



Financial Statements

United Way of Massachusetts Bay, Inc.

June 30, 2018 and 2017



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, 2018, 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 UWMB as of June 30, 2018, 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 UWMB's 2017 financial statements and we expressed an unmodified audit opinion on those financial statements in our report dated November 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maye Haffman McCann P.C.

December 12, 2018
Boston, Massachusetts

UNITED WAY OF MASSACHUSETTS BAY, INC.

Statement of Financial Position

June 30, 2018

(with comparative totals for 2017)

	2018			2017	
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	<i>Total</i>
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,391,983	\$ 2,275,346	\$ -	\$ 3,667,329	\$ 3,002,117
Contributions receivable, net	-	8,427,761	-	8,427,761	9,581,845
Grants receivable	287,042	-	-	287,042	196,450
Other current assets	39,429	393,813	-	433,242	419,553
Investments	21,420,353	-	-	21,420,353	22,971,645
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	23,138,807	11,096,920	-	34,235,727	36,171,610
Property and equipment, net	1,098,708	-	-	1,098,708	1,819,859
Investments	4,777,199	5,485,271	5,967,952	16,230,422	16,021,428
Investments in perpetual trusts	-	-	6,003,261	6,003,261	5,715,104
Other assets	30,553	-	-	30,553	45,830
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 29,045,267	\$ 16,582,191	\$ 11,971,213	\$ 57,598,671	\$ 59,773,831
Liabilities					
Accounts payable and accrued expenses	\$ 1,997,928	\$ 433,254	\$ -	\$ 2,431,182	\$ 1,828,941
Program initiatives payable	297,994	-	-	297,994	318,591
Donor designations payable	-	2,749,012	-	2,749,012	3,743,748
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	2,295,922	3,182,266	-	5,478,188	5,891,280
Deferred lease incentive	173,217	-	-	173,217	333,110
Deferred rent and other	170,383	72,140	-	242,523	399,804
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	2,639,522	3,254,406	-	5,893,928	6,624,194
Net Assets					
General operations	15,700,612	-	-	15,700,612	14,335,574
Property and equipment	1,098,708	-	-	1,098,708	1,819,859
Designated by the Board of Directors:					
Stabilization fund	397,540	-	-	397,540	375,479
Endowment fund	4,777,199	5,485,271	-	10,262,470	10,053,476
Program allocation reserves	4,431,686	6,811,314	-	11,243,000	14,450,000
Donor restricted:					
Endowment fund	-	-	5,967,952	5,967,952	5,967,952
Perpetual trusts and other	-	1,031,200	6,003,261	7,034,461	6,147,297
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	26,405,745	13,327,785	11,971,213	51,704,743	53,149,637
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	\$ 29,045,267	\$ 16,582,191	\$ 11,971,213	\$ 57,598,671	\$ 59,773,831

UNITED WAY OF MASSACHUSETTS BAY, INC.

Statement of Activities

Year Ended June 30, 2018
(with comparative totals for 2017)

	2018			2017	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public support:					
Donor contributions	\$ -	\$ 34,189,814	\$ -	\$ 34,189,814	\$ 35,553,158
Grant revenue	7,357,577	1,006,300	-	8,363,877	5,992,215
In-kind revenue and other income	905,463	-	-	905,463	793,111
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Gross total public support	8,263,040	35,196,114	-	43,459,154	42,338,484
Less:					
Provision for uncollectible pledges	-	(875,585)	-	(875,585)	(1,486,167)
Designations, net of service fees	-	(10,946,481)	-	(10,946,481)	(11,577,722)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net total public support	8,263,040	23,374,048	-	31,637,088	29,274,595
Appropriated investment return	2,214,337	515,663	-	2,730,000	2,730,000
Net assets released from restriction	22,911,669	(22,911,669)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total public support	33,389,046	978,042	-	34,367,088	32,004,595
Distributions and expenses:					
Agency allocations and other distributions	14,730,099	-	-	14,730,099	16,356,928
Grant expenses	8,164,913	-	-	8,164,913	7,412,502
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total distributions	22,895,012	-	-	22,895,012	23,769,430
Functional expenses:					
Community services	6,260,399	-	-	6,260,399	6,154,527
Fundraising	5,331,601	-	-	5,331,601	5,847,705
Management and general	2,571,767	-	-	2,571,767	2,457,284
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total functional expenses	14,163,767	-	-	14,163,767	14,459,516
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total distributions and expenses	37,058,779	-	-	37,058,779	38,228,946
Distributions and expenses in excess of public support	(3,669,733)	978,042	-	(2,691,691)	(6,224,351)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Endowment, investment and other activities, net amounts appropriated for operations:					
Investment return, net of appropriated amounts	798,932	(45,770)	-	753,162	2,671,854
Bequests and charitable gift annuities	326,716	(1,042)	-	325,674	121,893
Perpetual trust income	278,091	-	-	278,091	326,858
Gain on investments in perpetual trusts	-	-	288,157	288,157	400,093
Loss on disposal/write down of property and equipment	(398,287)	-	-	(398,287)	(86,239)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total increase (decrease) from endowment, investment and other activities	1,005,452	(46,812)	288,157	1,246,797	3,434,459
Increase (decrease) in net assets	(2,664,281)	931,230	288,157	(1,444,894)	(2,789,892)
Net assets, beginning of year	29,070,026	12,396,555	11,683,056	53,149,637	55,939,529
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 26,405,745	\$ 13,327,785	\$ 11,971,213	\$ 51,704,743	\$ 53,149,637

