



North Shore United Way

NORTH SHORE UNITED WAY, INC.

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

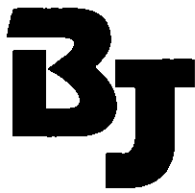
NORTH SHORE UNITED WAY, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5
Notes to Financial Statements	6-13
SUPPLEMENTARY INFORMATION:	
Statements of Agency Allocations	14
Calculation of Operating Expense Ratio	15



Bernard, Johnson & Company, P.C.

Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

To The Board of Directors of
North Shore United Way, Inc.

We have audited the accompanying statement of financial position of North Shore United Way, Inc. ((NSUW), a Massachusetts corporation, not for profit), as of June 30, 2011, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of NSUW's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from NSUW's 2010 financial statements and, in our opinion dated August 25, 2010, we expressed an unqualified opinion on those financial statements.

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 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 audit provides 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 NSUW as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Statements of Agency Allocations and Calculation of Operating Expense Ratio are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information had been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bernard Johnson & Company P.C.

Topsfield, Massachusetts
August 25, 2011

NORTH SHORE UNITED WAY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011

(with comparative totals for 2010)

ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011	Total 2010
Cash and cash equivalents	\$ 866,760	\$ 15,572	\$ -	\$ 882,332	\$ 847,667
Receivables:					
Campaign, less allowance for uncollectible pledges	249,078	55	-	249,133	245,527
Interest and dividends	764	-	-	764	764
Prepaid expenses	1,996	-	-	1,996	1,996
Investments restricted as to use	724,568	29,693	82,000	836,261	715,885
 Total current assets	 <u>1,843,166</u>	 <u>45,320</u>	 <u>82,000</u>	 <u>1,970,486</u>	 <u>1,811,839</u>
Property and equipment, net	6,410	-	-	6,410	11,045
 Total assets	 <u>\$ 1,849,576</u>	 <u>\$ 45,320</u>	 <u>\$ 82,000</u>	 <u>\$ 1,976,896</u>	 <u>\$ 1,822,884</u>
LIABILITIES					
Liabilities -					
Allocations and designations payable	\$ 643,224	\$ 856	\$ -	\$ 644,080	\$ 622,483
Accrued deferred compensation	36,745	-	-	36,745	35,484
Accounts payable and accrued expenses	55,413	-	-	55,413	60,477
 Total liabilities	 <u>735,382</u>	 <u>856</u>	 <u>-</u>	 <u>736,238</u>	 <u>718,444</u>
NET ASSETS					
Net assets:					
General operations	356,700	-	-	356,700	320,287
Designated by Board of Directors	757,494	-	-	757,494	659,885
Temporarily restricted	-	44,464	-	44,464	42,268
Permanently restricted	-	-	82,000	82,000	82,000
 Total net assets	 <u>1,114,194</u>	 <u>44,464</u>	 <u>82,000</u>	 <u>1,240,658</u>	 <u>1,104,440</u>
 Total liabilities and net assets	 <u>\$ 1,849,576</u>	 <u>\$ 45,320</u>	 <u>\$ 82,000</u>	 <u>\$ 1,976,896</u>	 <u>\$ 1,822,884</u>

