

Berkshire United Way, Inc.

Financial Statements
June 30, 2013 and 2012

Berkshire United Way, Inc.

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Independent Auditors' Report

Partners

George T. Smith, CPA
Robin A. Markey, CPA
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Of Counsel

John M. Watson, CPA, PFS

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

We have audited the accompanying financial statements of Berkshire United Way, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, 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

The Organization's 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.

Auditor's 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 auditor's 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 statement referred to above present fairly, in all material respects, the financial position of Berkshire United Way, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Berkshire United Way, Inc.'s financial statements, and our report dated October 11, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Watson & Company, LLP

Great Barrington, MA

October 17, 2013

Berkshire United Way, Inc.
 Statements of Financial Position
 June 30, 2013 with Comparative Totals for 2012

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets		
Cash and cash equivalents (Note 3)	\$ 289,332	\$ 233,910
Pledges receivable:		
Current campaign	989,420	920,247
Current campaign - multi-year pledge	-	60,000
Less: Allowance for uncollectible pledges	(128,463)	(117,415)
Investments, at market value (Note 6)	1,842,924	1,782,792
Temporarily restricted investments, at market value (Note 6)	11,704	8,338
Grants receivable (Note 5)	79,552	39,747
Prepaid expenses	26,718	17,003
Other receivables	5,787	4,152
	<hr/>	<hr/>
Total Current Assets	3,116,974	2,948,774
Permanently restricted investments, at market value (Note 6)	341,827	325,240
Property and equipment, net (Note 7)	365,919	291,222
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Total Assets	<u>\$ 3,824,720</u>	<u>\$ 3,565,236</u>
Liabilities and Net Assets		
Current Liabilities		
Community grants payable (Note 8)	\$ 1,380,749	\$ 1,313,571
Due to designated agencies	180,111	145,619
Accounts payable	44,099	27,299
Accrued expenses	28,579	34,130
Deferred revenue	6,000	7,000
Current portion of long-term debt (Note 9)	16,303	15,340
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Total Current Liabilities	1,655,841	1,542,959
Long-term debt, net of current portion (Note 9)	73,323	89,985
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Total Liabilities	1,729,164	1,632,944
Net Assets		
Unrestricted		
Undesignated operating	959,660	859,422
Board designated - 3 month reserve (Note 14)	609,874	521,663
Building and equipment	172,491	157,629
Temporarily restricted (Note 12)	11,704	68,338
Permanently restricted (Note 13)	341,827	325,240
	<hr/>	<hr/>
Total Net Assets	2,095,556	1,932,292
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Total Liabilities and Net Assets	<u>\$ 3,824,720</u>	<u>\$ 3,565,236</u>

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

Berkshire United Way, Inc.

Statement of Activities

For the Year Ended June 30, 2013 with Summarized

Financial Information for the Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2013</u>	<u>Summarized Information 2012</u>
Revenues, Gains and Other Support					
Campaign					
Contributions received-current campaign	\$ 2,371,211	\$ -	\$ -	\$ 2,371,211	\$ 2,426,811
Allowance for doubtful accounts	(81,181)	-	-	(81,181)	(125,182)
Contributions received-prior campaign	34,361	-	-	34,361	27,699
Designations from other United Ways and third parties	118,177	-	-	118,177	97,743
In-Kind contributions (note 15)	12,120	-	-	12,120	17,331
Special events	15,050	-	-	15,050	11,341
Gross campaign results	2,469,738	-	-	2,469,738	2,455,743
Less: Donor designations to outside parties	(226,326)	-	-	(226,326)	(263,719)
Total Campaign	2,243,412	-	-	2,243,412	2,192,024
Administrative fees charged on designations	22,627	-	-	22,627	23,307
Private and government grants	247,340	-	-	247,340	130,482
Planned gifts / bequests	5,000	-	-	5,000	9,595
Rental income (Note 10)	84,930	-	-	84,930	85,530
Investment income (Note 6)	23,531	-	3,283	26,814	33,259
Net unrealized / realized gain on investments	116,217	-	17,076	133,293	39,200
Service fees and miscellaneous revenue	4,239	-	-	4,239	1,789
Net assets released from restriction (Note 11)	60,406	(56,634)	(3,772)	-	-
Total Revenues, Gains and Other Support	2,807,702	(56,634)	16,587	2,767,655	2,515,186
Community Impact and Other Expenses					
Community investment	2,106,117	-	-	2,106,117	1,829,246
Resource development	253,050	-	-	253,050	280,517
Management and general	245,224	-	-	245,224	158,967
Total Expenses	2,604,391	-	-	2,604,391	2,268,730
Change in Net Assets	203,311	(56,634)	16,587	163,264	246,456
Net Assets, July 1	1,538,714	68,338	325,240	1,932,292	1,685,836
Net Assets, June 30	\$ 1,742,025	\$ 11,704	\$ 341,827	\$ 2,095,556	\$ 1,932,292

