



***UNITED WAY OF SNOHOMISH COUNTY***

Financial Statements

For the Year Ended June 30, 2011

# Management's Report

## United Way of Snohomish County

### 2011 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, Dennis G. Smith, President and CEO, and I, Jeri Wilkes, Vice President of Finance and Administration, certify that

We have reviewed these financial statements:

1. Based on our knowledge, the statements do not contain any untrue statement of a material fact, nor do they omit a material fact;
2. 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.
3. We are responsible for establishing and maintaining a system of internal controls and procedures;
4. 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, 2011.

As of June 30, 2011, the United Way of Snohomish County believes its system of internal controls over financial reporting was effective for providing reliable financial statements.

Signed:



Dennis G. Smith  
President and CEO



Jeri Wilkes, CPA  
Vice President of Finance and Administration

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***Independent Auditors' Report******Board of Directors  
United Way of Snohomish County  
Everett, Washington***Certified Public  
Accountants  
and Consultants

We have audited the accompanying statement of financial position of United Way of Snohomish County (the Organization) as of June 30, 2011, and the related statements 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, 2010, financial statements and in our report dated October 5, 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 United Way of Snohomish County as of June 30, 2011, 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.

Supplemental information on donated hours is included in Note 1 to the financial statements. The supplemental information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Certified Public Accountants  
October 11, 2011

**UNITED WAY OF SNOHOMISH COUNTY**

**Statement of Financial Position**

**June 30, 2011**

**(With Comparative Totals for 2010)**

	<u>2011</u>	<u>2010</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 2,165,080	\$ 2,713,752
Current portion of pledges and grants receivable, net (Note 2)	4,354,652	4,461,301
Prepaid expenses and other current assets	154,051	165,990
<b>Total Current Assets</b>	<b>6,673,783</b>	<b>7,341,043</b>
Investments (Note 3)	687,489	735,084
Assets designated by the Board of Directors for long-term purposes (Note 12)	1,417,742	1,239,016
Assets restricted by donors for long-term purposes (Note 1)	181,955	61,890
Pledges and grants receivable, net (Note 2)	6,000	11,291
Beneficial interest in assets held by others (Note 7)	50,000	50,000
Cash surrender value of charitable life insurance policy (Note 5)	17,609	
Property and equipment, net (Note 6)	3,599,171	3,684,083
<b>Total Assets</b>	<b>\$ 12,633,749</b>	<b>\$ 13,122,407</b>
<b>Current Liabilities:</b>		
Accounts payable	\$ 112,595	\$ 72,083
Accrued expenses	79,765	62,704
Community impact grants and other grants payable	2,550,095	2,585,833
Designations payable	2,096,262	2,140,815
Current portion of long-term debt (Note 9)	62,811	59,425
Line of credit (Note 7)		77,430
<b>Total Current Liabilities</b>	<b>4,901,528</b>	<b>4,998,290</b>
Long-term debt, less current portion (Note 9)	2,474,601	2,534,893
<b>Total Liabilities</b>	<b>7,376,129</b>	<b>7,533,183</b>
Commitments (Note 8)		
<b>Net Assets:</b>		
Unrestricted-		
Undesignated	2,872,016	2,898,826
Designated by the Board of Directors (Note 12)	1,417,742	1,239,016
<b>Total unrestricted net assets</b>	<b>4,289,758</b>	<b>4,137,842</b>
Temporarily restricted (Note 13)	891,426	1,447,957
Permanently restricted (Note 14)	76,436	3,425
<b>Total Net Assets</b>	<b>5,257,620</b>	<b>5,589,224</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 12,633,749</b>	<b>\$ 13,122,407</b>

See accompanying notes.

