



UNITED WAY OF SNOHOMISH COUNTY

Financial Statements with
Independent Auditors' Report

June 30, 2008

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Management's Report United Way of Snohomish County 2008 Financial Statements

The United Way of Snohomish County (UWSC) is responsible for the preparation, integrity, and fair presentation of its published financial statements. UWSC management is responsible for the reliability and objectivity of the financial statements. The statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgments of management.

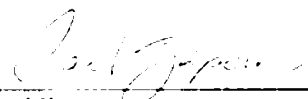
The Board of Directors, operating through its Audit Committee, provides oversight of the financial reporting process and safeguarding of assets against unauthorized acquisition, use, or disposition.

UWSC maintains a system of internal control over financial reporting and over safeguarding of assets which is designed to provide reasonable assurance to management, the Finance Committee, and the Board of Directors regarding the preparation of reliable published financial statements.

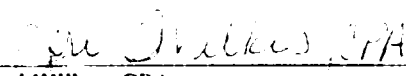
I, Carl Zapora, President & CEO, and I, Jeri Wilkes, Vice President of Finance and Administration, certify that:

1. We have reviewed these financial statements;
2. Based on our knowledge, the statements do not contain any untrue statement of a material fact, nor do they omit a material fact;
3. Based on our knowledge, the financial statements fairly present in all material respects the financial position, results of operations, changes in net assets, and cash flows of the United Way of Snohomish County; in accordance with accounting principles generally accepted in the United States of America.
4. We are responsible for establishing and maintaining a system of internal controls and procedures;
5. We are responsible for disclosing any significant deficiencies and material weaknesses in the internal controls over financial reporting, and any known fraud or allegations of fraud that involves management or other employees, of which we are not aware of any such conditions existing for the year ended June 30, 2008.

As of June 30, 2008, the United Way of Snohomish County believes its system of internal controls over financial reporting was effective for providing reliable financial statements.

Signed: 

Carl Zapora
President



Jeri Wilkes, CPA
Vice President of Finance and Administration

Independent Auditors' Report***Board of Directors
United Way of Snohomish County
Everett, Washington***

We have audited the accompanying statement of financial position of United Way of Snohomish County (the Organization) as of June 30, 2008, and the related statement of activities, functional expenses and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2007 financial statements and in our report dated October 10, 2007, 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 United Way of Snohomish County as of June 30, 2008, and the changes in net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the financial statements, a certain error resulting in the net asset classification of a contribution received was discovered by management of United Way of Snohomish County during the year. Accordingly, adjustments have been made to net assets as of June 30, 2007 to correct the error.



Certified Public Accountants
Bellevue, Washington
October 13, 2008

UNITED WAY OF SNOHOMISH COUNTY
Statement of Financial Position
June 30, 2008
(With Comparative Totals for 2007)

	2008	2007 (As restated Note 14)
Current Assets:		
Cash and cash equivalents	\$ 1,858,188	\$ 997,861
Current portion of pledges and grants receivable (Note 2)	4,801,051	4,890,651
Prepaid expenses and other current assets	131,666	90,568
Total Current Assets	6,790,905	5,979,080
Investments (Note 3)	625,798	718,923
Board designated investments (Note 3)	1,334,456	1,417,650
Assets restricted by donors for long-term purposes (Note 3)	47,506	109,518
Pledges and grants receivable, net (Note 2)	95,207	165,213
Beneficial interest in assets held by others (Note 5)	50,000	50,000
Property and equipment, net (Note 4)	3,871,336	3,943,450
Total Assets	\$ 12,815,208	\$ 12,383,834
Current Liabilities:		
Accounts payable	\$ 56,808	\$ 26,864
Accrued expenses	59,735	52,204
Community impact grants and other grants payable	3,324,872	3,293,670
Designations payable	2,347,363	1,877,079
Current portion of long-term debt (Note 7)	52,517	49,565
Current portion of line of credit (Note 6)	206,353	
Total Current Liabilities	6,047,648	5,299,382
Line of credit, less current portion (Note 6)		283,391
Long-term debt, less current portion (Note 7)	2,645,211	2,690,629
Total Liabilities	8,692,859	8,273,402
Net Assets:		
Unrestricted:		
Undesignated	1,818,225	1,593,204
Designated by the Board of Directors (Note 10)	1,334,456	1,417,650
Total unrestricted net assets	3,152,681	3,010,854
Temporarily restricted (Note 11)	968,318	1,099,578
Permanently restricted (Note 12)	1,350	
Total Net Assets	4,122,349	4,110,432
Total Liabilities and Net Assets	\$ 12,815,208	\$ 12,383,834