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, 2013 with Comparative Totals for June 30, 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 163,264	\$ 246,456
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	27,759	27,408
Unrealized / (realized) gain loss on long-term investments	(133,293)	(39,200)
Decrease / (increase) in operating assets:		
Pledges receivable	1,875	61,461
Prepaid expense	(9,715)	(2,073)
Other receivables and other assets	(41,440)	4,092
Increase / (decrease) in operating liabilities:		
Community grants payable	67,178	(292,100)
Accounts payable	16,800	(8,724)
Unearned income	(1,000)	7,000
Accrued expenses	(5,551)	34,130
Designations payable	34,492	3,840
Net Cash Provided by Operating Activities	<u>120,369</u>	<u>42,290</u>
Cash Flows from Investing Activities		
Purchases of long-term investments	(563,842)	(584,612)
Reinvested interest and dividends	(45,414)	(47,321)
Proceeds from sale of long-term investments	662,464	685,778
Purchases of property and equipment	(102,456)	-
Net Cash Provided by / (Used for) Investing Activities	<u>(49,248)</u>	<u>53,845</u>
Cash Flows from Financing Activities		
Principal payments on long-term debt	(15,699)	(15,984)
Net Cash Used for Financing Activities	<u>(15,699)</u>	<u>(15,984)</u>
Net Increase in Cash and Equivalents	55,422	80,151
Cash and Equivalents, Beginning	<u>233,910</u>	<u>153,759</u>
Cash and Equivalents, Ending	<u>\$ 289,332</u>	<u>\$ 233,910</u>
Supplemental disclosure on cash flows:		
Interest paid	<u>\$ 4,226</u>	<u>\$ 6,473</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, 2013 with Summarized
Financial Information for the Year Ended June 30, 2012

	<u>Community Investment</u>	<u>Resource Development</u>	<u>Building Operations</u>	<u>Management and General</u>	<u>Total 2013</u>	<u>Summarized Information 2012</u>
Community Impact						
Community Grants	\$ 1,380,749	\$ -	\$ -	\$ -	\$ 1,380,749	\$ 1,279,570
Special Community Projects	16,233	-	-	-	16,233	34,874
Mass 211	9,335	-	-	-	9,335	5,318
Community Initiatives	104,336	-	-	-	104,336	20,551
Pittsfield Prevention Partnership	98,276	-	-	-	98,276	69,635
Total	<u>1,608,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,608,929</u>	<u>1,409,948</u>
Compensation and Related Expenses						
Salaries	325,256	131,542	-	114,051	570,849	482,008
Employee benefits	46,984	20,096	-	18,981	86,061	66,951
Payroll taxes	30,367	11,925	-	10,025	52,317	43,390
Total	<u>402,607</u>	<u>163,563</u>	<u>-</u>	<u>143,057</u>	<u>709,227</u>	<u>592,349</u>
Support Costs						
Contracted services	6,079	921	1,000	34,315	42,315	52,858
Supplies and small equipment	9,524	12,770	-	2,967	25,261	14,124
Telephone	2,180	1,814	-	712	4,706	4,963
Postage	2,081	4,595	-	609	7,285	5,380
Occupancy-other than depreciation	-	-	49,055	-	49,055	39,623
Equipment maintenance	4,206	4,920	-	960	10,086	7,288
Printing and publications	5,743	11,545	-	-	17,288	7,493
Advertising	1,591	1,152	-	158	2,901	4,448
Special events	3,748	10,067	-	-	13,815	17,298
Travel	4,243	1,534	-	220	5,997	5,854
Conferences - meetings	1,523	1,636	-	878	4,037	2,650
Conferences - training	3,045	1,452	-	8,100	12,597	7,835
Dues and subscriptions	348	348	100	-	796	802
National and state affiliation dues	8,687	8,687	-	8,687	26,061	25,203
General and liability insurance	-	-	-	3,726	3,726	5,112
Bank charges	-	2,218	-	1,297	3,515	3,293
Interest	-	-	3,206	1,020	4,226	6,473
Depreciation	5,320	-	13,080	9,359	27,759	27,408
Technology	14,309	5,056	-	3,923	23,288	27,491
Miscellaneous	-	-	-	1,521	1,521	837
Total	<u>72,627</u>	<u>68,715</u>	<u>66,441</u>	<u>78,452</u>	<u>286,235</u>	<u>266,433</u>
Allocation of Building Operations	<u>21,954</u>	<u>20,772</u>	<u>(66,441)</u>	<u>23,715</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>\$ 2,106,117</u>	<u>\$ 253,050</u>	<u>\$ -</u>	<u>\$ 245,224</u>	<u>\$ 2,604,391</u>	<u>\$ 2,268,730</u>

