

Berkshire United Way, Inc.

Financial Statements
June 30, 2012 and 2011

Berkshire United Way, Inc.

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Smith, Watson & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS/ESTABLISHED 1973

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Independent Auditors' Report

To the Board of Directors
of Berkshire United Way, Inc.

We have audited the accompanying statements of financial position of Berkshire United Way, Inc. (a non-profit organization) as of June 30, 2012 and 2011 and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized financial information has been derived from Berkshire United Way, Inc.'s financial statements and, in our report dated October 18, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Berkshire United Way, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith, Watson & Company, LLP

Smith, Watson and Company, LLP
October 11, 2012

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Berkshire United Way, Inc.
 Statements of Financial Position
 June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current Assets		
Cash and cash equivalents (Note 3)	\$ 233,910	\$ 153,759
Pledges receivable:		
Current campaign	920,247	881,766
Current campaign - multi-year pledge (Note 5)	60,000	70,000
Less: Allowance for uncollectible pledges	(117,415)	(95,926)
Investments, at market value (Note 6)	1,782,792	1,797,065
Temporarily restricted investments, at market value (Note 6)	8,338	-
Grants receivable (Note 4)	39,747	47,833
Prepaid expenses	17,003	14,930
Other receivables	4,152	158
	<u>2,948,774</u>	<u>2,869,585</u>
Total Current Assets	2,948,774	2,869,585
Current campaign - multi-year pledge - long-term (Note 5)	-	68,453
Permanently restricted investments, at market value (Note 6)	325,240	333,950
Property and equipment, net (Note 7)	291,222	318,630
	<u>291,222</u>	<u>318,630</u>
Total Assets	\$ 3,565,236	\$ 3,590,618
Liabilities and Net Assets		
Current Liabilities		
Community grants payable (Note 8)	\$ 1,313,571	\$ 1,599,170
Community grants payable - contingent (Note 8)	-	6,501
Due to designated agencies	145,619	141,779
Accounts payable	27,299	36,023
Accrued expenses	34,130	-
Deferred revenue	7,000	-
Current portion of long-term debt (Note 9)	15,340	15,926
	<u>1,542,959</u>	<u>1,799,399</u>
Total Current Liabilities	1,542,959	1,799,399
Long-term debt, net of current portion (Note 9)	89,985	105,383
	<u>89,985</u>	<u>105,383</u>
Total Liabilities	1,632,944	1,904,782
Net Assets		
Unrestricted		
Undesignated operating	859,422	410,610
Board designated - 3 month reserve (Note 14)	521,663	591,046
Building and equipment	157,629	183,586
Temporarily restricted (Note 12)	68,338	166,644
Permanently restricted (Note 13)	325,240	333,950
	<u>1,932,292</u>	<u>1,685,836</u>
Total Net Assets	1,932,292	1,685,836
Total Liabilities and Net Assets	\$ 3,565,236	\$ 3,590,618

The accompanying notes are an integral part of these financial statements.

Berkshire United Way, Inc.