The accompanying notes are an integral part of these financial statements

NORTH SHORE UNITED WAY, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
(with comparative totals for 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011	Total 2010
PUBLIC SUPPORT REVENUES:					
Gross campaign results – current campaign	\$1,173,950	\$ -	\$ -	\$1,173,950	\$1,148,004
Gross campaign results in prior year - Released from restriction	21,912	(21,912)	-	-	-
Total current campaign results	1,195,862	(21,912)	-	1,173,950	1,148,004
(Less donor designations to agencies)	(112,345)	-	-	(112,345)	(53,807)
(Less designations from other U Ways)	(42,262)	-	-	(42,262)	(21,259)
Campaign revenue	1,041,255	(21,912)	-	1,019,343	1,072,938
(Less provision for uncollectible pledges)	(21,341)	-	-	(21,341)	(58,321)
Net campaign revenue – current campaign	1,019,914	(21,912)	-	998,002	1,014,617
Net campaign revenue – future campaign	-	9,311	-	9,311	21,912
Total campaign revenue	1,019,914	(12,601)	-	1,007,313	1,036,529
OTHER REVENUES:					
Special events	24,755	-	-	24,755	7,723
Endowment and other contributions	-	-	-	-	7,200
Designations from other United Ways	42,262	-	-	42,262	21,259
Investment income	25,433	3,837	-	29,270	8,041
Unrealized gain on investments	101,506	15,749	-	117,255	72,986
Total other revenues	193,956	19,586	-	213,542	117,209
Released from restrictions	4,789	(4,789)	-	-	-
Total other revenues	198,745	14,797	-	213,542	117,209
TOTAL REVENUE	1,218,659	2,196	-	1,220,855	1,153,738
DISTRIBUTIONS AND EXPENSES:					
Allocations, net of donor designations of \$112,345 in 2011 and \$53,807 in 2010	766,713	-	-	766,713	813,640
Functional expenses:					
Community service	102,399	-	-	102,399	78,841
Fundraising	144,424	-	-	144,424	150,227
Management and administration	61,096	-	-	61,096	63,014
United Way Worldwide dues	10,005	-	-	10,005	9,981
TOTAL DISTRIBUTIONS AND EXPENSES	1,084,637	-	-	1,084,637	1,115,703
CHANGE IN NET ASSETS	134,022	2,196	-	136,218	38,035
NET ASSETS, beginning of year	980,172	42,268	82,000	1,104,440	1,066,405
NET ASSETS, end of year	<u>\$1,114,194</u>	<u>\$ 44,464</u>	<u>\$82,000</u>	<u>\$1,240,658</u>	<u>\$1,104,440</u>

The accompanying notes are an integral part of these financial statements

NORTH SHORE UNITED WAY, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 136,218	\$ 38,035
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation	4,635	3,419
Realized (gain) loss on sale of investments	(12,711)	7,036
Unrealized gain on investments	(117,255)	(72,986)
Cash provided by (used in) changes in:		
Campaign receivables	(3,606)	68,259
Interest and dividends receivable	-	2,895
Allocations and designations payable	21,597	246,209
Accrued deferred compensation	1,261	(8,398)
Accounts payable and accrued expenses	(5,064)	4,417
	<hr/>	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	25,075	288,886
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(50,426)	(23,889)
Proceeds of investment sales	60,016	22,710
Purchases of property and equipment	-	(7,295)
	<hr/>	<hr/>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	9,590	(8,474)
	<hr/>	<hr/>
RESULTING IN A NET INCREASE IN CASH	34,665	280,412
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS, BEGINNING	847,667	567,255
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CASH AND CASH EQUIVALENTS, ENDING	\$ 882,332	\$ 847,667
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The accompanying notes are an integral part of these financial statements

NORTH SHORE UNITED WAY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011
(with comparative totals for 2010)