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

UNITED WAY OF SNOHOMISH COUNTY

Statement of Activities

For the Year Ended June 30, 2008

(With Comparative Totals for 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008 Total</u>	<u>2007 Total (As restated Note 14)</u>
Public Support, Revenues and Gains:					
Gross campaign results	\$ 6,787,270	\$ 883,555	\$ -	\$ 7,670,825	\$ 7,265,961
Less: donor designations	(3,360,629)			(3,360,629)	(2,660,705)
Less: provision for uncollectible pledges	(523,596)			(523,596)	(609,363)
Net campaign revenue	2,903,045	883,555		3,786,600	3,995,893
Designations from other United Ways	435,175			435,175	465,521
Recovery from prior campaign payments	11,709			11,709	13,355
Grant and program support income	2,102,769	43,025		2,145,794	2,385,899
Capital campaign contributions	46,429			46,429	1,037,462
Endowment contributions			1,350	1,350	
In-kind contributions	20,731			20,731	91,524
Rental income, net of expenses of \$182,424 (\$79,404 - 2007) including depreciation expense of \$45,525 (\$18,506 - 2007)	4,100			4,100	99,676
Service fees and other income	235,090			235,090	232,939
Investment income (Note 3)	86,051			86,051	77,808
Realized and unrealized (losses) gains (Note 3)	(147,773)			(147,773)	160,296
Snohomish County 'Opoly loss					(11,212)
Net assets released from restriction	1,057,840	(1,057,840)			
Total Public Support, Revenues and Gains	6,755,166	(131,260)	1,350	6,625,256	8,549,161
Expenses:					
Program services					
Gross funds awarded/designated	6,784,193			6,784,193	5,964,314
Less: donor designations	(3,360,629)			(3,360,629)	(2,660,705)
Net funds awarded	3,423,564			3,423,564	3,303,609
Community impact and investment	1,404,080			1,404,080	1,296,060
Total program services	4,827,644			4,827,644	4,599,669
Supporting services					
Resource development	839,088			839,088	751,992
Branding and communications	314,971			314,971	261,005
Organizational administration	556,699			556,699	651,689
United Way of America dues	74,937			74,937	81,533
Total supporting services	1,785,695			1,785,695	1,746,219
Total Expenses	6,613,339			6,613,339	6,345,888
Change in Net Assets	141,827	(131,260)	1,350	11,917	2,203,273
Beginning of year net assets	3,010,854	1,099,578		4,110,432	1,907,159
End of Year Net Assets	\$ 3,152,681	\$ 968,318	\$ 1,350	\$ 4,122,349	\$ 4,110,432