UNITED WAY OF MASSACHUSETTS BAY, INC.

Statement of Functional Expenses

Year Ended June 30, 2018
(with comparative totals for 2017)

	2018							2017
	Community Services				Support Services			Total
	Educational Success	Financial Opportunity	Program Administration	Total	Fundraising	Management and General	Total	
Expenses:								
Salaries	\$ 1,486,816	\$ 1,076,051	\$ 489,864	\$ 3,052,731	\$ 2,630,947	\$ 1,165,997	\$ 6,849,675	\$ 7,142,082
Employee benefits	345,181	220,831	104,337	670,349	586,095	245,779	1,502,223	1,572,410
Payroll taxes and related	121,496	77,320	37,158	235,974	207,729	82,914	526,617	566,178
Total salaries and related expenses	1,953,493	1,374,202	631,359	3,959,054	3,424,771	1,494,690	8,878,515	9,280,670
Building occupancy	244,385	163,798	74,577	482,760	448,971	180,294	1,112,025	1,209,391
Supplies	39,069	33,354	3,638	76,061	118,239	20,858	215,158	193,021
Printing and publications	41,119	30,091	7,677	78,887	76,590	18,768	174,245	186,190
Repairs, maintenance and equipment rental	7,799	5,230	2,381	15,410	14,482	5,795	35,687	17,148
Telephone and postage	17,998	10,458	3,875	32,331	67,079	76,294	175,704	163,949
Professional fees	113,295	87,639	157,479	358,413	109,838	168,619	636,870	633,711
Contracted services and consultants	325,727	226,021	113,032	664,780	572,594	306,939	1,544,313	1,294,586
Miscellaneous, travel and training	87,537	53,232	40,644	181,413	141,801	87,246	410,460	413,090
United Way Worldwide dues	72,935	46,655	18,750	138,340	120,834	118,322	377,496	430,751
Total other expenses	949,864	656,478	422,053	2,028,395	1,670,428	983,135	4,681,958	4,541,837
Depreciation and amortization	140,987	88,256	43,707	272,950	236,402	93,942	603,294	637,009
Total functional expenses	\$ 3,044,344	\$ 2,118,936	\$ 1,097,119	\$ 6,260,399	\$ 5,331,601	\$ 2,571,767	\$ 14,163,767	\$ 14,459,516

UNITED WAY OF MASSACHUSETTS BAY, INC.