**UNITED WAY OF SNOHOMISH COUNTY**

**Statement of Activities  
For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
<b>Public Support, Revenues and Gains and Losses:</b>					
Gross campaign results (Note 1)	\$ 6,117,002	\$ 738,190	\$ -	\$ 6,855,192	\$ 7,576,654
Less donor designations	(3,203,785)			(3,203,785)	(3,196,512)
Less provision for uncollectible pledges	(404,479)			(404,479)	(377,797)
Net campaign revenue	2,508,738	738,190		3,246,928	4,002,345
Designations from other United Ways	354,244			354,244	311,191
Grant and program support income	1,824,427			1,824,427	1,900,772
Capital campaign contributions	252			252	2,701
Endowment contributions			73,011	73,011	2,000
In-kind contributions	26,025			26,025	92,966
Rental income					197,292
Service fees and other income	293,155			293,155	323,212
Investment income (Note 3)	45,036			45,036	48,019
Realized and unrealized gains (Note 3)	209,506			209,506	114,209
Net assets released from restriction (Note 13)	1,294,721	(1,294,721)			
<b>Total Public Support, Revenues and Gains and Losses</b>	<b>6,556,104</b>	<b>(556,531)</b>	<b>73,011</b>	<b>6,072,584</b>	<b>6,994,707</b>
<b>Expenses:</b>					
Program services-					
Gross funds awarded/designated	5,905,297			5,905,297	5,749,608
Less donor designations	(3,203,785)			(3,203,785)	(3,196,512)
Net funds awarded	2,701,512			2,701,512	2,553,096
Community impact and investment	1,614,647			1,614,647	1,534,911
Total program services	4,316,159			4,316,159	4,088,007
Supporting services-					
Resource development	1,136,412			1,136,412	1,005,918
Organizational administration	781,451			781,451	887,125
Rental activities	170,166			170,166	183,980
Total supporting services	2,088,029			2,088,029	2,077,023
<b>Total Expenses</b>	<b>6,404,188</b>			<b>6,404,188</b>	<b>6,165,030</b>
<b>Change in Net Assets</b>	<b>151,916</b>	<b>(556,531)</b>	<b>73,011</b>	<b>(331,604)</b>	<b>829,677</b>
Beginning of year net assets	4,137,842	1,447,957	3,425	5,589,224	4,759,547
<b>End of Year Net Assets</b>	<b>\$ 4,289,758</b>	<b>\$ 891,426</b>	<b>\$ 76,436</b>	<b>\$ 5,257,620</b>	<b>\$ 5,589,224</b>

See accompanying notes.