Statement of Activities

For the Year Ended June 30, 2012 with Summarized
Financial Information for the Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2012</u>	<u>Summarized Information 2011</u>
Revenues, Gains and Other Support					
Campaign					
Contributions received-current campaign	\$ 2,426,811	\$ -	\$ -	\$ 2,426,811	\$ 2,371,149
Contributions received-one time gift	-	-	-	-	40,000
Allowance for doubtful accounts	(125,182)	-	-	(125,182)	(112,031)
Contributions received-prior campaign	27,699	-	-	27,699	69,076
Contributions received-multi-year pledge	-	-	-	-	142,953
Designations from other United Ways and third parties	97,743	-	-	97,743	78,422
In-Kind contributions (note 15)	17,331	-	-	17,331	22,103
Special events	11,341	-	-	11,341	9,680
Gross campaign results	2,455,743	-	-	2,455,743	2,621,352
Less: Donor designations to outside parties	(263,719)	-	-	(263,719)	(267,976)
Total Campaign	2,192,024	-	-	2,192,024	2,353,376
Administrative fees charged on designations	23,307	-	-	23,307	27,873
Private and government grants	130,482	-	-	130,482	119,909
Planned gifts / bequests	9,595	-	-	9,595	-
Rental income (Note 10)	85,530	-	-	85,530	89,205
Investment income (Note 6)	28,318	4,941	-	33,259	34,626
Net unrealized / realized gain / (loss) on investments	36,274	6,713	(3,787)	39,200	341,568
Service fees and miscellaneous revenue	1,789	-	-	1,789	5,183
Net assets released from restriction (Note 11)	114,883	(109,960)	(4,923)	-	-
Total Revenues, Gains and Other Support	2,622,202	(98,306)	(8,710)	2,515,186	2,971,740
Community Impact and Other Expenses					
Community investment	1,780,388	-	-	1,780,388	2,051,610
Resource development	273,025	-	-	273,025	291,501
Building operations	60,596	-	-	60,596	76,242
Management and general	154,721	-	-	154,721	136,136
Total Expenses	2,268,730	-	-	2,268,730	2,555,489
Change in Net Assets	353,472	(98,306)	(8,710)	246,456	416,251
Net Assets, July 1	1,185,242	166,644	333,950	1,685,836	1,269,585
Net Assets, June 30	<u>\$ 1,538,714</u>	<u>\$ 68,338</u>	<u>\$ 325,240</u>	<u>\$ 1,932,292</u>	<u>\$ 1,685,836</u>

The accompanying notes are an integral part of these financial statements.

Berkshire United Way, Inc.

Statements of Cash Flows

For the Years Ended June 30, 2012 with Comparative Totals for June 30, 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 246,456	\$ 416,251
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	27,408	24,967
Donated securities	-	(6,836)
Unrealized / realized gain loss on long-term investments	(39,200)	(341,568)
Decrease / (increase) in operating assets:		
Pledges receivable	61,461	(141,252)
Prepaid expense	(2,073)	(11,685)
Other receivables and other assets	4,092	(6,007)
Increase / (decrease) in operating liabilities:		
Community grants payable	(292,100)	(41,886)
Accounts payable	(8,724)	31,802
Unearned income	7,000	(2,817)
Accrued expenses	34,130	-
Designations payable	3,840	(41,208)
Net Cash Provided by / (Used for) Operating Activities	<u>42,290</u>	<u>(120,239)</u>
Cash Flows from Investing Activities		
Purchases of long-term investments	(584,612)	(1,334,740)
Reinvested interest and dividends	(47,321)	(42,664)
Proceeds from sale of long-term investments	685,778	1,527,657
Purchases of property and equipment	-	(15,961)
Net Cash Provided by Investing Activities	<u>53,845</u>	<u>134,292</u>
Cash Flows from Financing Activities		
Principal payments on long-term debt	(15,984)	(17,163)
Net Cash Used for Financing Activities	<u>(15,984)</u>	<u>(17,163)</u>
Net Increase / (Decrease) in Cash and Equivalents	80,151	(3,110)
Cash and Equivalents, Beginning	<u>153,759</u>	<u>156,869</u>
Cash and Equivalents, Ending	<u>\$ 233,910</u>	<u>\$ 153,759</u>
Supplemental disclosure on cash flows:		
Interest paid	<u>\$ 6,473</u>	<u>\$ 6,497</u>

The accompanying notes are an integral part of these financial statements.