Statement of Cash Flows

**Year Ended June 30, 2018
(with comparative totals for 2017)**

	2018	2017
Cash flows from operating activities:		
Decrease in net assets	\$ (1,444,894)	\$ (2,789,892)
Reconciliation of net assets to cash used in operating activities:		
Depreciation and amortization	618,257	646,242
Loss on disposal/write down of property and equipment	398,287	86,239
Net provision for uncollectible pledges	875,585	1,486,167
Realized gain on investments	(3,794,610)	108,162
Unrealized (gain) loss on investments	2,245,166	(3,612,113)
Gain on investments in perpetual trusts	(288,157)	(400,093)
Changes in operating assets and liabilities:		
Contributions receivable	278,499	(1,146,062)
Grants receivable	(90,592)	1,893,122
Other current assets	(13,689)	(73,068)
Other assets	15,277	18,042
Accounts payable and accrued expenses	602,241	(1,497,496)
Program initiatives payable	(20,597)	(491,916)
Donor designations payable	(994,736)	(83,322)
Deferred lease incentive	(159,893)	(159,893)
Deferred rent	(157,281)	(103,785)
	<u>(1,931,136)</u>	<u>(6,119,666)</u>
Net cash used in operating activities	(1,931,136)	(6,119,666)
Cash flows from investing activities:		
Purchases of property and equipment	(295,393)	(302,450)
Purchases of investments	(37,438,111)	(953,368)
Proceeds from sale of investments	40,329,852	6,998,189
Proceeds from sale of property and equipment	-	12,300
	<u>2,596,348</u>	<u>5,754,671</u>
Net cash provided by investing activities	2,596,348	5,754,671
Net increase (decrease) in cash and cash equivalents	665,212	(364,995)
Cash and cash equivalents, beginning of year	<u>3,002,117</u>	<u>3,367,112</u>
Cash and cash equivalents, end of year	\$ <u>3,667,329</u>	\$ <u>3,002,117</u>

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.

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, 2017, 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 \$751,385 and \$841,817 were deducted from these contributions in fiscal 2018 and 2017, respectively, to cover the costs incurred by UWMB in raising and processing them.

Donor designations include approximately \$5,511,800 and \$5,848,800 in donor contributions in 2018 and 2017, 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).

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.

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

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 2018 and 2017.

Program allocation reserves represent board-approved spending of up to \$11,243,000 and \$14,450,000 at years ended June 30, 2018 and 2017, 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 \$11,967,000 and \$10,560,000 of donor-designated distributions were approved by the Board of Directors at fiscal years ended 2018 and 2017, 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.

Subsequent Events

UWMB has evaluated subsequent events through December 12, 2018, the date the financial statements were authorized to be issued.

Merger

On October 17, 2018, the Board of Directors of UWMB voted to authorize a merger with the United Way of Greater Attleboro Taunton (“UWGAT”). UWGAT was organized and operated to provide services in the Attleboro and Taunton, Massachusetts region similar to those provided by UWMB. The merger was completed on November 1, 2018 and UWMB is the surviving organization.

At June 30, 2018 and for the year then ended, UWGAT had total assets of \$2,833,885, total net assets of \$1,890,775 and total revenue of \$1,174,904. The merger will be accounted for as a business combination in fiscal 2019.

Channel Partner Agreement

On July 10, 2018, UWMB entered into a Channel Partner Agreement with United Way Worldwide to market, promote and sell a Salesforce.org based employee engagement platform designed to provide corporate social responsibility services. This three-year agreement requires annual payments. The first annual payment is \$171,758 with subsequent years at not more than 150% of the prior year amount.

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:

	2018	2017
Contributions receivable	\$ 10,821,370	\$ 12,446,548
Less allowance for uncollectible contributions	<u>(2,393,609)</u>	<u>(2,864,703)</u>
Total contributions receivable, net	<u>\$ 8,427,761</u>	<u>\$ 9,581,845</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)	<u>\$ 8,427,761</u>	<u>\$ 9,581,845</u>

Note 4 - Property and Equipment, Net

Property and equipment consisted of the following at June 30:

	2018	2017
Leasehold improvements	\$ 3,481,974	\$ 3,466,572
Office furniture and equipment	814,715	814,715
Computer hardware	624,593	614,928
Computer software	<u>1,844,721</u>	<u>2,197,993</u>
Total property and equipment	6,766,003	7,094,208
Less accumulated depreciation and amortization	<u>(5,667,295)</u>	<u>(5,274,349)</u>
Property and equipment, net	<u>\$ 1,098,708</u>	<u>\$ 1,819,859</u>

Depreciation and amortization expense was \$618,257 and \$646,242 in 2018 and 2017, respectively. A portion of the depreciation expense has been reported as grant expense and will not be reported in the accompanying statement of functional expenses.

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, 2018 (with summary totals for 2017):

	<i>Level 1</i>	<i>Level 3</i>	<i>Investments Measured at NAV</i>	<i>Total</i>
Mutual Funds	\$ 8,951,920	\$ -	\$ -	\$ 8,951,920
Commingled Funds	-	-	20,265,379	20,265,379
Hedge Funds	-	-	5,884,801	5,884,801
Private Markets	-	-	1,548,675	1,548,675
	8,951,920	-	27,698,855	36,650,775
Other investment	-	1,000,000	-	1,000,000
Total investments at fair value	8,951,920	1,000,000	27,698,855	37,650,775
Total investments in perpetual trusts at fair value	-	6,003,261	-	6,003,261
Total investments June 30, 2018	\$ 8,951,920	\$ 7,003,261	\$ 27,698,855	\$ 43,654,036
Total investments June 30, 2017	\$ 5,176,471	\$ 6,715,104	\$ 32,816,602	\$ 44,708,177

UWMB has commitments of approximately \$8,200,000 at June 30, 2018 to purchase certain investments which are not yet available for purchase. As the investments become available, funding for these commitments will be from the sale of other investments currently in the portfolio.

