	599,552
Other	18,424	16,328
In-kind contributions:		
Toiletries and books (to provide to local area agencies)	93,774	749,714
Computer software (to support infrastructure upgrade)	<u>-</u>	<u>427,973</u>
<b>Total</b>	<b><u>\$ 1,205,993</u></b>	<b><u>\$ 2,174,160</u></b>

### *Note 13 - North Shore United Way Merger*

On February 11, 2015, the Board of Directors of UWMB voted to authorize a merger with North Shore United Way ("NSUW"). NSUW was organized and operated to provide services in the Beverly, Massachusetts region similar to those provided by UWMB. The merger was completed on July 1, 2015 and UWMB is the surviving organization.

At June 30, 2015 and for the year then ended, NSUW had total assets of \$2,288,074, total net assets of \$1,708,424 and total revenue of \$1,216,827. The merger was recorded on July 1, 2015 and accounted for as a business combination. NSUW accounted for donor contributions and pledges receivable as unrestricted. UWMB reclassified these receivables totaling \$274,402 from unrestricted to temporarily restricted. Allocations and designations payable of \$556,245 were also reclassified to reserves for program allocations to be consistent with UWMB's accounting policy.

Net assets on the statement of activities show an adjustment of \$2,264,669 to the change in net assets resulting from the merger. Merger related adjustments to the statement of cash flows increased net cash used in operating activities by \$239,959, net cash provided by investing activities increased \$1,712,391, and \$313,319 was shown as a direct increase in cash. There were no significant inter-company transactions or balances prior to merger and no other adjusting entries were made.

### *Note 14 - Cash Flow Information*

Non-cash investing transactions for the year ended June 30, 2016 consisted of the reporting of the assets and liabilities of NSUW in exchange for an increase in the net assets of \$1,951,350.

# UNITED WAY OF MASSACHUSETTS BAY, INC.

## *Notes to Financial Statements*

### *Note 15 - 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>2016</i>	<i>2015</i>
Revenue:		
Donor contributions - net of provision for uncollectible pledges	\$ 35,795,375	\$ 35,874,336
Grant revenue	9,781,579	8,203,287
Bequests, other gifts and recoveries	306,681	33,548
Investment income	1,047,771	976,463
Income from funds held by others	116,052	117,960
Income from Millennium Fund	1,335,906	1,335,432
Realized (loss) gain on investments, net of investment fees	(197,592)	2,144,916
Donated product	103,774	1,194,014
Service fees and other income	673,798	224,388
	<b>\$ 48,963,344</b>	<b>\$ 50,104,344</b>
Operating expenses:		
Fundraising	\$ 5,244,098	\$ 4,807,046
Management and general	2,451,093	2,489,081
	<b>\$ 7,695,191</b>	<b>\$ 7,296,127</b>
Fundraising ratio	10.7%	9.6%
Management and general ratio	5.0%	5.0%
	<b>15.7%</b>	<b>14.6%</b>

These calculations are presented using the 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 2016, UWMB used 14.6% 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 to fee of 5%. In fiscal year 2015, UWMB used 15.7% as an administrative fee.