Berkshire United Way, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2012 with Summarized

Financial Information for the Year Ended June 30, 2011

	<u>Community</u> <u>Investment</u>	<u>Resource</u> <u>Development</u>	<u>Building</u> <u>Operations</u>	<u>Management</u> <u>and</u> <u>General</u>	<u>Total</u> <u>2012</u>	<u>Summarized</u> <u>Information</u> <u>2011</u>
Community Impact						
Community Grants	\$ 1,279,570	\$ -	\$ -	\$ -	\$ 1,279,570	\$ 1,590,419
Special Community Projects	34,874	-	-	-	34,874	64,265
Mass 211	5,318	-	-	-	5,318	4,555
Community Initiatives	20,551	-	-	-	20,551	-
Pittsfield Prevention Partnership	69,635	-	-	-	69,635	48,938
Total	<u>1,409,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,409,948</u>	<u>1,708,177</u>
Compensation and Related Expenses						
Salaries	253,048	165,609	-	63,351	482,008	463,555
Employee benefits	35,963	24,381	-	6,607	66,951	78,797
Payroll taxes	22,573	14,964	-	5,853	43,390	43,221
Total	<u>311,584</u>	<u>204,954</u>	<u>-</u>	<u>75,811</u>	<u>592,349</u>	<u>585,573</u>
Support Costs						
Contracted services	6,600	2,694	-	43,564	52,858	21,202
Supplies and small equipment	2,239	11,298	-	587	14,124	20,176
Telephone	1,985	1,985	-	993	4,963	5,404
Postage	622	4,404	-	354	5,380	8,284
Occupancy-other than depreciation	-	-	39,623	-	39,623	54,534
Equipment maintenance	2,503	4,232	-	553	7,288	19,302
Printing and publications	1,501	5,992	-	-	7,493	31,747
Advertising	2,332	2,116	-	-	4,448	1,480
Special events	3,518	13,780	-	-	17,298	13,981
Travel	3,829	1,752	-	273	5,854	5,082
Conferences - meetings	1,726	789	-	135	2,650	2,803
Conferences - training	1,303	137	-	6,395	7,835	8,986
Dues and subscriptions	451	351	-	-	802	1,066
National and state affiliation dues	8,401	8,401	-	8,401	25,203	25,776
General and liability insurance	-	-	3,124	1,988	5,112	5,048
Bank charges	-	2,313	-	980	3,293	3,222
Interest	-	-	4,875	1,598	6,473	6,497
Depreciation	5,319	-	12,974	9,115	27,408	24,967
Technology	16,527	7,775	-	3,189	27,491	-
Miscellaneous	-	52	-	785	837	2,182
Total	<u>58,856</u>	<u>68,071</u>	<u>60,596</u>	<u>78,910</u>	<u>266,433</u>	<u>261,739</u>
Total Expenses	<u>\$ 1,780,388</u>	<u>\$ 273,025</u>	<u>\$ 60,596</u>	<u>\$ 154,721</u>	<u>\$ 2,268,730</u>	<u>\$ 2,555,489</u>

The accompanying notes are an integral part of these financial statements.

Berkshire United Way, Inc.

Notes to Financial Statements

1. Organization and Operations

Berkshire United Way, Inc. (“Organization”) leads the effort to solve the most pressing problems in the Berkshires by building collaborations among donors, businesses, non-profits, faith-based groups and the public sector. Working together the community identifies needs, develops solutions, and invests in programs that attack root causes and deliver meaningful and measurable results – all to create sustained changes in Berkshire County. Through a series of community meetings, education and employment have been identified as top priorities. The Organization is a not-for-profit corporation as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from income taxes.

2. Summary of Significant Accounting Policies

Method of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, in accordance with Financial Accounting Standards Board Codification (“FASB ASC”) topic 958-225-45 “Other Presentation Matters”. A description of the three net asset groups is as follows:

- Unrestricted – Net assets that are not subject to donor or grantor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.
- Temporarily Restricted – Net assets whose use by the Organization is subject to donor or grantor-imposed restrictions that can be fulfilled by action of the Organization pursuant to those restrictions, or that expire by the passage of time.
- Permanently Restricted – Net assets subject to the donor or grantor imposed restriction that they be maintained permanently by the Organization. Permanently restricted net assets are primarily comprised of the original endowment gifts given to the Organization by donors or grantors. Generally, the donor or grantor of these assets permits the Organization to use all or part of the income from the assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Berkshire United Way, Inc.