The accompanying notes are an integral part of these 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 generally exempt from income taxes, except for those on unrelated trade or business income.

2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

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

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 fundraising 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 12,069 volunteer hours were contributed, including 3,536 hours by volunteers from local companies participating in 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.

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.

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

The Organization sponsors 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 \$19,578 and \$24,948 for the years ended June 30, 2013 and 2012, 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.

Advertising

The Organization charges advertising costs to expense as incurred.

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, 2013 and 2012, the Organization received donor designations to outside parties of \$226,326 and \$263,719, 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.

Income 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.

Uncertain Tax Positions

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. The Organization's Forms 990, Return of Organization Exempt from Income Taxes, for fiscal years ended June 30, 2013, 2012, 2011 and 2010 remain open to examination by the Internal Revenue Service ("IRS"). The Organization had no material adjustments to its liabilities for unrecognized income tax benefits.

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, 2012, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to prior-year balances to present the financial statements on a consistent basis with the current year presentation. Such reclassifications have not changed previously reported net asset amounts.

3. Cash and Cash Equivalents

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

	2013	2012
Cash	\$ 159,857	\$ 101,127
Unrestricted money market accounts	<u>129,475</u>	<u>132,783</u>
Total	<u>\$ 289,332</u>	<u>\$ 233,910</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, 2013, the Organization's bank statement balance totaled \$385,295. Of the cash balance, \$329,051 was insured through the FDIC. The remainder was insured through the Deposit Insurance Fund of Massachusetts.

Berkshire United Way, Inc.

Notes to Financial Statements

4. Contracts for Services

The Organization held the following contracts for services during the years ended June 30, 2013 and 2012:

Department of Health and Human Services (“DHHS”)

Substance Abuse and Mental Health Services Administration: Drug Free Communities

These funds are to be used to cover expenses relating to the Pittsfield Prevention Partnership (“PPP”) 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 amount billed for the years ended June 30, 2013 and 2012 were \$125,197 and \$102,754.

Drug Free Communities - The Sober Truth on Preventing Underage Drinking (“Stop Act”)

During the year ended June 30, 2013 the Organization, on behalf of the Pittsfield Prevention Partnership, was awarded a grant under The Sober Truth on Preventing Underage Drinking (“Stop Act”) program to support PPP activities aimed at preventing and reducing underage drinking. The amount billed during the year ended June 30, 2013 was \$24,140.

Other Contracts

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, covers expenses related to the Berkshire Youth Development Project activities in central Berkshire County aimed at positive youth development. The amount billed for each of the years ended June 30, 2013 and 2012 was \$26,250.

The Massachusetts Department of Early Education and Care (“EEC”), US Department of Education Race to the Top Early Learning Challenge

During the year ended June 30, 2013, the Organization was awarded a two year grant in the amount of \$200,000 from EEC to support community wide strategies to bring greater alignment to the Birth to Grade Three population in an effort to improve outcomes for children birth through eight years old by setting goals and tracking results. The amount billed during the year ended June 30, 2013 was \$54,752.