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

UNITED WAY OF SNOHOMISH COUNTY

**Statement of Functional Expenses
For the Year Ended June 30, 2008
(With Comparative Totals for 2007)**

	Program Services							Support Services					2008	2007	
	Financial Stability	Success By 6®	Volunteer Center	Kids Matter Vision Council	Families Matter Vision Council	Community Matters Vision Council	Designations To Other Agencies	Total	Resource Development	Branding and Communications	Organizational Administration	United Way of America Dues	Total	Total Expenses	Total (As restated Note 14)
Gross funds awarded/designated	\$ -	\$ -	\$ -	\$ 1,360,766	\$ 1,360,766	\$ 702,032	\$ 3,360,629	\$ 6,784,193	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,784,193	\$ 5,964,314
Less: donor designations							(3,360,629)	(3,360,629)						(3,360,629)	(2,660,705)
Net Funds Awarded				1,360,766	1,360,766	702,032		3,423,564						3,423,564	3,303,609
Salaries, benefits and taxes	105,799	99,145	66,955	315,684	102,982	138,698		829,263	502,532	146,933	417,986		1,067,451	1,896,714	1,690,673
Professional fees	2,223	2,923	19,495	29,639	7,513	22,023		83,816	14,426	42,245	45,454		102,125	185,941	155,990
Supplies	3,010	4,990	665	6,208	1,615	1,602		18,090	5,672	2,482	5,979		14,133	32,223	24,648
Telephone	128	181	147	2,940	1,279	1,308		5,983	2,844	1,201	3,853		7,898	13,881	24,628
Postage and shipping	558	330	706	1,872	1,525	1,217		6,208	2,792	9,501	5,980		18,273	24,481	21,517
Occupancy	133	128	63	26,591	13,264	10,662		50,841	26,365	13,953	33,049		73,367	124,208	302,031
Rental and maintenance of equipment	285	348	2,802	3,432	1,665	1,918		10,450	4,268	5,581	4,809		14,658	25,108	19,917
Printing and publications	4,833	1,555	7,231	1,083	2,039	13,393		30,134	23,795	63,996	988		88,779	118,913	102,730
Local travel and meetings	3,406	2,728	3,858	5,355	6,809	7,623		29,779	10,329	828	4,341		15,498	45,277	44,458
Events	1,607	26	10,959	412	9,299	9,319		31,622	20,270	32	72		20,374	51,996	50,608
Staff/volunteer development	2,791	1,045	1,234	4,509	7,309	6,275		23,163	14,106	11,369	4,229		29,704	52,867	26,004
Membership dues		238	311	922	2,724	886		5,081	981	925	2,889		4,795	9,876	6,914
Insurance	5	5	3	3,611	1,802	1,445		6,871	3,540	1,900	5,046		10,486	17,357	16,999
Campaign executives			210	17	17	17		261	119,993				119,993	120,254	97,732
In-kind expenses	112	137	69	2,752	1,269	1,208		5,547	10,511	4,284	389		15,184	20,731	91,524
Miscellaneous	1,470	306	1,199	1,686	856	1,317		6,834	1,356	858	137		2,351	9,185	8,546
Program and individual support	63,298	5,521		2,985		154,059		225,863	57,043				57,043	282,906	226,881
Depreciation	860	918	455	17,090	8,081	6,870		34,274	18,265		8,883		48,646	82,920	48,946
Sub-Total	190,518	120,524	116,362	426,788	170,048	379,840		1,404,080	839,088	314,971	556,699		1,710,758	3,114,838	2,960,746
United Way of America dues												74,937	74,937	74,937	81,533
Total Expenses	\$ 190,518	\$ 120,524	\$ 116,362	\$ 1,787,554	\$ 1,530,814	\$ 1,081,872	\$ -	\$ 4,827,644	\$ 839,088	\$ 314,971	\$ 556,699	\$ 74,937	\$ 1,785,695	\$ 6,613,339	\$ 6,345,888

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

UNITED WAY OF SNOHOMISH COUNTY

Statement of Cash Flows

For the Year Ended June 30, 2008

(With Comparative Totals for 2007)