	Community Service	Fund- Raising	Management and Administration	Total 2011	Total 2010
Salaries	\$ 64,849	\$ 83,630	\$ 24,548	\$ 173,027	\$ 171,860
Employee benefits	8,861	9,889	2,659	21,409	17,850
Payroll taxes	5,526	7,127	2,093	14,746	14,186
Total personnel costs	<u>79,236</u>	<u>100,646</u>	<u>29,300</u>	<u>209,182</u>	<u>203,896</u>
Dues	1,783	-	-	1,783	1,515
Publicity and promotion	702	1,052	-	1,754	2,019
Campaign materials	-	11,095	-	11,095	7,565
Postage	1,587	2,183	1,191	4,961	4,598
Travel	343	343	76	762	944
Conferences	7	7	1	15	51
Total campaign costs	<u>4,422</u>	<u>14,680</u>	<u>1,268</u>	<u>20,370</u>	<u>16,692</u>
Rent	5,807	5,807	1,291	12,905	12,905
Depreciation	2,086	2,086	463	4,635	3,419
Insurance	1,546	1,546	345	3,437	3,356
Repairs and maintenance	-	1,742	1,742	3,484	3,660
Electricity	652	652	146	1,450	817
Total occupancy costs	<u>10,091</u>	<u>11,833</u>	<u>3,987</u>	<u>25,911</u>	<u>24,157</u>
Telephone	2,691	2,691	598	5,980	4,855
Service clubs	408	-	-	408	524
Community service	1,813	-	-	1,813	2,018
Professional fees	1,054	3,302	11,062	15,418	16,620
Office expense	2,684	3,719	3,621	10,024	13,944
Special events	-	7,553	-	7,553	7,774
Other expense	-	-	11,260	11,260	1,602
Total other costs	<u>8,650</u>	<u>17,265</u>	<u>26,541</u>	<u>52,456</u>	<u>47,337</u>
Total expenses	<u>\$ 102,399</u>	<u>\$ 144,424</u>	<u>\$ 61,096</u>	<u>\$ 307,919</u>	<u>\$ 292,082</u>

The accompanying notes are an integral part of these financial statements

NORTH SHORE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1. NATURE OF OPERATIONS

North Shore United Way, Inc. (NSUW) is an independent, local United Way serving eight (8) North Shore communities. Volunteers from NSUW meet current and emerging human service needs by comprehensively reviewing and allocating community resources and funds to assist human service organizations based on their efficiency, effectiveness and accountability in meeting identified need. Virtually all of NSUW's funds are derived from contributions from businesses and individuals in the cities and towns in the North Shore area.

The North Shore United Way awarded this year over \$800,000 in community impact grants to 39 programs on the North Shore. The grants invest in programs that are targeting important community needs, including financial stability, affordable housing, health care, child and youth development in schools, teen and child care centers and basic needs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies of North Shore United Way, Inc.:

Basis of Presentation

North Shore United Way, Inc. follows Accounting Standards (ASC) No. 958 and 958-605. Under ASC 958-605, transfers of assets to North Shore United Way for the benefit of a donor-specified sub-recipient organization for which North Shore United Way has no variance power are reported in the Statement of Financial Position as designations payable.

In accordance with ASC 958, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. NSUW reports its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets:

- Unrestricted net assets represent the portion of net assets of NSUW that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- Temporarily restricted net assets represent pledges or contributions and other inflows of assets whose use by NSUW is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of NSUW pursuant to those stipulations.
- Temporarily restricted net assets also include, under Massachusetts law, cumulative appreciation and reinvested gains on permanently restricted endowment funds that are subject to prudent appropriation by the Board of Directors in accordance with provisions of Massachusetts law.
- Permanently restricted net assets represent contributions and other inflows of assets whose use by NSUW is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of NSUW.

(Continued)

NORTH SHORE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Comparative Financial Statements

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 NSUW's financial statements for the year ended June 30, 2010, from which the summarized information was derived. Also, certain reclassifications have been made to the prior year amounts to conform to the current presentation.

Management's Review

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through August 25, 2011, the date the statements were available to be issued.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. The accompanying financial statements include significant estimates for uncollectible campaign pledges and the functional allocation of expenses.

Cash and Cash Equivalents

Cash and cash equivalents include investments with a maturity of three months or less when purchased.

Revenue Recognition

Fundraising campaigns are conducted from September to March to raise support for allocations which are disbursed to participating agencies during the year. In accordance with ASC 958, contributions and pledges of contributions are recognized as revenue at their fair value when the contribution is received or the pledge is made. This revenue remains temporarily restricted until payment is received on the pledge. At that time, funds are released from restriction and allocated to agencies. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Allowance for Uncollectible Pledges

Campaign receivables are reported at net realizable value. The allowance for uncollectible pledges is computed using a 5 year historical average adjusted by management estimates of current economic factors, applied to individual campaigns, including donor designations.