5. Grants Receivable

Grants receivable consisted of the following at June 30, 2013 and 2012:

	2013	2012
Department of Health and Human Services	\$ 52,664	\$ 24,839
Northern Berkshire Community Coalition	10,521	14,908
Massachusetts Department of Early Education and Care	<u>16,367</u>	<u>-</u>
Total	<u>\$ 79,552</u>	<u>\$ 39,747</u>

Berkshire United Way, Inc.
Notes to Financial Statements

6. Investments

Investments are measured on a recurring basis and determined by quoted market prices and other relevant information generated by market transactions (Level 1 inputs).

Investments are comprised of the following groups and reported at fair value at June 30:

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, 2013 and 2012:

	2013		2012	
	Cost	Market Value	Cost	Market Value
Unrestricted				
GE Good Neighbor Fund	\$ 113	\$ 113	\$ 139	\$ 139
General Investment	1,077,845	1,229,372	1,122,737	1,259,081
General Endowment	3,565	3,565	1,909	1,909
Board Designated, 3-Month Reserve	533,991	609,874	465,173	521,663
Total Unrestricted Investments	<u>1,615,514</u>	<u>1,842,924</u>	<u>1,589,958</u>	<u>1,782,792</u>
Temporarily Restricted				
Boraski Endowment	11,704	11,704	8,338	8,338
Total Temporarily Restricted Investments	<u>11,704</u>	<u>11,704</u>	<u>8,338</u>	<u>8,338</u>
Permanently Restricted				
GE Good Neighbor Fund	78,933	78,933	78,933	78,933
Boraski Endowment	209,673	227,215	191,960	211,803
General Endowment	34,675	35,679	30,454	34,504
Total Permanently Restricted Investments	<u>323,281</u>	<u>341,827</u>	<u>301,347</u>	<u>325,240</u>
Total Investments	<u>\$ 1,950,499</u>	<u>\$ 2,196,455</u>	<u>\$ 1,899,643</u>	<u>\$ 2,116,370</u>

Investments held in the above investment accounts on June 30, are comprised of the following groups:

Berkshire United Way, Inc.
Notes to Financial Statements

	2013	2012
Equity securities	\$ 1,191,477	\$ 1,262,994
Corporate bonds	523,644	388,059
Certificates of deposit – maturing in greater than 3 months	113	139
Other fixed income	195,911	229,299
Foreign assets	185,683	144,299
Permanently restricted money market accounts	<u>99,627</u>	<u>91,580</u>
Total Investments	<u>\$ 2,196,455</u>	<u>\$ 2,116,370</u>
Current portion of investments:		
Unrestricted	\$ 1,842,924	\$ 1,782,792
Temporarily restricted	<u>11,704</u>	<u>8,338</u>
Total current portion of investments	1,854,628	1,791,130
Permanently restricted	<u>341,827</u>	<u>325,240</u>
Total Investments	<u>\$ 2,196,455</u>	<u>\$ 2,116,370</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2013 and 2012:

<u>Year ended June 30, 2013</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 41,574	\$ -	\$ 5,625	\$ 47,199
Fees and other costs	(18,043)	-	(2,342)	(20,385)
Unrealized gains	36,245	-	8,358	44,603
Realized gains	<u>79,972</u>	<u>-</u>	<u>8,718</u>	<u>88,690</u>
	<u>\$ 139,748</u>	<u>\$ -</u>	<u>\$ 20,359</u>	<u>\$ 160,107</u>

<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>

7. Property and Equipment

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

	2013	2012
Land and improvements	\$ 128,939	\$ 128,939
Buildings and improvements	532,347	515,613
Furniture and equipment	<u>220,169</u>	<u>143,508</u>
Total	881,455	788,060
Accumulated depreciation	<u>(515,536)</u>	<u>(496,838)</u>
Property and equipment, net	<u>\$ 365,919</u>	<u>\$ 291,222</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$27,759 and \$27,408, 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 \$1,380,479 and \$1,313,571 at June 30, 2013 and June 30, 2012, respectively. These grants are contingent upon the agencies accomplishing established criteria, and the Organization reaching fundraising goals.