	<u>2008</u>	<u>2007 Total (As restated Note 14)</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 11,917	\$ 2,203,273
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	128,445	67,452
Loss on disposal of fixed assets	353	
Net realized and unrealized loss (gain) on investment	147,773	(160,296)
Contributions restricted for investment in long-term assets	(46,429)	(1,037,462)
Changes in assets and liabilities:		
Pledges receivable	68,668	(226,115)
Prepaid expenses and other assets	(41,098)	31,801
Inventory		17,500
Accounts payable and accrued expenses	37,475	(602)
Designations payable	470,284	(273,925)
Community impact grants and other grants payable	31,202	(169,298)
Net Cash Provided by Operating Activities	<u>808,590</u>	<u>452,328</u>
Cash Flows from Investing Activities:		
Purchases of fixed assets	(56,684)	(3,948,906)
Purchase of investments	(926,177)	(54,270)
Proceeds from sale of investments	1,016,735	32,761
Net Cash Provided by (Used in) Investing Activities	<u>33,874</u>	<u>(3,970,415)</u>
Cash Flows from Financing Activities		
Net line of credit activity	(77,038)	283,391
Proceeds from issuance of long-term debt		2,760,000
Payments on long-term debt	(42,466)	(19,806)
Contributions received restricted for investment in long-term assets	137,367	757,516
Net Cash Provided by Financing Activities	<u>17,863</u>	<u>3,781,101</u>
Net Change in Cash	<u>860,327</u>	<u>263,014</u>
Cash balance, beginning of year	997,861	734,847
Cash Balance, End of Year	<u>\$ 1,858,188</u>	<u>\$ 997,861</u>
Supplementary Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 187,388	\$ 91,445

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

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements

Note 1 - Nature of Operations and Significant Accounting Policies

Organization - United Way of Snohomish County (the Organization) is a local not-for-profit organization with the mission of leading positive change that transforms our community and improve people's lives in Snohomish County. Working together, the Board of Directors, Vision Council volunteers and staff employ multiple strategies to achieve United Way's mission. The Board oversees all aspects of the Organization, including approval of funding decisions. Vision Councils are comprised of community volunteers whose efforts are supported by employees of the Organization. They identify critical community issues and invest resources to create the most effective and successful impact in the community. Dollars are directed to programs, initiatives, and services that demonstrate positive outcomes and are aligned with the Organization's impact areas. The three Vision Councils and various initiatives are:

- Kids Matter Vision Council - Our goal is that all infants, children and youth are nurtured and have the opportunity to succeed in school, develop life skills, and reach their highest potential. Success By 6®, The Parent Place (an online database of over 1,000 local resources) and Born Learning (a public engagement campaign to help adults explore simple ways to turn everyday moments into learning activities) are funded through this Council, in addition to 42 nonprofit programs in the community.
- Families Matter Vision Council - Our goal is that all individuals and families have access to the basic needs of food, shelter, health care, and the opportunity to live independently. The Financial Stability Partnership's free tax preparation program and IDA Collaborative are funded through this Council, along with 25 nonprofit programs in the community.
- Community Matters Vision Council - Our goal is that all residents and communities are connected, engaged and supported. The Volunteer Center and 2-1-1 are funded through this Council, along with 26 nonprofit programs in the community. 2-1-1 is the three-digit telephone number assigned by the Federal Communications Commission for access to information about health and human services. United Way led the way in bringing 2-1-1 to Washington state. Whether providing support in a crisis situation or referring the caller to resources, the 2-1-1 information and referral line is a critical part of our health and human service system.
- Financial Stability - The Financial Stability Partnership seeks to move families in Snohomish County to greater economic independence. Key strategies are partnering to develop a county-wide Financial Asset Development Coalition of organizations committed to working on moving families toward financial independence. United Way is a leader at the local and state level. Two primary tools are Individual Development Accounts (IDA's) and a Free Tax Preparation program. IDA's are matched savings accounts that help families accumulate savings for high-return investments in education, homeownership and small businesses. Account holders take financial education classes and save toward their goal. A local IDA Collaborative led by United Way matches the savings at a rate of 3:1 for this fiscal year. Free tax preparation helps low- and moderate-income individuals and families file their income taxes and claim tax credits such as the Earned Income Tax Credit. This federal program supporting working families has been credited with lifting more children out of poverty than any other single program.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements

Note 1 - Continued

- Success By 6 ® - Success By 6 ® works with childcare providers and families of young children to educate them on social and emotional development and to assess their progress. Research shows that when young children can cooperate, work independently, express emotions appropriately and solve problems, they enter kindergarten more likely to succeed academically and throughout their lives.
- Volunteer Center - United Way's Volunteer Center is a key resource for volunteer involvement in our community. It offers a broad range of programs and services, including training and assistance for volunteer management, developing volunteer recognition programs, and recruiting and referring people to volunteer opportunities. The Center maintains an online database that matches interested volunteers with projects in their community and organizes the annual Days of Caring volunteer event.