(Continued)

NORTH SHORE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Allocations Payable

Allocations payable consist of allocations budgeted for each member agency remaining to be paid at the fiscal year end. These remaining allocations are expected to be paid within one year. The Board of Directors may authorize changes to the allocations during the year or provide discretionary payments to both member and non-member organizations.

Donor Designations

Donors to the campaign may designate all or part of their pledge to specific member or non-member agencies. In accordance with ASC 958-605, these specific designations are not considered available for the North Shore United Way budgeting to agencies and are deducted from current campaign results. The amounts of donor designations to specific agencies that remain unpaid at year end are included on the statement of financial position.

Capitalization and Depreciation

Property and equipment acquisitions are recorded at cost. Purchases of property and equipment in excess of \$2,500 are capitalized. Donated equipment is recorded at its fair market value at the date of gift. Depreciation is provided on a five year, straight-line basis for all office equipment.

Contributed Services

The financial statements do not include amounts for contributed services. NSUW pays for substantially all services requiring specific expertise. However, substantial numbers of volunteers have donated significant amounts of their time in NSUW's program services and in its fundraising campaigns.

Investments

NSUW has adopted ASC 820, *Fair Value Measurements*, ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements. Under ASC 820, fair value refers to the price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. It clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, ASC 820 establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under ASC 820, fair value measurements are separately disclosed by level within the fair value hierarchy.

Investments measured at fair value are classified and disclosed in one of the following categories:

Level I: Quoted prices are available in active markets for identical investments as of the reporting date.

Level II: Pricing inputs are other than quoted prices in active markets of comparable investments, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

NORTH SHORE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Level III: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

All NSUW investments include listed equity or debt instruments which are publicly traded, and whose fair value is therefore classified and disclosed as Level I. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment income, primarily interest and dividends, is recorded when earned and considered available for unrestricted use unless otherwise restricted by the donor or designated by the Board. Realized and unrealized gains and losses are determined on the basis of specific identification and recognized on a trade-date basis.

The endowment fund spending policy is set at four percent (4%) of a thirteen quarter average of the total market value of invested endowment funds. The Investment Committee of the Board of Directors reviews the spending rate annually. Distributions of endowment income with donor restrictions are made in accordance with the terms of the original gift.

Withdrawals from the endowment fund exceeding four percent (4%) may be made in special circumstances as determined by the Board of Directors, subject to the requirements of donor-imposed restrictions and the limitations in Massachusetts General Laws Chapter 180A on the use of appreciation on permanently restricted net assets. There were no withdrawals in excess of four percent (4%) in 2011.

3. CAMPAIGN RECEIVABLES

Unconditional campaign pledge receivables consist of the following:

	<u>2011</u>	<u>2010</u>
Pledge receivables within one year	\$295,133	\$301,527
Less – allowance for uncollectible pledges	(46,000)	(56,000)
Total due within one year	<u>\$249,133</u>	<u>\$245,527</u>

An analysis of the activity in the allowance for uncollectible pledges is as follows:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$56,000	\$56,000
Bad debts	(31,341)	(58,321)
Provision for uncollectible pledges	21,341	58,321
Balance, end of year	<u>\$46,000</u>	<u>\$56,000</u>

(Continued)

NORTH SHORE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

4. INVESTMENTS RESTRICTED AS TO USE

Investments restricted as to use consisted of the following:

	2011		2010	
	Cost	Market value	Cost	Market value
Fixed income mutual funds:				
Total return	\$143,282	\$151,398	\$173,183	\$187,072
Low duration	146,653	150,126	97,104	99,964
Inflation protected securities	-	-	11,355	11,737
International	185	189	122	128
High yield	-	-	65	66
	<u>290,120</u>	<u>301,713</u>	<u>281,829</u>	<u>298,967</u>
Equity mutual funds:				
Growth	119,145	162,633	121,847	124,008
Value	117,596	146,011	117,806	115,200
Blend	129,666	142,959	130,660	112,315
International	91,012	82,945	92,151	65,265
Commodity/Real estate	-	-	126	130
	<u>457,419</u>	<u>534,548</u>	<u>462,590</u>	<u>416,918</u>
	<u>\$747,539</u>	<u>\$836,261</u>	<u>\$744,419</u>	<u>\$715,885</u>

The investment portfolio is diversified by type of investment and industry concentration so that no individual investment or group of investments represents a significant concentration of market risk.