**UNITED WAY OF SNOHOMISH COUNTY**

**Statement of Functional Expenses  
For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)**

	Program Services							Supporting Services				2011 Total Expenses	2010 Total Expenses	
	Financial Stability	Early Learning Programs	Volunteer Center	Kids Matter Vision Council	Families Matter Vision Council	Community Matters Vision Council	Designations to Other Agencies	Total	Resource Development	Organizational Administration	Rental Activities			Total
Gross funds awarded/designated	\$ -	\$ -	\$ -	\$ 1,005,909	\$ 1,021,241	\$ 674,362	\$ 3,203,785	\$ 5,905,297	\$ -	\$ -	\$ -	\$ -	\$ 5,905,297	\$ 5,749,608
Less donor designations							(3,203,785)	(3,203,785)					(3,203,785)	(3,196,512)
Net funds awarded				1,005,909	1,021,241	674,362		2,701,512					2,701,512	2,553,096
Salaries, benefits and taxes	123,890	94,851	96,067	256,272	174,881	107,378		853,339	619,694	598,543		1,218,237	2,071,576	2,002,879
Professional fees	117,350	724	14,733	6,869	51,879	1,638		193,193	109,959	47,571	466	157,996	351,189	288,091
Supplies	11,096	1,637	1,776	1,592	2,386	1,038		19,525	3,892	6,265		10,157	29,682	40,539
Telephone	3,535	645	706	1,905	2,732	623		10,146	4,447	4,771		9,218	19,364	20,042
Postage and shipping	958	614	965	4,958	6,774	797		15,066	3,945	5,230	88	9,263	24,329	23,454
Occupancy	610	636	668	20,199	15,378	11,094		48,585	33,546	29,665	118,623	181,834	230,419	251,750
Rental and maintenance of equipment	1,886	1,011	1,252	2,208	1,357	660		8,374	4,179	4,825	4,343	13,347	21,721	25,604
Printing and publications	34,153	7,293	492	5,869	27,093	219		75,119	71,736	14,616	60	86,412	161,531	118,685
Local travel and meetings	9,861	2,961	3,191	2,768	5,162	519		24,462	11,514	7,759	10	19,283	43,745	43,233
Events	15,076	722	9,047	3,076	20,025			47,946	80,711			80,711	128,657	102,130
Staff/volunteer development	3,730	916	1,180	72	311			6,209	5,134	2,193		7,327	13,536	23,434
Membership dues	2,049	2,031	2,093	14,522	11,376	4,668		36,739	27,362	27,776		55,138	91,877	85,047
Insurance	978	1,011	968	2,605	1,620	994		8,176	11,037	5,599		16,636	24,812	16,921
Campaign executives			104	17	17	17		155	106,731			106,731	106,886	114,336
In-kind expenses				3,483	3,483	3,483		10,449	15,576			15,576	26,025	92,966
Miscellaneous	2,783	293	431	1,549	1,419	1,186		7,661	2,281	5,067	479	7,827	15,488	2,699
Program and individual support	51,551	86,832	3,123	56,664	16,158	554		214,882					214,882	227,000
Depreciation	1,667	1,717	1,499	13,176	9,819	6,743		34,621	24,668	21,571	46,097	92,336	126,957	133,124
<b>Total Expenses</b>	<b>\$ 381,173</b>	<b>\$ 203,894</b>	<b>\$ 138,295</b>	<b>\$ 1,403,713</b>	<b>\$ 1,373,111</b>	<b>\$ 815,973</b>	<b>\$ -</b>	<b>\$ 4,316,159</b>	<b>\$ 1,136,412</b>	<b>\$ 781,451</b>	<b>\$ 170,166</b>	<b>\$ 2,088,029</b>	<b>\$ 6,404,188</b>	<b>\$ 6,165,030</b>

See accompanying notes.

**UNITED WAY OF SNOHOMISH COUNTY**

**Statement of Cash Flows**  
**For the Year Ended June 30, 2011**  
**(With Comparative Totals for 2010)**

	<u>2011</u>	<u>2010</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (331,604)	\$ 829,677
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities-		
Depreciation	126,957	133,124
Net realized and unrealized gains on investments	(209,506)	(114,209)
Loss on disposal of property and equipment	3,272	
Change in cash surrender value of charitable life insurance policy	(17,609)	
Contributions restricted for investment in long-term assets		(701)
Contributions restricted for endowment	(73,011)	(2,000)
Changes in assets and liabilities:		
Pledges and grants receivable	161,940	57,032
Prepaid expenses and other assets	11,939	(34,870)
Accounts payable and accrued expenses	57,573	640
Designations payable	(44,553)	44,070
Community impact grants and other grants payable	<u>(35,738)</u>	<u>(214,633)</u>
<b>Net Cash (Used) Provided by Operating Activities</b>	<b><u>(350,340)</u></b>	<b><u>698,130</u></b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(45,317)	(27,685)
Purchase of investments	(470,419)	(438,134)
Proceeds from sale of investments	727,520	548,707
Net change in assets whose use is limited or restricted-		
By donors for long-term purposes	(120,065)	(67)
By the Board of Directors for long-term purposes	<u>(178,726)</u>	<u>(72,810)</u>
<b>Net Cash (Used) Provided by Investing Activities</b>	<b><u>(87,007)</u></b>	<b><u>10,011</u></b>
<b>Cash Flows from Financing Activities:</b>		
Net line of credit activity	(77,430)	(65,990)
Payments on long-term debt	(56,906)	(53,366)
Proceeds from contributions restricted for long-term purposes	<u>23,011</u>	<u>84,785</u>
<b>Net Cash Used in Financing Activities</b>	<b><u>(111,325)</u></b>	<b><u>(34,571)</u></b>
<b>Net Change in Cash and Cash Equivalents</b>	<b><u>(548,672)</u></b>	<b><u>673,570</u></b>
Cash and cash equivalents balance, beginning of year	<u>2,713,752</u>	<u>2,040,182</u>
<b>Cash and Cash Equivalents Balance, End of Year</b>	<b><u>\$ 2,165,080</u></b>	<b><u>\$ 2,713,752</u></b>
<b>Supplementary Disclosure of Cash Flow Information:</b>		
Cash paid for interest	\$ 171,640	\$ 181,674