Board of Directors - The Organization is governed by an elected board of volunteers, which at any time must be comprised of no less than twenty-one members.

Basis of Presentation - Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions that the donor requires to be used to acquire long-lived assets (e.g., building improvements, furniture, fixtures and equipment) are reported as temporarily restricted when not expended in that same year, otherwise they are treated as unrestricted. When the long-lived assets are acquired, the Organization reflects the expiration of the donor-imposed restriction as a reclassification included in net assets released from restrictions.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements

Note 1 - Continued

Cash and Cash Equivalents - The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, except those held in the investment portfolio.

Allowance for Uncollectible Pledges - Provision for uncollectible pledges is primarily based upon a three-year historical average, applied to gross campaign revenues, including donor designations. The allowance estimate is also affected by management's evaluation of the quality, character, current trends and inherent risks associated with the receivables.

Investments - Investments are carried at market value and are presented in the financial statements. Realized and unrealized gains and losses are reflected in the statement of activities.

Property and Equipment - The Organization capitalizes assets with a cost greater than \$500 and an estimated useful life of one or more years. Purchased property and equipment is carried at cost. Donated property and equipment is recorded at market value when received. Provision for depreciation of all items of property and equipment is computed using the straight-line method over the estimated useful lives of the assets: 5 to 10 years for furniture and equipment, 3 to 7 years for computer equipment and software and 38 years for buildings.

Designations Payable - Funds are distributed to over 800 not-for-profit agencies in accordance with donor instructions. To be eligible to receive these funds, a not-for-profit organization must have been granted exemption under 501(c)(3) of the Internal Revenue Code and must comply with U.S. Patriot Act requirements.

Assets Held as Fiscal Agent - The Organization acts as a fiscal agent for community initiatives. Funds are received and disbursed according to initiative directions. United Way of Snohomish County also acts as a processor or fiscal agent for large corporate United Way campaign accounts. United Way of Snohomish County also receives and processes funds for other United Ways that are raised by other United Ways or combined campaigns. These funds are not recorded as revenue and are included in designations payable in the statement of financial position and totaled \$69,318 and \$58,484 as of June 30, 2008 and 2007, respectively.

Contributions - Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period received. Contributions with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

Gross Campaign Results – Gross campaign results consist of funds raised as a result of the Organization's fundraising efforts during the normal course of our campaign. This includes gifts to the Local Community Fund as well as gifts that are designated to other non-profits. Included in this total for the fiscal year ending June 30, 2008 were the Boeing Employees' Community Fund (ECF) designated contributions of \$1,140,609. These gifts were donor-designated to non-profit agencies in Snohomish County. It is the intent of the ECF that the Organization record this amount in the gross campaign results.

Grant and Program Support Income - The grant and program support includes grants to specific initiatives and programs within the Organization. Included in this total for the fiscal year ending June 30, 2008 were \$2,111,700 of undesignated contributions received from the ECF. The Organization applies annually for a grant from ECF with the funding decision solely up to ECF's Board of Directors. This grant is similar to other grants received by the Organization from other funders, foundations and government sources.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements

Note 1 - Continued

Cost Deductions - The Organization has committed to and was in compliance with the Cost Deduction Requirements for Membership Requirement M, as established by the United Way of America. The standard establishes uniform rules for deducting resource development and organizational administration expenses from donor pledges.

In-kind Contributions - Donated assets and services are reflected as contributions in the accompanying statements at their estimated values at date of receipt. Contributions of services are recognized if the services received create or enhance a non-financial asset or the services require specialized skills that are provided by individuals possessing those skills.