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

	<i>2018</i>	<i>2017</i>
Interest and dividends	\$ 749,098	\$ 965,893
Net realized gains (losses)	3,794,610	(108,162)
Net unrealized gains (losses)	(2,245,166)	3,612,113
Net investment return	2,298,542	4,469,844
Investment management expenses	(239,009)	(398,486)
Investment income appropriated	(1,306,371)	(1,399,504)
Investment return, net of appropriated amounts	\$ 753,162	\$ 2,671,854

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 \$2,730,000 for 2018 and \$2,730,000 for 2017. This amount includes the 5% of appropriated endowment spend (see Note 6) of \$732,319 and \$734,502, additional non-endowment investment appropriations above the 5% appropriations of endowment earnings of \$574,052 and \$665,002 (totaling \$1,423,629 and \$1,399,504 as noted above) and the Millennium Fund annual distributions totaling \$1,423,629 and \$1,330,496 for 2018 and 2017, 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. As such, this investment is evaluated for potential impairment annually and such impairment charges were not considered necessary at June 30, 2018 and 2017.

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 was as follows for the fiscal years ended June 30, 2018 and 2017:

	2018	2017
Level 3 perpetual trusts:		
Perpetual trusts at the beginning of the year	\$ 5,715,104	\$ 5,315,011
Net unrealized gains	483,057	571,918
Distributions to UWMB	<u>(194,900)</u>	<u>(171,825)</u>
Perpetual trusts at the end of the year	<u>\$ 6,003,261</u>	<u>\$ 5,715,104</u>

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:

	2018	2017
Accumulated unspent gains and earnings on permanently restricted funds	\$ 5,485,271	\$ 5,336,745
Time restrictions:		
Amounts budgeted for program services	6,811,314	6,627,617
Time and purpose restrictions:		
Amounts restricted by donors for grants	<u>1,031,200</u>	<u>432,193</u>
Total	<u>\$ 13,327,785</u>	<u>\$ 12,396,555</u>

UWMB's endowment consists of \$5,967,952 of individual donor-restricted endowment funds and \$10,262,470 of board-designated endowment funds. Included in board-designated endowment are unspent gains and earnings of \$5,485,271 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, 2018 (with summary totals for 2017):

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>2018</i>	<i>2017</i>
Board-designated endowment funds (including accumulated gains)	\$ 4,777,199	\$ 5,485,271	\$ -	\$ 10,262,470	\$ 10,053,476
Donor-restricted endowment funds	<u>-</u>	<u>-</u>	<u>5,967,952</u>	<u>5,967,952</u>	<u>5,967,952</u>
Total endowment funds	<u>\$ 4,777,199</u>	<u>\$ 5,485,271</u>	<u>\$ 5,967,952</u>	<u>\$ 16,230,422</u>	<u>\$ 16,021,428</u>

Changes in endowment net assets for the year ended June 30, 2018 (with summary totals for 2017):

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>2018</i>	<i>2017</i>
Endowment net assets, beginning of year as reported	\$ 4,716,731	\$ 5,336,745	\$ 5,967,952	\$ 16,021,428	\$ 15,091,507
Investment income	78,294	187,650	-	265,944	259,614
Net appreciation realized and unrealized	<u>198,830</u>	<u>476,539</u>	<u>-</u>	<u>675,369</u>	<u>1,404,809</u>
Total investment return	277,124	664,189	-	941,313	1,664,423
Appropriation of endowment assets for expenditure	<u>(216,656)</u>	<u>(515,663)</u>	<u>-</u>	<u>(732,319)</u>	<u>(734,502)</u>
Endowment net assets, end of year	<u>\$ 4,777,199</u>	<u>\$ 5,485,271</u>	<u>\$ 5,967,952</u>	<u>\$ 16,230,422</u>	<u>\$ 16,021,428</u>

In June 2018, the Board approved an appropriation of \$732,319 from the above funds to be spent in fiscal year 2019.