See accompanying notes.

## **UNITED WAY OF SNOHOMISH COUNTY**

### ***Notes to Financial Statements***

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#### ***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 improves people's lives in Snohomish County. Working together, the Board of Directors (the Board), Vision Council volunteers and staff employ multiple strategies to achieve the Organization'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 Organization is primarily funded through workplace giving campaigns and grants and support from local businesses, foundations and other government and private funders. The three Vision Councils and various initiatives are:

Kids Matter Vision Council - The Organization's 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. The Organization's Education Initiative which is focused on school readiness and academic success receives oversight through this council, in addition to 42 nonprofit programs in the community.

Early Learning - The Early Learning Initiative works with childcare providers and families of young children to educate them on social and emotional development and to assess their progress. Strategies include Devereux Early Childhood Assessments (DECA), Born Learning public engagement campaign, and Dolly Parton Imagination Library.

Youth Developmental Assets™ - The Marysville Kids Matter Initiative is a collaboration between United Way and the Marysville Community Coalition. Strategies include training people to speak about developmental assets; engaging community sectors in a movement to support building these assets in youth; and focused work in Marysville middle schools to incorporate developmental assets as part of the schools' curricula.

Families Matter Vision Council - The Organization's goal is that all individuals and families have access to the basic needs of food, shelter, health care, and the opportunity to live independently.

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. 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 education, homeownership and small businesses. United Way matches the savings 3:1. 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.

Community Matters Vision Council - The Organization's goal is that all residents and communities are connected, engaged and supported. This council funds 26 nonprofit programs in the community.

## ***UNITED WAY OF SNOHOMISH COUNTY***

### ***Notes to Financial Statements***

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#### ***Note 1 - Continued***

Community Engagement - United Way's Volunteer Center is a key resource for volunteer involvement in the community. The Center maintains an online database that matches interested volunteers with projects in their community and organizes the annual Days of Caring volunteer event. Youth United connects youth (ages 14-19) with local volunteer opportunities.

2-1-1 - United Way and Volunteers of America Western Washington partner in support of the local 2-1-1 call center. 2-1-1 is the three-digit telephone number assigned by the FCC for access to information about health and human services. United Way led the way in bringing 2-1-1 to the State of Washington. The 2-1-1 information and referral line is a critical part of the health and human service system.

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

Gross campaign results were impacted during 2011 due to timing differences in the receipt of a major corporate donor. During the year ended June 30, 2010, the Organization received a contribution of \$800,000 which was to fund the 2011 operations. The Organization received communication during fiscal year 2011 that the donor's annual contribution would not be made until a final reporting on the 2011 activities was complete. Subsequent to the year ended June 30, 2011, the Organization received communication from the donor that grants totaling \$800,000 were approved to fund the 2012 operations. As such, the grant was not recognized as revenue until 2012 in accordance with generally accepted accounting principles.

## ***UNITED WAY OF SNOHOMISH COUNTY***

### ***Notes to Financial Statements***

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#### ***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 five-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 fair value 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: five to ten years for furniture, fixtures and equipment, three to seven years for software and computer equipment 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 sections 501(c)(3) and 509(a) of the Internal Revenue Code and must comply with U.S. Patriot Act requirements and not be on the Internal Revenue Service's Revocation List.