9. Long-Term Debt

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

	2013	2012
Commercial Pledge Agreement payable to Berkshire Bank in monthly installments of \$1,564 with interest to be no lower than 3.0%. At June 30, 2013 the interest rate was 3.0%. The note is due August 2018, and is collateralized with unrestricted investments.	<u>\$ 89,626</u>	<u>\$ 105,325</u>
Total long-term debt	89,626	105,325
Less: current portion of long-term debt	<u>(16,303)</u>	<u>(15,340)</u>
Total long-term debt, net of current portion	<u>\$ 73,323</u>	<u>\$ 89,985</u>

Berkshire United Way, Inc.
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Future principal payments are as follows:

Year Ending		
June 30, 2014	\$	16,303
June 30, 2015		16,799
June 30, 2016		17,310
June 30, 2017		17,836
June 30, 2018		18,379
Thereafter		<u>2,999</u>
Total	<u>\$</u>	<u>89,626</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. At June 30, 2013 and 2012 there were no outstanding balances on the line of credit. 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 rent received was \$84,930 and \$85,530 for the years ended June 30, 2013 and 2012, respectively.

The future minimum rental income is as follows:

Year Ended		
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.

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:

	2013	2012
Purpose restriction accomplished; funds were expended for:		
Children's programs	\$ 12,516	\$ 28,890
General programs	-	1,438
Community impact	<u>47,890</u>	<u>79,632</u>
Total net assets released from restriction	<u>\$ 60,406</u>	<u>\$ 109,960</u>

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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 \$11,704 and \$68,388 at June 30, 2013, and 2012, respectively. Temporarily restricted net assets are available for the following purposes:

	June 30,	
	2013	2012
Ruth P. Boraski Children's endowment	\$ 10,048	\$ 8,338
Community impact	<u>1,656</u>	<u>60,000</u>
Total	<u>\$ 11,704</u>	<u>\$ 68,338</u>

13. Permanently Restricted Net Assets

At June 30, 2013, the Organization's endowment consists of The GE Good Neighbor Fund, Ruth Boraski Children's Endowment Fund, and General Endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Income from the Ruth Boraski Children's Fund is to be used for special needs and grants.

The Board of Directors has adopted an investment policy that is in accordance with Massachusetts General Law Chapter 180A, Uniform Prudent Management of Institutional Funds ("UPMIFA"). UPMIFA, which, except for gift instruments stating otherwise, allows an organization to spend below the fund's historical dollar value and does away with the 7% spending limitation. It sanctions application of a reasonable spending rate to all endowment funds.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization 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 Organization in a manner consistent with the standard of prudence prescribed by that standard. In accordance with that standard, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets.

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Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4.5%, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

Spending Policy. The Organization has a policy of appropriating for distribution each year 4.5% of its endowment fund's average fair value of the prior three fiscal year-ends preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Permanently restricted net assets are comprised of the following:

	June 30,	
	2013	2012
Ruth P. Boraski Children's endowment	\$227,214	\$ 211,803
General endowment	35,680	34,504
GE Good Neighbor	<u>78,933</u>	<u>78,933</u>
Total	<u>\$341,827</u>	<u>\$ 325,240</u>

The following summarizes the changes in the permanently restricted net assets:

	June 30,	
	2013	2012
Balance beginning of year	\$ 325,240	\$ 333,950
Contributions	-	-
Investment income	3,283	-
Realized and unrealized gains, net	17,076	(3,787)
Expenditures	<u>(3,772)</u>	<u>(4,923)</u>
Balance end of year	<u>\$ 341,827</u>	<u>\$ 325,240</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, 2013 and 2012 were \$609,874 and \$521,663, respectively

15. In-Kind Contributions

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

	2013	2012
Fundraising/Campaign		
Advertising	\$ 2,305	\$ 7,986
Event sponsorship	5,778	8,452
Building & Office improvements	2,028	-
Printing	<u>2,009</u>	<u>893</u>
	<u>\$ 12,120</u>	<u>\$ 17,331</u>

16. Subsequent Events

Management has evaluated events and transactions after the balance sheet date through October 17, 2013, the date that the financial statements were available to be issued, and determined that all appropriate subsequent event disclosures, if any, have been made.