Notes to Financial Statements

Revenue Recognition

The Organization reports campaign contributions net of amounts that are designated by donors to a specific 501(c)(3) non-profit agency. Donor designated pledges are assessed both a fund raising and administrative processing fee based on historical costs in accordance with United Way Worldwide membership standards as outlined in their publication titled *United Way of America Implementation Requirement for Membership Standard M (Cost deduction for Designated Funds)*. To be in conformity with financial reporting guidelines established by United Way Worldwide, designations received from other United Way's and third party administrators where the funds are not raised in the Berkshire United Way service area and administrative/fundraising fees were charged, are reflected in the other revenue section of the Statement of Activities.

Donor and Grantor Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor or designated for future periods. Amounts designated for future periods or restricted by the donor or grantor for specific purposes are reported as temporarily restricted or permanently restricted to support the increases in those net asset classes.

When a donor or grantor restriction expires, that is when a stipulated time restriction ends, or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Investments

Investments are presented in the financial statement at fair value. Unrealized gains and losses are included in the change in net assets.

Promises to Give/Pledges

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value at the time of the pledge. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Contributed Services

Volunteers contribute services to the Organization in all aspects of its programs for which no value has been assigned or recognized. Approximately 12,893 volunteer hours were contributed, including 3,513 hours by volunteers from local companies participating in the Berkshire United Way's annual campaign.

Campaign Pledges and Appropriations

An annual fundraising campaign commences on July 1 to obtain donations and pledges to support Berkshire United Way activities including community grants. Community grants are recommended by community volunteers and approved by the board of directors. These expenses are recorded prior to fiscal year end. Monthly distributions will begin in the subsequent fiscal year.

Berkshire United Way, Inc.

Notes to Financial Statements

The pledge receivables balance at year-end reflects campaign pledges due with an allowance for amounts estimated to be uncollectible. Provisions for uncollectible pledges are computed based upon historical averages and adjusted as needed by management's estimates of current economic factors.

Pledges are recorded at gross. The "Allowance for Uncollectible" includes provisions for service fees charged by third party processors.

Cash and Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

Retirement Plan

During 2003, the Organization established a 403(b) Thrift Plan for Employees ("Plan"). Under the Plan, employees can make salary reduction contributions. Employees are eligible for matching and base contributions from the Organization upon reaching age twenty one (21) and achieving one year of service (1,000 hours). Contributions made by the Organization were \$24,950 and \$26,511 for the years ended June 30, 2012 and 2011, respectively.

Property and Equipment

Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets using the straight-line method. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost. The capitalization threshold amount for assets with useful lives greater than one year is \$2,500 (or an amount recommended by the United Way Worldwide).

Advertising

The Organization charges advertising costs to expense as incurred. During the years ended June 30, 2012 and 2011, the Organization incurred advertising costs of \$4,448 and \$1,480, respectively.

Due to Affiliated Agencies

Contributions that are designated to a specific third-party beneficiary are recorded as a liability at the time that the contribution is received. These pledges are passed directly to the designated recipients. For the years ended June 30, 2012 and 2011, the Organization received donor designations to outside parties of \$263,719 and \$267,976, respectively.

Functional Allocation of Expenses

The costs of providing program and support activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated, based upon management's estimates, among the programs and supporting activities benefited.

Federal Tax Status

The Organization is qualified under Internal Revenue Code 501(c)(3) as a tax-exempt organization. While the organization is generally exempt from income taxes, it is subject to tax on unrelated trade or business income.

Berkshire United Way, Inc.

