



United Way  
of Snohomish County

Financial Statements

For the Year Ended June 30, 2016

**Management's Report**  
**United Way of Snohomish County**  
**2016 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 Audit 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, Chief Financial Officer, 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. We are not aware of any such conditions existing for the year ended June 30, 2016, other than those disclosed.

As of June 30, 2016, 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  
Chief Financial Officer

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## **Independent Auditor's Report**

**To the Board of Directors  
United Way of Snohomish County  
Everett, Washington**

We have audited the accompanying financial statements of the United Way of Snohomish County (the Organization) which comprise the statement of financial position as of June 30, 2016, and the related statements 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**

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.



T: 425-454-4919  
T: 800-504-8747  
F: 425-454-4620

10900 NE 4th St  
Suite 1700  
Bellevue WA  
98004

[clarknuber.com](http://clarknuber.com)

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, consisting of gross campaign results, gross funds awarded and designated, and donor designations on pages 4 and 5, is not a required part of the financial statements and is included for the purpose of additional analysis consistent with industry practice. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The information on the donated hours and related value included in Note 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Clark Nuber P.S.*

Certified Public Accountants  
October 11, 2016

UNITED WAY OF SNOHOMISH COUNTY

Statement of Financial Position

June 30, 2016

(With Comparative Totals for 2015)

	2016	2015
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,569,994	\$ 2,056,803
Cash set aside for SR530 mudslide community support		331,756
Current portion of pledges and grants receivable, net (Note 2)	3,250,087	3,593,563
Prepaid expenses and other current assets	92,072	77,320
<b>Total Current Assets</b>	<b>4,912,153</b>	<b>6,059,442</b>
Investments (Note 3)	457,157	755,306
Assets designated by the Board of Directors for long-term purposes (Note 10)	1,862,974	1,754,882
Assets restricted by donors for long-term purposes (Note 1)	465,330	447,068
Cash surrender value of charitable life insurance policy (Note 5)	30,523	22,383
Other long-term assets	47,141	52,269
Property and equipment, net (Note 6)	3,319,172	3,397,578
<b>Total Assets</b>	<b>\$ 11,094,450</b>	<b>\$ 12,488,928</b>
<b>Current Liabilities:</b>		
Accounts payable	\$ 81,849	\$ 53,430
Accrued expenses	159,152	120,741
Community impact grants and other grants payable	1,655,330	2,744,536
Designations payable	1,280,175	1,390,731
Current portion of long-term debt (Note 7)	51,438	46,866
<b>Total Current Liabilities</b>	<b>3,227,944</b>	<b>4,356,304</b>
Long-term debt, less current portion (Note 7)	2,234,207	2,288,088
<b>Total Liabilities</b>	<b>5,462,151</b>	<b>6,644,392</b>
<b>Net Assets:</b>		
Unrestricted-		
Undesignated	2,341,076	2,052,006
Designated by the Board of Directors (Note 10)	2,029,990	1,916,358
Total unrestricted net assets	4,371,066	3,968,364
Temporarily restricted (Note 11)	931,545	1,575,828
Permanently restricted (Note 12)	329,688	300,344
<b>Total Net Assets</b>	<b>5,632,299</b>	<b>5,844,536</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 11,094,450</b>	<b>\$ 12,488,928</b>

See accompanying notes.

**UNITED WAY OF SNOHOMISH COUNTY**

**Statement of Activities  
For the Year Ended June 30, 2016  
(With Comparative Totals for 2015)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
<b>Public Support, Revenues, and Gains and Losses:</b>					
Gross campaign results	\$ 3,900,416	\$ 618,410	\$ -	\$ 4,518,826	\$ 5,065,199
Less donor designations (Note 1)	(1,392,925)			(1,392,925)	(1,861,542)
Less provision for uncollectible pledges	(186,912)			(186,912)	(248,449)
SR530 mudslide community support					116,796
Net campaign revenue	2,320,579	618,410		2,938,989	3,072,004
Designations from other United Ways	269,171			269,171	298,223
Grant and program support income	2,338,464	50,000		2,388,464	3,115,661
Endowment contributions			29,344	29,344	124,079
In-kind contributions					18,500
Service fees and other income	208,159			208,159	288,027
Rental income (Note 15)	131,850			131,850	131,150
Investment income (Note 3)	47,400	(2,910)		44,490	37,450
Realized and unrealized (losses) gains (Note 3)	(47,860)			(47,860)	17,519
Net assets released from restriction - SR530 mudslide community support (Note 11)	331,756	(331,756)			
Net assets released from restriction - other (Note 11)	978,027	(978,027)			
<b>Total Public Support, Revenues, and Gains and Losses</b>	<b>6,577,546</b>	<b>(644,283)</b>	<b>29,344</b>	<b>5,962,607</b>	<b>7,102,613</b>
<b>Expenses:</b>					
Program services-					
Gross funds awarded and designated	3,546,659			3,546,659	5,429,988
Less donor designations (Note 1)	(1,392,925)			(1,392,925)	(1,861,542)
SR530 mudslide community support (Note 1)	331,882			331,882	1,098,218
Net funds awarded	2,485,616			2,485,616	4,666,664
Community impact and investment	1,720,878			1,720,878	1,707,806
Total program services	4,206,494			4,206,494	6,374,470
Supporting services-					
Resource development	950,919			950,919	1,045,821
Organizational administration	885,344			885,344	907,855
Rental activities	132,087			132,087	132,976
Total supporting services	1,968,350			1,968,350	2,086,652
<b>Total Expenses</b>	<b>6,174,844</b>			<b>6,174,844</b>	<b>8,461,122</b>
<b>Change in Net Assets</b>	<b>402,702</b>	<b>(644,283)</b>	<b>29,344</b>	<b>(212,237)</b>	<b>(1,358,509)</b>
Net assets, beginning of year	3,968,364	1,575,828	300,344	5,844,536	7,203,045
<b>Net Assets, End of Year</b>	<b>\$ 4,371,066</b>	<b>\$ 931,545</b>	<b>\$ 329,688</b>	<b>\$ 5,632,299</b>	<b>\$ 5,844,536</b>