**Assets Held as Fiscal Agent** - The Organization 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 \$39,948 and \$53,005 as of June 30, 2011 and 2010, 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 their campaign. This includes gifts to the Local Community Fund as well as gifts that are designated to other non-profit organizations. Included in this total for the fiscal year ended June 30, 2011, were the Boeing Employees' Community Fund (ECF) designated contributions of \$1,018,577. These gifts were donor-designated to non-profit agencies in Snohomish County. It is the intent of the ECF that the Organization records 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 ended June 30, 2011, were \$1,684,500 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

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#### 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 United Way Worldwide. 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 the 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. The following in-kind contributions were recognized in the financial statements for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Contributed publications	\$ -	\$ 18,141
Contributed advertising	26,025	47,825
Contributed books		22,000
Contributed facilities		5,000
	<u>\$ 26,025</u>	<u>\$ 92,966</u>

During the year ended June 30, 2011, a substantial number of volunteers (2,512) donated 14,604 hours to the Organization's program services and fund-raising campaigns representing a total contributed value of \$311,941. However, only donated services that meet the criteria for recognition under current accounting standards are reflected in the accompanying financial statements, and at the market values at the time of donation. The donated service information above is for informational purposes and is unaudited.

**Advertising** - Advertising costs are charged to operations when incurred. Advertising costs for the years ended June 30, 2011 and 2010, totaled \$7,110 and \$10,352, respectively, not including in-kind advertising expense.

**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) and is not considered to be a private foundation; 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. The Organization files income tax returns with the U.S. government. The Organization is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

**Financial Instruments and Credit Risk Concentration** - Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents and investments. The Organization maintains its investments in institutional investment accounts that, at times, may exceed federally insured limits.

## ***UNITED WAY OF SNOHOMISH COUNTY***

### ***Notes to Financial Statements***

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#### ***Note 1 - Continued***

**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 the State 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 2009 campaign, which ended March 31, 2011, total campaign receipts were \$528,422 with total campaign disbursements and administrative expenses being \$458,412 and \$70,010, respectively.

For the 2008 campaign, which ended March 31, 2010, total campaign receipts were \$558,621 with total campaign disbursements and administrative expenses being \$477,640 and \$80,981, respectively.

**Concentrations** - The Organization raised campaign contributions from one company and its employees representing 31% and 40% of campaign revenues and grant income for the years ended June 30, 2011 and 2010, respectively.

**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 activity in each respective function. Organizational 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.

**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.

**Summarized Information for 2010** - 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, 2010, from which the summarized information was derived.

**Assets Restricted by Donors for Long-Term Purposes** - As of June 30, 2011, 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 and are comprised of \$42,025 of pledges receivable and the remaining amounts represent restricted investments.

**Subsequent Events** - The Organization has evaluated subsequent events through October 11, 2011, the date on which the financial statements were available to be issued.

**UNITED WAY OF SNOHOMISH COUNTY**

**Notes to Financial Statements**

**Note 2 - Pledges and Grants Receivable**

For the year ended June 30, 2011, pledges and grants receivable includes \$945,150 of outstanding grants receivable, which are included in the less than one year category below. Pledges and grants receivable were reported in the statement of financial position as of June 30:

	<u>2011</u>	<u>2010</u>
Pledges and grants receivable, current portion	\$ 4,354,652	\$ 4,461,301
Assets restricted by donors for long-term purposes	42,025	
Pledges and grants receivable, net of current portion	<u>6,000</u>	<u>11,291</u>
<b>Total Pledges and Grants Receivable</b>	<b><u>\$ 4,402,677</u></b>	<b><u>\$ 4,472,592</u></b>

Pledges and grants receivable as of June 30, 2011, are due as follows:

	<u>2011</u>
Amounts due in-	
Less than one year	\$ 4,751,455
Less allowance for uncollectible pledges	(380,639)
Less current pledges restricted by donors for long-term purposes	<u>(16,164)</u>
<b>Current Portion of Pledges and Grants Receivable</b>	<b>4,354,652</b>
Amounts due in-	
Two to five year	35,000
Add current pledges restricted by donors for long-term purposes	16,164
Less present value discount (4.0%)	<u>(3,139)</u>
<b>Long-Term Pledges Receivable</b>	<b><u>48,025</u></b>
<b>Total Pledges and Grants Receivable, Net</b>	<b><u>\$ 4,402,677</u></b>

## UNITED WAY OF SNOHOMISH COUNTY

### Notes to Financial Statements

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#### Note 3 - Investments

Investments were presented in the statement of financial position as follows at June 30:

	<u>2011</u>	<u>2010</u>
Board designated (Note 12)- Reserve fund	\$ 666,187	\$ 576,841
Evergreen quasi-endowment	<u>713,480</u>	<u>625,170</u>
Total board designated investments for non-current uses	1,379,667	1,202,011
Assets restricted by donors for long-term purposes	139,930	
Investments, undesignated and unrestricted	<u>687,489</u>	<u>735,084</u>
<b>Total Investments</b>	<b><u>\$ 2,207,086</u></b>	<b><u>\$ 1,937,095</u></b>

Investment income was as follows for the year ended June 30:

	<u>2011</u>	<u>2010</u>
Dividends and interest	\$ 56,832	\$ 60,856
Less investment fees	<u>(11,796)</u>	<u>(12,837)</u>
	45,036	48,019
Realized and unrealized gains	<u>209,506</u>	<u>114,209</u>
<b>Total Investment Return</b>	<b><u>\$ 254,542</u></b>	<b><u>\$ 162,228</u></b>

#### Note 4 - Fair Value Measurements

Generally accepted accounting principles (GAAP) defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

**Valuation Techniques** - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied. As noted below, there was no change in the valuation of investments using Level 3 inputs during the year ended June 30, 2011.

**UNITED WAY OF SNOHOMISH COUNTY**

**Notes to Financial Statements**

**Note 4 - Continued**

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011.

Money Market Funds - Funds are valued at cost plus accrued interest, which approximates fair value.

Mutual Funds - Valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held by the Company at year-end.

Certificates of Deposit - Valued at cost plus accrued interest, which approximates fair value.

Equity Investments - Valued at quoted market prices in active markets.

Corporate and Government Debt Securities - Valued at the closing price reported on the active market on which similar instruments are sold.

Beneficial Interest in Assets Held by Others - Valued at percentage of original amounts transferred representing the Organization's interest in 50% of the assets' earnings.

Assets recorded at fair value on a recurring basis at June 30 were as follows:

	<i>Fair Value Measurements as of June 30, 2011</i>			
	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>	<i>Total</i>
Money market funds	\$ 539,811	\$ -	\$ -	\$ 539,811
Certificates of deposit	103,732			103,732
Mutual funds, small cap	182,917			182,917
Corporate debt securities		393,700		393,700
Governmental debt securities		24,944		24,944
Equity investments-				
Large cap	851,822			851,822
Small cap	17,497			17,497
Large cap international	92,663			92,663
Total equity investments	961,982			961,982
Beneficial interest in assets held by others			50,000	50,000
	<b>\$ 1,788,442</b>	<b>\$ 418,644</b>	<b>\$ 50,000</b>	<b>\$ 2,257,086</b>

**UNITED WAY OF SNOHOMISH COUNTY**

**Notes to Financial Statements**

**Note 4 - Continued**

	<i>Fair Value Measurements as of June 30, 2010</i>			
	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>	<i>Total</i>
Money market funds	\$ 165,256	\$ -	\$ -	\$ 165,256
Certificates of deposit	381,987			381,987
Mutual funds, small cap	93,638			93,638
Corporate debt securities		518,206		518,206
Equity investments-				
Large cap	664,192			664,192
Small cap	27,922			27,922
Large cap international	85,894			85,894
Total equity investments	778,008			778,008
Beneficial interest in assets held by others			50,000	50,000
	<b><u>\$ 1,418,889</u></b>	<b><u>\$ 518,206</u></b>	<b><u>\$ 50,000</u></b>	<b><u>\$ 1,987,095</u></b>