Notes to Financial Statements

The Organization adopted section 740-10-25 of the FASB Accounting Standards Codification (“Section 740-10-25”). Section 740-10-25 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under Section 740-10-25, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent (50%) likelihood of being realized upon ultimate settlement. Section 740-10-25 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. As a result of the implementation, the Organization is required to disclose that the tax returns for fiscal years ended June 30, 2012, 2011, 2010, and 2009 remain open to examination by the Internal Revenue Service (“IRS”). The Organization had no material adjustments to its liabilities for unrecognized income tax benefits according to the provisions of Section 740-10-25.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Prior-Year Summarized 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2011, from which the summarized information was derived.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of the values reflected in the table below at June 30.

	2012	2011
Cash	\$ 101,127	\$ 90,666
Unrestricted money market accounts	<u>132,783</u>	<u>63,093</u>
Total	<u>\$ 233,910</u>	<u>\$ 153,759</u>

Concentration of Credit Risk

The Organization maintains cash balances at financial institutions located in Massachusetts. Accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 and the Deposit Insurance Fund of Massachusetts insures any excess. At June 30, 2012, the Organization’s bank statement balance totaled \$314,098. Of the cash balance, \$314,098 was insured through the FDIC.

Berkshire United Way, Inc.

Notes to Financial Statements

4. Grants Receivable

The Organization had the following grants receivable at June 30, 2012 and 2011:

Department of Health and Human Services, Substance Abuse and Mental Health Services Administration

In August 2007, the Organization was awarded a federal assistance grant by the Department of Health and Human Services, Substance Abuse and Mental Health Services Administration. The grant is to be used to cover expenses relating to the Pittsfield Prevention Partnership program, the goal of which is to support efforts of a community coalition to prevent and reduce substance abuse among youth by addressing the risk factors in a community and promoting the protective factors that minimize that risk

The grant award was available in five \$100,000 annual project periods (cost reimbursement) beginning September 30, 2007 through September 29, 2012. At the end of the September 29, 2011 grant year, \$10,000 of unexpended grant funds was allowed to be carried over to the following year for a total maximum obligation of \$110,000 for the grant year ending September 29, 2012. The amount billed was \$102,754 and \$24,839 was receivable at June 30, 2012. The amount billed for the year ended June 30, 2011 was \$92,658 and \$29,523 was receivable at June 30, 2011.

Northern Berkshire Community Coalition

The Organization has a subcontract agreement with Northern Berkshire Community Coalition ("NBCC"). The subcontract award, funded through a contract between NBCC and the Massachusetts Department of Public Health, has a maximum obligation of \$26,250 for the period July 1, 2011 through June 30, 2012 and covers expenses related to the Berkshire Youth Development Project. The amount billed in the current fiscal year was \$26,250 and \$14,908 was receivable at June 30, 2012. The amount billed for the year ended June 30, 2011 was \$26,250 and \$18,310 was receivable at June 30, 2011.

5. Pledge Receivable

In fiscal year 2011, the Organization received a pledge from a local corporation for \$215,000 to be paid between December 2010 and June 2013. In April 2012, the pledge was reduced by \$20,000 to \$195,000 however, the corporation committed to paying the \$20,000 from another affiliated business.

These funds are to be used to cover expenses related to solving the most pressing community problems in Berkshire County.

Through the fiscal year ended June 30, 2012, the Organization has received \$135,000 of the \$195,000 pledge. Expected payment on the balance of this grant is as follows:

Fiscal year ended,

June 30, 2013 \$ 60,000

Berkshire United Way, Inc.