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, 2018 and 2017.

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.

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

	Gross Lease Commitments	Subleases	Net Lease Commitments
2019	\$ 1,163,000	\$ 289,000	\$ 874,000
2020	1,115,000	289,000	826,000
2021	93,000	-	93,000

Rent expense, prior to sublease income, for the fiscal years 2018 and 2017 was \$1,188,325 and \$1,263,765, 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 UWMB.

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Note 7 - Commitments and Contingencies (Continued)

Other

UWMB entered into an agreement with United Way Worldwide (UWW) to become a partner level member of the Digital Services Operating Group which developed a digital marketing and donor engagement platform. UWMB is required to pay \$600,000 over three years as part of this agreement. UWMB paid the first installment of \$200,000 in August 2017. Two more annual payments of \$200,000 are required in August 2018 and 2019 per the terms of the agreement. UWMB paid \$100,000 in August 2018 and is negotiating with UWW regarding the timing and amount of the required additional payments.

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 \$33,072,032 and \$31,996,299 at June 30, 2018 and 2017, respectively.

The annual distributions of \$1,423,629 and \$1,330,496 in 2018 and 2017, 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 \$1,314,228 and \$1,060,044 at June 30, 2018 and 2017, respectively.

The annual distributions were \$50,069 and \$41,364 in 2018 and 2017, respectively, from these funds, which is included in perpetual trust income on the statement of activities.

UWMB has an agreement with The Greater Lowell Community Foundation ("GLCF") established to provide permanent endowment funds to benefit the Merrimack Valley region. GLCF will make annual distributions from these funds to UWMB of approximately five percent of the market value of these funds. The market value of these funds was \$204,858 and \$193,550 at June 30, 2018 and 2017, respectively.

The annual distribution was \$8,943 in 2018 from these funds, which is included in distributions from funds held by others on the statement of activities. The available distribution from the fund in 2017 was retained and reinvested.

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

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, 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 \$604,781 and \$614,880 for the years ended June 30, 2018 and 2017, 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 \$396,751 and \$336,076 which are included in other current assets and accounts payable and accrued expenses on the accompanying statement of financial position for the years ended June 30, 2018 and 2017, respectively.

Note 10 - Lines 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 \$11,181 and \$17,492 for the years ended June 30, 2018 and 2017, respectively, for borrowings under these arrangements. There were no borrowings at June 30, 2018 and 2017.

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

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.

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 statement of activities for the years ended June 30:

	2018	2017
Donated legal services	\$ 172,204	\$ 95,419
Donated advertising	271,797	396,291
Other	37,842	41,522
In-kind contributions:		
Toiletries and books (to provide to local area agencies)	<u>280,099</u>	<u>126,928</u>
Total	\$ <u>761,942</u>	\$ <u>660,160</u>

UNITED WAY OF MASSACHUSETTS BAY, INC.

Notes to 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:

	2018	2017
Revenue:		
Donor contributions - net of provision for uncollectible pledges	\$ 33,238,808	\$ 33,970,569
Grant revenue	8,363,877	5,992,215
Bequests, other gifts and recoveries	336,913	127,472
Investment income	749,098	965,893
Income from funds held by others	278,091	326,858
Income from Millennium Fund	1,423,629	1,330,496
Realized (loss) gain on investments, net of investment fees	3,555,600	(506,648)
Donated product	280,099	148,410
Service fees and other income	207,702	223,793
Loss on disposal of leasehold improvements	(398,287)	(86,239)
	<u>\$ 48,035,530</u>	<u>\$ 42,492,819</u>
Total revenue	\$ 48,035,530	\$ 42,492,819
Operating expenses:		
Fundraising	\$ 5,258,448	\$ 5,791,555
Management and general	2,479,346	2,415,203
	<u>\$ 7,737,794</u>	<u>\$ 8,206,758</u>
Total operating expenses	\$ 7,737,794	\$ 8,206,758
Fundraising ratio	10.9%	13.6%
Management and general ratio	5.2%	5.7%
	<u>16.1%</u>	<u>19.3%</u>
Total overhead ratio	16.1%	19.3%

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 addition, due to a portion of the in-kind services being allocated to community services in the accompanying statement of activities, the amounts of fundraising and management and general expenses above will not agree to those amounts.

In fiscal year 2018, UWMB used 15.7% 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 2017, UWMB used 15.7% as an administrative fee.