Investment income for the years ended June 30, 2011 and 2010 is comprised of the following:

	2011	2010
Interest and dividends	\$16,559	\$15,077
Realized gain (loss) on investments	12,711	(7,036)
	<u>\$29,270</u>	<u>\$ 8,041</u>

Investment income is reported gross of related expenses (custodial fees or investment advisory fees in the amount of \$6,667 and \$6,367 in 2011 and 2010, respectively).

At June 30, 2011 there were no deficiencies for donor-restricted endowment funds for which the fair value of the investments was less than the level required by donor stipulation or by law.

Changes in endowment net assets for the years ended June 30, 2011 and 2010 are as follows:

	2011		2010	
	Board Designated	Smith Family Fund	Board Designated	Smith Family Fund
Beginning of year	\$659,885	\$101,356	\$610,705	\$ 94,730
Investment income, net of fees	8,496	1,396	10,589	1,701
Contributions	-	-	5,000	-
Realized gain (loss)	10,935	1,776	(6,883)	(1,067)
Unrealized gain	101,506	15,749	62,958	9,963
Appropriated for expenditure	(23,328)	(4,124)	(22,484)	(3,971)
End of year	<u>\$757,494</u>	<u>\$116,153</u>	<u>\$659,885</u>	<u>\$101,356</u>

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NORTH SHORE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

5. PROPERTY AND EQUIPMENT

At June 30, 2011 and 2010 property and equipment consists of the following:

	2011	2010
Office furniture and equipment	\$81,112	\$81,112
Less accumulated depreciation	(74,702)	(70,067)
Net property and equipment	<u>\$ 6,410</u>	<u>\$11,045</u>

Depreciation of \$4,635 and \$3,419 in 2011 and 2010, respectively, is included in functional expenses.

6. PENSION PLAN

NSUW maintains a defined contribution (money purchase) pension plan (the Plan) covering all eligible employees. NSUW contributes 6% of all qualified participants' compensation annually. Pension expense for the years ended June 30, 2011 and 2010 was \$10,070 and \$7,874, respectively.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include amounts resulting from contributions and pledges whose use by NSUW is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of NSUW pursuant to those stipulations. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Temporarily restricted net assets also include, under Massachusetts law, cumulative appreciation and reinvested gains on permanently restricted endowment funds that are subject to prudent appropriation by the Board of Directors in accordance with provisions of Massachusetts law.

Temporarily restricted net assets consisted of the following at June 30, 2011:

Contributions to future campaigns	\$ 9,311
Rose B. Converse Fund	1,000
Unappropriated income on permanently restricted net assets	<u>34,153</u>
	<u>\$44,464</u>

8. BOARD-DESIGNATED NET ASSETS

NSUW's Board of Directors established an endowment fund from unrestricted contributions in order to provide funds to support community investment in years of revenue decline. Revenue is affected by external conditions and, accordingly, campaign fund-raising may be insufficient to continue NSUW's level of community investment in certain years. These funds are invested and both gains and losses are reflected in the endowment fund balance. These funds, which are distributed subject to Board approval (Board-designated net assets), consisted of the following at June 30, 2011:

Operating Endowment Fund	\$757,494
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(Continued)

NORTH SHORE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

9. PERMANENTLY RESTRICTED NET ASSETS

Perpetual endowment funds are required to be retained permanently by explicit donor stipulation, however, the income generated by these funds can be used for program support subject to Board approval. These funds consisted of the following at June 30, 2011:

Smith Family Fund	\$82,000
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10. IN-KIND RENT

NSUW receives in-kind rent of its office space at a rate of \$1,075 per month plus a pro-rata share of increases in the cost of real estate taxes and common area maintenance. NSUW currently occupies its space as a tenant at will. In-kind rent of \$12,905 is included in campaign revenues in the accompanying Statement of Activities and occupancy costs in the accompanying Statement of Functional Expenses.