Notes to Financial Statements

At June 30, 2011, pledge receivables consisted of the following:

Fiscal year ended,	
June 30, 2012	\$ 70,000
June 30, 2013	<u>70,000</u>
	140,000
Less: Discount to Present value	<u>(1,547)</u>
Total	138,453
Less: Current portion	<u>(70,000)</u>
Long-term portion	<u>\$ 68,453</u>

6. Investments

The Organization has adopted the provisions of FASB ASC 820-10, which provides a framework for measuring fair value under Generally Accepted Accounting Principles ("GAAP"). It defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. It also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels, which are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These include items where the determination of fair value requires significant management judgment of estimation

The Organization uses the following valuation technique in valuing its investments:

- Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;

The net investment income is derived from investment accounts held at a bank trust department. A fixed income amount of 4.5% on a three-year average market balance of the general investment account is designated by the Board of Directors to be used in operations. Income from the GE Good Neighbor Fund and Boraski Endowment are temporarily restricted until the funds are used in accordance with the gift instructions for special needs and grants. If the income is not used for the specified purposes, it will be added to principal. Income from the General Endowment Fund is unrestricted.

Berkshire United Way, Inc.

Notes to Financial Statements

Unrealized gains and losses are included in the change in net assets. The following table details the cost value and market value of each account as of June 30, 2012 and 2011:

	2012		2011	
	Cost	Market Value	Cost	Market Value
Unrestricted				
GE Good Neighbor Fund	\$ 139	\$ 139	\$ 7,390	\$ 7,390
General Investment	1,122,737	1,259,081	1,111,443	1,198,629
General Endowment	1,909	1,909	-	-
Board Designated, 3-Month Reserve	465,173	521,663	547,427	591,046
Total Unrestricted Investments	<u>1,589,958</u>	<u>1,782,792</u>	<u>1,666,260</u>	<u>1,797,065</u>
Temporarily Restricted				
Boraski Endowment	8,338	8,338	-	-
Total Temporarily Restricted Investments	<u>8,338</u>	<u>8,338</u>	<u>-</u>	<u>-</u>
Permanently Restricted				
GE Good Neighbor Fund	78,933	78,933	78,933	78,933
Boraski Endowment	191,960	211,803	206,417	219,541
General Endowment	30,454	34,504	33,355	35,476
Total Permanently Restricted Investments	<u>301,347</u>	<u>325,240</u>	<u>318,705</u>	<u>333,950</u>
Total Investments	<u>\$ 1,899,643</u>	<u>\$ 2,116,370</u>	<u>\$ 1,984,965</u>	<u>\$ 2,131,015</u>

Investments held in the above investment accounts on June 30, are comprised of the following groups as reported at market value, using Level 1 inputs consisting of quoted market prices of identical securities:

	2012	2011
Equity securities	\$ 1,262,994	\$ 1,195,432
Corporate bonds	388,059	496,812
U.S. government obligations	-	25,001
Certificates of deposit – maturing in greater than 3 months	139	7,390
Other fixed income	229,299	110,602
Foreign assets	144,299	214,718
Permanently restricted money market accounts	91,580	81,060
Total Investments	<u>\$ 2,116,370</u>	<u>\$ 2,131,015</u>

Berkshire United Way, Inc.

Notes to Financial Statements

Current portion of investments:		
Unrestricted	\$ 1,782,792	\$ 1,797,065
Temporarily restricted	<u>8,338</u>	<u>-</u>
Total current portion of investments	1,791,130	1,797,065
Permanently restricted	<u>325,240</u>	<u>333,950</u>
Total investments	<u>\$ 2,116,370</u>	<u>\$ 2,131,015</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2012 and 2011:

<u>Year ended June 30, 2012</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 46,016	\$ 5,728	\$ -	\$ 51,744
Fees and other costs	(17,698)	(787)	-	(18,485)
Unrealized gains	59,886	8,414	669	68,969
Realized losses	<u>(23,612)</u>	<u>(1,701)</u>	<u>(4,456)</u>	<u>(29,769)</u>
	<u>\$ 64,592</u>	<u>\$ 11,654</u>	<u>\$ (3,787)</u>	<u>\$ 72,459</u>

<u>Year ended June 30, 2011</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 35,303	\$ 7,403	\$ -	\$ 42,706
Fees and other costs	(7,052)	(1,028)	-	(8,080)
Unrealized gains	247,792	9,127	17,458	274,377
Realized gains	<u>54,502</u>	<u>12,689</u>	<u>-</u>	<u>67,191</u>
	<u>\$ 330,545</u>	<u>\$ 28,191</u>	<u>\$ 17,458</u>	<u>\$ 376,194</u>

Berkshire United Way, Inc.