**Note 5 - Cash Surrender Value of Charitable Life Insurance Policy**

The Organization has received a donated life insurance policy on the lives of supporters of the Organization. Each insured individual has signed a pledge to donate the cost of the premiums of the policy for the first year of the policy term. These donations are included in the accompanying statement of activities as contributions. The Organization pays the premiums to the insurance company. These premiums have been included as resource development expenses in the accompanying statement of activities.

**UNITED WAY OF SNOHOMISH COUNTY**

**Notes to Financial Statements**

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**Note 6 - Property and Equipment**

A summary of property and equipment is as follows at June 30:

	<u>2011</u>	<u>2010</u>
Land	\$ 420,000	\$ 420,000
Building	3,506,151	3,499,565
Software and computer equipment	352,790	429,867
Furniture, fixtures and equipment	<u>54,210</u>	<u>55,843</u>
	4,333,151	4,405,275
Less accumulated depreciation	<u>(733,980)</u>	<u>(721,192)</u>
<b>Total Property and Equipment, Net</b>	<b><u>\$ 3,599,171</u></b>	<b><u>\$ 3,684,083</u></b>

**Note 7 - 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 50% of the assets transferred totaling a beneficial interest in assets held by others of \$50,000 at June 30, 2011 and 2010.

**Note 8 - Line of Credit**

At June 30, 2011, the Organization had available a line of credit with a borrowing maximum of \$500,000. The line of credit accrues interest at the bank's prime rate plus .50% (6.0% at June 30, 2011 and 2010) and expires on January 17, 2012. At June 30, 2011 and 2010, the outstanding balance totaled \$0 and \$77,430, respectively. This line of credit is secured by all pledges receivable.

**UNITED WAY OF SNOHOMISH COUNTY**

**Notes to Financial Statements**

**Note 9 - Long-Term Debt**

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

	<u>2011</u>	<u>2010</u>
Mortgage payable to a banking institution backed by privately placed 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.	\$ 1,924,669	\$ 1,969,329
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>612,743</u>	<u>624,989</u>
	2,537,412	2,594,318
Less current portion	<u>(62,811)</u>	<u>(59,425)</u>
<b>Total Long-Term Debt</b>	<b><u><u>\$ 2,474,601</u></u></b>	<b><u><u>\$ 2,534,893</u></u></b>

Future principal maturities of debt are as follows:

<i>Years Ending June 30,</i>	
2012	\$ 62,811
2013	67,397
2014	71,811
2015	76,515
2016	81,530
Thereafter	<u>2,177,348</u>
	<b><u><u>\$ 2,537,412</u></u></b>

**Note 10 - Self Insurance**

The Organization is a member of the 501(c) Agencies Trust (the Trust). The Trust facilitates the utilization by member agencies of the Reimbursement Financing Method of meeting obligations under the State of Washington unemployment insurance statutes. As of June 30, 2011 and 2010, the Organization had deposits with the Trust of \$57,918 and \$48,833, respectively, which are reported in the statement of financial position as prepaid expenses and other current assets. The Organization cannot reasonably estimate a liability for any unpaid unemployment claims as of year-end; accordingly, a liability has not been accrued as of June 30, 2011 and 2010.

**UNITED WAY OF SNOHOMISH COUNTY**

**Notes to Financial Statements**

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**Note 11 - Retirement Plan**

The Organization sponsors a defined contribution plan that covers substantially all of its employees. Contributions to the defined contribution plan are five percent 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. Effective March 1, 2009, the Organization amended the plan to temporarily suspend the matching contribution. Total pension expense for the years ended June 30, 2011 and 2010, under these plans was \$115,454 and \$68,904, respectively.