11. SIGNIFICANT CONCENTRATIONS OF RISK

NSUW is a member agency of the United Ways of New England (UWONE), which conducts fundraising with various large corporations and their employees. Member agencies receive a share of the funds raised by UWONE based upon a fixed formula. NSUW has a significant concentration of revenue from UWONE. For the year ended June 30, 2011, pledge revenues from UWONE totaled approximately \$140,000, or 12% of the 2010 - 2011 campaign total revenues.

Money market and mutual fund investments have a fair market value at June 30, 2011 that make up 82% of total asset bases. The value of these investments is not federally insured and is subject to market fluctuations.

NSUW maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. NSUW has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

12. COMMITMENTS AND CONTINGENCIES

Deferred Compensation

NSUW maintains a deferred compensation agreement with a former President that provides for payment of \$10,000 annually commencing at retirement, but not earlier than age 65 and payable until death. The former President retired effective April 1, 1995 and started receiving payments under the deferred compensation plan. There is no provision to allow for inflation increases in the annual amount. At June 30, 2011, the present value liability for future payments due under the plan was \$36,745.

Unemployment Compensation

NSUW follows the reimbursable method of paying for state unemployment insurance benefits. Under the reimbursable method, NSUW does not incur costs until a former employee files for unemployment benefits and is determined to be eligible. Once determined eligible, NSUW is billed monthly for any and all costs incurred as a result of the payment of unemployment benefits. NSUW has accrued an estimated potential liability for these costs in the amount of \$14,105 at June 30, 2011.

(Continued)

NORTH SHORE UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

13. CAMPAIGN FEES

The United Way of Massachusetts Bay, Inc. (UWMB) conducts the annual UWONE fundraising campaign and provides administrative services on behalf of the Commonwealth of Massachusetts Employee Campaign – Region I (COMEC). Under the terms of these performance agreements, UWMB receives a management or administrative fee on pledges received for local United Ways, including the North Shore United Way. In addition, other United Ways charge an administration fee that reduces designations paid to NSUW.

NSUW records revenues from these campaigns net of the related service fees charged by the administering United Way.

14. INCOME TAXES

NSUW is exempt from federal income taxes under I.R.C. Section 501(c)(3).

NSUW is required to report uncertain tax positions and the related interest and penalties thereon, and to adjust its assets and liabilities related to unrecognized tax benefits and accrued interest and penalties, accordingly. As of June 30, 2011 and 2010, NSUW determined there are no material uncertain tax positions or unrecognized tax benefits to report.

Information returns filed for the years 2011, 2010 and 2009 remain subject to examination by the Internal Revenue Service and the state of Massachusetts. NSUW does not expect the amounts of unrecognized tax benefits to change significantly within the next twelve months.

15. NATIONAL AFFILIATION AND RELATED PARTIES

NSUW is a member of the United Way Worldwide (“UWW”). As a member and in return for dues payments made to UWW, NSUW is allowed the use of the United Way logo, as well as access to campaign, promotional and financial materials and other support. Total UWW dues incurred for the years ended June 30, 2011 and 2010 were \$10,004 and \$9,981, respectively.

A member of the board of directors is employed by and an officer of the financial institution that acts as custodian and advisor for investments owned by NSUW. Investment fees were \$6,667 and 6,367 in 2011 and 2010, respectively. This financial institution also owns the NSUW office space provided at no charge (see Note 10). Several directors also serve on the boards of NSUW member agencies. These board members do not participate in voting on member agency allocations. In addition NSUW board members and their companies regularly provide support in the form of personal campaign contributions, as well as, matching company contributions. These amounts are significant but not considered material to the financial statements.