Notes to Financial Statements

7. Property and Equipment

The Organization's property and equipment consists of the following at June 30:

	2012	2011
Land and improvements	\$ 128,939	\$ 128,939
Buildings and improvements	515,613	515,613
Furniture and equipment	<u>143,508</u>	<u>147,692</u>
Total	788,060	792,244
Accumulated depreciation	<u>(496,838)</u>	<u>(473,614)</u>
Property and equipment, net	<u>\$ 291,222</u>	<u>\$ 318,630</u>

Depreciation expense for the years ended June 30, 2012 and 2011 was \$27,408 and \$24,967, respectively.

8. Community Grants Payable

Community grants are payable to agencies for specific programs for one or two year grant periods. Community grants are recorded as expenses when they are approved by the Board of Directors, communicated to the respective agencies, and are payable in the following year.

The Organization is contingently liable for grants in the amount of \$1,313,571. These grants are contingent upon the agencies accomplishing established criteria, and the Organization reaching fundraising goals.

At June 30, 2011, the Organization had a community grant that was contingent upon the completion of a program with a specific community agency that was unfulfilled. In fiscal year 2012, the community agency withdrew its services to Berkshire County, and the contingent funding was reallocated to another community organization providing the same services.

Berkshire United Way, Inc.

Notes to Financial Statements

9. Long-Term Debt

The Organization's long-term debt consists of the following at June 30:

	2012	2011
Commercial Pledge Agreement payable to Berkshire Bank in monthly installments of \$1,632 with interest at 4.3%, due August 2018, collateralized with unrestricted investments.	\$ 105,325	\$ 120,034
Loan with Western Mass Electric Company in the amount of \$5,099 payable in 20 monthly installments of \$255. There is no interest charge.	-	1,275
Total long-term debt	<u>105,325</u>	<u>121,309</u>
Less: current portion of long-term debt	<u>(15,340)</u>	<u>(15,926)</u>
Total long-term debt, net of current portion	<u>\$ 89,985</u>	<u>\$ 105,383</u>

Future principal payments are as follows:

Year Ending	
June 30, 2013	\$ 15,340
June 30, 2014	16,011
June 30, 2015	16,170
June 30, 2016	17,436
June 30, 2017	18,204
Thereafter	22,164
Total	<u>\$ 105,325</u>

The Organization has a demand line of credit for \$300,000 with an interest rate at prime. The line is renewable annually with a renewal date of June 30. During the year ended June 30, 2012, the Organization drew and repaid a total of \$150,000 on the line of credit. During the year ended June 30, 2011, the Organization drew and repaid a total of \$400,000 on the line of credit. The balance was \$0 on June 30, 2012, and June 30, 2011, respectively. The line is collateralized by unrestricted investments.

10. Leases

The Organization leases office space located at 196-200 South Street to the Commonwealth of Massachusetts at \$4,194 per month, and the Jewish Federation of the Berkshires, Inc. at \$2,817 per month. The Organization also rents parking spaces to employees of a local dentist office at \$75 per month. The rent received was \$85,530 and \$89,205 for the years ended June 30, 2012 and 2011, respectively.

Berkshire United Way, Inc.

Notes to Financial Statements

The future minimum rental income is as follows:

Year Ended	
June 30, 2013	\$ 84,130
June 30, 2014	64,411
June 30, 2015	50,325
June 30, 2016	50,325

The Commonwealth of Massachusetts lease was renewed through June 2016 with a ninety-day termination clause after June 30, 2014. Monthly payments under the renewed lease are \$4,194 per month. The Jewish Federation of the Berkshires, Inc. lease was renewed through November 2013. The parking space rental agreement can be cancelled upon notice by either party.