	<u>2008</u>	<u>2007</u>
Contributed publications	\$ 14,100	\$ 2,112
Contributed software and training	2,000	89,412
Contributed facilities	3,281	
Miscellaneous	<u>1,350</u>	<u> </u>
	<u>\$ 20,731</u>	<u>\$ 91,524</u>

Advertising - Advertising costs are charged to operations when incurred. Advertising costs for the year ended June 30, 2008 and 2007 totaled \$49,856 and \$20,689, respectively.

Federal Income Tax - The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3); accordingly, no provision has been made for federal income tax in the accompanying financial statements. The Organization has limited unrelated business income that is subject to tax and whose liability is not material to the financial statements.

Financial Instruments and Credit Risk Concentration - Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and investments. The Organization maintains its cash and investments in depository institution accounts that, at times, may exceed federally insured limits. The Organization limits its risk by placing its cash and investments only with high quality financial institutions.

Combined Federal Campaign - By agreement with the Local Federal Coordinating Committee (LFCC), the Organization acts as a Principal Combined Fund Organization (PCFO) in managing the Combined Federal Campaign (CFC) for the North Puget Sound Region of Washington. Established by the federal government in 1961, the CFC is the only authorized charitable fundraising campaign for federal employees, both civilian and military. The LFCC, comprised of local federal employees and authorized by CFC regulations, organizes the CFC and appoints a PCFO to manage the campaign.

For the 2006 campaign, which ended March 31, 2008, total campaign receipts were \$529,722 with total campaign disbursements and administrative expenses being \$451,053 and \$78,659, respectively.

For the 2005 campaign, which ended March 31, 2007, total campaign receipts were \$547,828 with total campaign disbursements and administrative expenses being \$471,073 and \$76,755, respectively.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements

Note 1 - Continued

Concentration - The Organization raised campaign contributions from one company and its employees representing 22% and 26% of campaign revenues for the years ending June 30, 2008 and 2007, respectively. The Organization also received grant funding from the same company representing 98% of grant revenue for the year ending June 30, 2008.

Functional Expense Allocation - Directly identifiable expenses are charged to program and support services. Expenses related to more than one function are charged to programs and support services based on the number of employees in each respective function. Organizational and administration expenses include those expenses which are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Summarized Information for 2007 - 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, 2007, from which the summarized information was derived.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Note 2 - Pledges and Grants Receivable

The year end June 30, 2008 pledge and grants receivable balance includes \$1,329,834 of outstanding grants receivable, which is also included in the less than one year category below. Pledges and grants receivable as of June 30, 2008 are due as follows:

Amounts due in:	
Less than one year	\$ 5,350,051
Less: Allowance for uncollectible pledges	<u>549,000</u>
Current portion of pledges and grants receivable	4,801,051
Amounts due in:	
Two to five years	100,827
Less: Present value discount (4.0%)	<u>5,620</u>
Long-term pledges receivable	95,207
Total Net Pledges and Grants Receivable	<u>\$ 4,896,258</u>

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements

Note 3 - Investments

The majority of the Organization's investments are designated or restricted for the following non-current uses:

	<u>2008</u>	<u>2007</u>
Board designated (Note 10):		
Reserve fund	\$ 637,164	\$ 667,367
Evergreen quasi-endowment	662,064	718,130
Individual development accounts	<u>35,228</u>	<u>32,153</u>
Total board designated investments for non-current uses	1,334,456	1,417,650
Assets restricted by donors for long-term purposes	47,506	109,518
Investments, undesignated and unrestricted	<u>625,798</u>	<u>718,923</u>
Total	<u>\$ 2,007,760</u>	<u>\$ 2,246,091</u>

As of June 30, 2008, assets restricted by donors for long-term purposes represented donor contributions temporarily restricted for the individual development accounts, as well as, permanently restricted donor contributions. The board designated portion of the individual development accounts represents accumulated earnings on the investments.