**Note 12 - Designated by the Board of Directors**

The Board of Directors of the Organization designated net assets for the following purposes at June 30:

	<u>2011</u>	<u>2010</u>
Operating reserve fund	\$ 666,187	\$ 576,841
Evergreen quasi-endowment	713,480	625,170
Individual development accounts	38,075	37,005
	<u><b>\$ 1,417,742</b></u>	<u><b>\$ 1,239,016</b></u>

Assets designated by the Board for long-term purposes consisted of the following at June 30:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 38,075	\$ 37,005
Investments	1,379,667	1,202,011
	<u><b>\$ 1,417,742</b></u>	<u><b>\$ 1,239,016</b></u>

**Note 13 - Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2011</u>	<u>2010</u>
Program services	\$ 20,199	\$ 36,172
Time restriction	765,708	1,353,320
Individual development accounts	105,519	58,465
	<u><b>\$ 891,426</b></u>	<u><b>\$ 1,447,957</b></u>

## UNITED WAY OF SNOHOMISH COUNTY

### Notes to Financial Statements

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#### Note 13 - Continued

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 for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Program services	\$ 79,900	\$ 29,857
Time restriction	1,191,875	1,386,212
Individual development accounts	22,946	11,934
	<u>\$ 1,294,721</u>	<u>\$ 1,428,003</u>

#### Note 14 - Permanently Restricted Net Assets

As of June 30, 2011 and 2010, net assets of \$76,436 and \$3,425, respectively, were permanently restricted as an endowment with the income from the endowment to be used to support the Organization's general operations and ongoing community impact funding.

#### Note 15 - Endowments

The Organization's endowments consist of three funds; a board designated quasi-endowment (Evergreen Endowment), and the Organization's permanently restricted Impact Fund and the Sustaining Fund. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law** - The Board of Directors of the Organization has interpreted the Washington State Prudent Management of Institutional Funds Act (PMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, 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 PMIFA.

**UNITED WAY OF SNOHOMISH COUNTY**

**Notes to Financial Statements**

**Note 15 - Continued**

In accordance with PMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- The investment policies of the Organization.

As of June 30, endowment net assets consisted of the following:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 76,436	\$ 76,436
Board designated quasi-endowment funds	713,480		713,480
<b>Endowment Net Assets at June 30, 2011</b>	<b><u>\$ 713,480</u></b>	<b><u>\$ 76,436</u></b>	<b><u>\$ 789,916</u></b>
<b>Endowment Net Assets at June 30, 2010</b>	<b><u>\$ 625,170</u></b>	<b><u>\$ 3,425</u></b>	<b><u>\$ 628,595</u></b>

Changes to endowment net assets for the year ended June 30 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
<b>Endowment Net Assets, June 30, 2010</b>	<b>\$ 625,170</b>	<b>\$ 3,425</b>	<b>\$ 628,595</b>	<b>\$ 581,595</b>
Endowment investment return-				
Interest and dividends	18,928		18,928	9,182
Realized and unrealized gains	88,056		88,056	34,818
Total endowment investment return	106,984		106,984	44,000
Contributions		73,011	73,011	2,000
Transfers from quasi-endowment	(18,674)		(18,674)	1,000
<b>Endowment Net Assets, June 30, 2011</b>	<b><u>\$ 713,480</u></b>	<b><u>\$ 76,436</u></b>	<b><u>\$ 789,916</u></b>	<b><u>\$ 628,595</u></b>

## ***UNITED WAY OF SNOHOMISH COUNTY***

### ***Notes to Financial Statements***

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#### ***Note 15 - Continued***

**Funds with Deficiencies** - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or PMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2011.

**Return Objectives and Risk Parameters** - The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for donor-specified periods as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average real rate of return of approximately 6% - 9% annually. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives** - To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy** - The Organization has a policy of appropriating for distribution each year a maximum of 4 percent of the endowment fund balance. The fund balance is defined as the average of the prior three year-end fair value balances of the fund. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 2% to 5% annually after its planned payouts. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.