11. Net Assets Released From Restriction

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors. Amounts released from restrictions are as follows:

	2012	2011
Purpose restriction accomplished; funds were expended for:		
Children's programs	\$ 28,890	\$ 2,988
General	1,438	-
Community impact	79,632	6,212
Total net assets released from restriction	<u>\$ 109,960</u>	<u>\$ 9,200</u>

12. Temporarily Restricted Net Assets

Income from the GE Good Neighbor Fund and Ruth Boraski Children's Endowment are temporarily restricted until the funds are used in accordance with the gift instructions for special needs and grants. If the income is not used for the specified purposes, it will be added to principal. Temporarily restricted net assets were \$68,388 and \$166,644 at June 30, 2012, and 2011, respectively. Included in the temporarily restricted net asset amount at June 30, 2011 are amounts related to the multi-year pledge that will be received by the Organization over time. (See Note 5). Temporarily restricted net assets are available for the following purposes:

	June 30,	
	2012	2011
Ruth P. Boraski Children's endowment	\$ 8,338	\$ 25,631
General endowment	-	1,381
Community impact	60,000	139,632
Total	<u>\$ 68,338</u>	<u>\$ 166,644</u>

Berkshire United Way, Inc.

Notes to Financial Statements

13. Permanently Restricted Net Assets

Permanently restricted net assets include the following donor restricted principal in perpetuity, the income from which is expendable as provided by the donor. The GE Good Neighbor Fund, Ruth Boraski Children's Endowment, and General Endowment Fund are permanently restricted. Income is to be used for special needs and grants or added to the principal if not used.

Permanently restricted net assets are comprised of the following:

	June 30,	
	2012	2011
Ruth P. Boraski Children's endowment	\$ 211,803	\$ 219,541
General endowment	34,504	35,476
GE Good Neighbor	<u>78,933</u>	<u>78,933</u>
Total	<u>\$ 325,240</u>	<u>\$ 333,950</u>

14. Board Designated Net Assets

The Board has adopted a reserve policy whereby certain unrestricted net assets are board designated in order to establish a means to provide ongoing funding for operations and community programs for a period of three months. This allows time to develop alternative plans if there is an unanticipated decline in available funds. Additionally, it provides a rational basis by which to determine a target range that is not excessive. Total board designated net assets at June 30, 2012 and 2011 were \$521,633 and \$591,046, respectively

15. In-Kind Contributions

The estimated fair market value of donated services included in the statement of activities is as follows:

	2012	2011
Fundraising/Campaign		
Advertising	\$ 7,986	\$ 5,143
Event sponsorship	8,452	10,090
Legal assistance	-	688
Design	-	2,400
Printing	893	3,632
Computer support	<u>-</u>	<u>150</u>
	<u>\$ 17,331</u>	<u>\$ 22,103</u>

16. Subsequent Events

In July 2012, the Organization modified the terms of its loan with Berkshire Bank. The interest rate on the loan payable was changed to terms that place a floor on the interest rate, whereby the interest rate will be no lower than 3%.

Berkshire United Way, Inc.

Notes to Financial Statements

Subsequent to year-end, the Organization received three multi-year program service grants:

The Substance Abuse and Mental Health Services Administration, through its Drug Free Communities program awarded funding to the Pittsfield Prevention Partnership for \$125,000 per year for five years.

The Sober Truth on Preventing Underage Drinking (“Stop Act”) awarded a grant to the Pittsfield Prevention Partnership for \$48,258 per year for four years.

The Massachusetts Department of Early Education and Care, through a Federal Race to the Top Early Learning grant awarded \$200,000 to be used over a two year period.

Management has evaluated events and transactions after the balance sheet date through October 11, 2012, the date that the financial statements were available to be issued, and determined that all appropriate subsequent event disclosures, if any, have been made.