The investments noted above are composed of the following:

	<u>2008</u>	<u>2007</u>
Money market funds	\$ 368,625	\$ 258,424
Certificate of deposits		52,847
Mutual funds	26,058	57,072
Fixed income investments	867,156	920,383
Equity investments	<u>745,921</u>	<u>957,365</u>
Total Investments	<u>\$ 2,007,760</u>	<u>\$ 2,246,091</u>

Investment income was as follows:

Dividends and interest	\$ 100,352	\$ 91,561
Less: investment fees	<u>(14,301)</u>	<u>(13,753)</u>
	86,051	77,808
Realized and unrealized (losses) gains	<u>(147,773)</u>	<u>160,296</u>
Total Investment (Loss) Return	<u>\$ (61,722)</u>	<u>\$ 238,104</u>

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements

Note 4 - Property and Equipment

A summary of property and equipment is as follows:

	<u>2008</u>	<u>2007</u>
Land	\$ 420,000	\$ 420,000
Building	3,479,443	3,472,420
Software and computer equipment	379,135	436,958
Furniture and fixtures	<u>53,042</u>	<u>87,394</u>
	4,331,620	4,416,772
Less accumulated depreciation	<u>(460,284)</u>	<u>(473,322)</u>
Total Property and Equipment, net	<u>\$ 3,871,336</u>	<u>\$ 3,943,450</u>

Note 5 - Beneficial Interest in Assets Held by Others

In 2004, the Organization transferred \$100,000 to the Greater Everett Community Foundation (the Foundation) to establish the "Human Services Endowment in Honor of Bob Drewel" endowment fund. Under the terms of the agreement, distributions from the fund's earnings shall be made at mutually agreed-upon times, but at least annually, in accordance with the Foundation's resolutions, policies and procedures. Earnings in excess of the amount dictated by the application of the Foundation's spending policy are to be distributed to the Organization in any year as determined by the Foundation's Board of Directors, provided one of the following conditions is met: (1) the distribution is for the purpose of enabling the Organization to acquire or renovate a capital asset; (2) the Organization is faced with unexpected financial needs that are not likely to recur, and the distribution will enable the Organization to meet those needs, or (3) a change in economic conditions requires a distribution to provide for the funding of community impact grants by the Organization.

The Foundation's spending policy dictates that the Foundation, in any period, will not expend greater than fifty percent of the annual earnings of the fund. As the Organization retains beneficial interest in the excess earnings of the assets transferred, the Organization has recorded a beneficial interest equal to fifty percent of the assets transferred.

Note 6 - Line Of Credit

At June 30, 2007, the Organization had available an unsecured line of credit with a borrowing maximum of \$200,000. The line accrued interest at the bank's prime rate plus .25%. During the year ending June 30, 2008, the Organization reduced the maximum borrowing amount to \$150,000. The line expired on April 1, 2008 and was not renewed.

At June 30, 2008, the Organization has available a line of credit with a borrowing maximum of \$500,000. The line accrues interest at the bank's prime rate plus .50% (5.5% and 8.75% at June 30, 2008 and 2007, respectively) and renews on January 17, 2009. At June 30, 2008 and 2007, the outstanding balance totaled \$206,353 and \$283,391, respectively. This line of credit is secured by all pledges receivable.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements

Note 7 - Long-Term Debt

Long-term debt consists of the following at June 30:

	<u>2008</u>	<u>2007</u>
Mortgage payable to a banking institution backed by Washington Housing Finance Commission Revenue Bonds, due February 1, 2032, payable \$13,784 per month, including interest of 6.11% until 2017, when the interest rate will be adjusted and will be adjusted thereafter every five years. This note is secured by a Deed of Trust on the Organization's building.	\$ 2,050,778	\$ 2,084,385
Mortgage payable to a banking institution, due February 1, 2032, payable \$4,810 per month, including interest of 7.24% until 2017, when the interest rate will be adjusted and will be adjusted thereafter every five years. This note is secured by a Deed of Trust on the Organization's building.	<u>646,950</u>	<u>655,809</u>
Less current portion	<u>2,697,728</u> <u>(52,517)</u>	<u>2,740,194</u> <u>(49,565)</u>
Total Long-Term Debt	<u>\$ 2,645,211</u>	<u>\$ 2,690,629</u>