SUPPLEMENTARY INFORMATION

NORTH SHORE UNITED WAY, INC.

STATEMENTS OF AGENCY ALLOCATIONS
FOR THE YEAR ENDED JUNE 30, 2011
(with comparative totals for 2010)

For the years ended June 30, 2011 and 2010 allocations appropriated by the Board of Directors and donor designations to agencies, where NSUW has no variance power, were as follows:

	2011	2010
Community partner allocations:		
American Red Cross of Northeast Massachusetts	\$ 48,000	\$ 48,000
Beverly Affordable Housing Coalition <i>(merged with Salem Harbor CDC, Inc.)</i>	35,000	35,000
Beverly Bootstraps Community Services, Inc.	40,000	40,000
Beverly Children's Learning Center, Inc.	15,000	-
Yankee Clipper Council - Boy Scouts	-	5,194
CAB Health & Recovery Services <i>(includes Health and Education Services in 2011)</i>	120,367	30,000
Catholic Charities/North	51,000	51,000
Pathways for Children	47,000	47,000
Children's Friend and Family Services, Inc.	52,000	52,000
Spar & Spindle Girl Scout Council, Inc.	18,265	543
Health and Education Services <i>(merged with CAB Health & Recovery Services in 2011)</i>	-	95,446
HealthQuarters, Inc.	7,500	15,000
Healing Abuse Working for Change, Inc.	30,000	30,000
North Shore Community Health	-	17,000
North Shore / Health Project	16,000	15,923
Northeast Association for Retarded Citizens, Inc.	38,000	37,000
The Open Door / Cape Ann Food Pantry, Inc.	50,000	45,000
S.A.F.E. Studio, Inc. <i>(merged into Jeanne Geiger Crisis Center, Inc. on January 1, 2010)</i>	15,000	14,592
Salvation Army - Beverly Service Unit	35,000	35,000
Society of St. Vincent de Paul - St. Mary's	27,000	27,000
Society of St. Vincent de Paul - St. John's	12,000	12,000
Strongest Link AIDS Services, Inc.	32,000	32,000
United Cerebral Palsy Association of the North Shore, Inc	5,000	5,000
Visiting Nurse Association of the North Shore, Inc	50,000	50,000
Wellspring House, Inc.	15,000	-
YMCA of the North Shore	94,500	94,500
Subtotal community partner allocations	853,632	834,198
Discretionary grants:		
Beverly Children's Learning Center, Inc.	5,000	5,000
Wellspring House, Inc.	5,000	-
Salem Cyberspace	4,000	5,000
Birth to Three Family Center	5,000	-
Mass 211	2,926	-
Harborlight Community Partners, Inc.	-	10,000
River House, Inc.	-	5,000
Glen Urquart School	-	5,000
Ipswich Caring, Inc.	-	1,500
Northeast Health Systems	-	1,000
Others	3,500	749
Subtotal discretionary grants	25,426	33,249
Total agency allocations and discretionary grants	\$ 879,058	\$ 867,447

NORTH SHORE UNITED WAY, INC.

CALCULATION OF OPERATING EXPENSE RATIO
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Total revenue	<u>\$1,208,392</u>	<u>\$1,126,785</u>
Operating expenses:		
Fundraising	\$ 140,864	\$ 150,001
Management and administration	<u>63,115</u>	<u>63,233</u>
Total operating expenses	<u>\$ 203,979</u>	<u>\$ 213,234</u>
Operating expense ratio	<u>16.9%</u>	<u>18.9%</u>

The calculation above is presented using UWW guidelines. These guidelines require that Internal Revenue Service Form 990 be the source of the components of the operating expense ratio calculations which exclude certain revenue and expense items presented in the Statement of Activities.