Future principal maturities of debt are as follows:

Years Ending June 30,

2009	\$ 52,517
2010	55,953
2011	59,617
2012	63,521
2013	67,682
Thereafter	<u>2,398,438</u>
	<u>\$ 2,697,728</u>

Note 8 - Self Insurance

During the year ended June 30, 2008, the Organization was a member of the 501(c) Agencies Trust (formerly the Northwest Agencies Trust). 501(c) Agencies Trust (the Trust) facilitates the utilization by member agencies of the Reimbursement Financing Method of meeting obligations under State unemployment insurance statutes. As of June 30, 2008 and 2007, the Organization had deposits with the Trust of \$53,303 and \$52,449, respectively, which are reported in the statement of financial position as prepaid expenses. The Organization cannot reasonably estimate a liability for any unpaid unemployment claims as of yearend, accordingly a liability has not been accrued as of June 30, 2008 and 2007.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements

Note 9 - Retirement Plan

The Organization sponsors a defined contribution plan that covers substantially all of its employees. Contributions to the defined contribution plan are determined as a percentage of each covered employee's salary. The Organization also offers a 403(b) thrift plan to employees who have completed one year of service and have attained age 21. Contributions to the 403(b) thrift plan are provided as a percentage match of a participant's salary up to a maximum of five percent. Pension expense for the years ended June 30, 2008 and 2007 under these plans was \$59,189 and \$55,047, respectively.

Note 10 - Designated by the Board of Directors

The Board of Directors of the Organization designated net assets for the following purposes:

	<u>2008</u>	<u>2007</u>
Operating reserve fund	\$ 637,163	\$ 667,367
Evergreen quasi-endowment	662,064	718,130
Individual development accounts	<u>35,229</u>	<u>32,153</u>
	<u>\$ 1,334,456</u>	<u>\$ 1,417,650</u>

Note 11 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Program services	\$ 38,607	\$ 132,345
Time restriction	883,555	857,715
Individual development accounts	<u>46,156</u>	<u>109,518</u>
	<u>\$ 968,318</u>	<u>\$ 1,099,578</u>

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

	<u>2008</u>	<u>2007</u>
Program services	\$ 136,763	\$ 40,373
Time restriction	857,715	864,865
Individual development accounts	<u>63,362</u>	<u>32,751</u>
	<u>\$ 1,057,840</u>	<u>\$ 937,989</u>

Note 12 - Permanently Restricted Net Assets

Net assets of \$1,350 are permanently restricted as an endowment at June 30, 2008. The income from permanently restricted endowments is to be used to support the Organization's general operations.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements

Note 13 - Commitments

Operating Lease - The Organization leases as lessor a portion of its office space to a lessee. The lease provides for a monthly base rent which is adjusted annually for cost-of-living increases for the duration of the lease expiring in June 2010.

Minimum future rental receivables on the operating lease are as follows:

Year ending June 30:

2009	\$ 191,486
2010	<u>197,292</u>
	<u>\$ 388,778</u>

Puget Sound Labor Agency - The Organization has entered into an agreement with the Puget Sound Labor Agency (PSLA) for the marketing of the Organization's annual campaign to their union membership, as well as, work related to the Organization's program work and initiatives. Under terms of the contract, which expires in June 2011, the Organization is required to pay PSLA the following for services to be rendered:

Year ending June 30:

2009	\$ 121,464
2010	126,323
2011	<u>131,375</u>
	<u>\$ 379,162</u>

Note 14 - Prior Period Adjustment

During 2008, management determined that an \$800,000 contribution received in fiscal year 2007 had been improperly reported as unrestricted at June 30, 2007 when the donor's intent for the contribution was to support the fiscal year 2008 activities. As a result, unrestricted net assets at June 30, 2007 have been decreased by \$800,000 with temporarily restricted net assets being increased by the same amount.