See accompanying notes.

UNITED WAY OF SNOHOMISH COUNTY

Statement of Functional Expenses  
For the Year Ended June 30, 2016  
(With Comparative Totals for 2015)

	Program Services								Supporting Services					2016 Total Expenses	2015 Total Expenses	
	Financial Stability	Education	Volunteer Center	Breaking the Cycle of Poverty	Kids Matter Vision Council	Families Matter Vision Council	Community Matters Vision Council	SR530 Mudslide Community Support	Designations to Other Agencies	Total	Resource Development	Organizational Administration	Rental Activities			Total
Gross funds awarded and designated	\$ 116,504	\$ 21,034	\$ 12,602	\$ 1,637,876	\$ 118,154	\$ 129,410	\$ 118,154	\$ 331,882	\$ 1,392,925	\$ 3,878,541	\$ -	\$ -	\$ -	\$ -	\$ 3,878,541	\$ 6,528,206
Less donor designations									(1,392,925)	(1,392,925)					(1,392,925)	(1,861,542)
Net funds awarded	116,504	21,034	12,602	1,637,876	118,154	129,410	118,154	331,882		2,485,616					2,485,616	4,666,664
Salaries, benefits and related taxes	156,974	70,291	36,992		425,727	313,604	40,296			1,043,884	589,373	708,378		1,297,751	2,341,635	2,445,282
Professional fees	111,466	4,386	11,326		14,224	189,098	426			330,926	41,648	58,920	9,687	110,255	441,181	390,471
Printing and publications	13,846	3,545	1,171		3,633	10,599	868			33,662	26,058	5,673		31,731	65,393	127,359
Occupancy	2,771	1,424	1,130		17,115	17,287	756			40,483	21,192	19,405	54,967	95,564	136,047	142,849
Campaign executives			52		21	21	21			115	112,029			112,029	112,144	110,346
Events	10,475	720	3,000		4,082	59,385				77,662	61,322			61,322	138,984	109,554
Membership dues	50	50	326		18,569	26,383	3,547			48,925	25,807	28,147		53,954	102,879	100,594
Local travel and meetings	6,236	1,112	2,873		2,827	8,796	148			21,992	6,887	2,729		9,616	31,608	40,483
Staff/volunteer development	2,836	1,048	1,050		14,607	2,510	2,165			24,216	5,521	6,090		11,611	35,827	33,590
Rental and maintenance of equipment	1,655	885	551		2,473	2,741	586			8,891	5,053	6,368	2,905	14,326	23,217	27,322
Supplies	8,465	402	1,396		1,132	4,802	193			16,390	4,438	5,731		10,169	26,559	26,154
Postage and shipping	1,308	358	430		556	1,878	10			4,540	4,754	2,017	1	6,772	11,312	20,949
Insurance	1,364	1,376	728		2,288	2,692	769			9,217	9,806	5,412		15,218	24,435	22,165
Telephone	4,084	764	349		1,962	3,767	208			11,134	4,536	4,150		8,686	19,820	19,517
In-kind expenses																18,500
Depreciation	1,250	1,278	692		17,180	19,162	1,087			40,649	24,428	23,341	64,527	112,296	152,945	147,583
Miscellaneous	544	3	2		959	5,772	912			8,192	8,067	8,983		17,050	25,242	11,740
<b>Total Expenses</b>	<b>\$ 439,828</b>	<b>\$ 108,676</b>	<b>\$ 74,670</b>	<b>\$ 1,637,876</b>	<b>\$ 645,509</b>	<b>\$ 797,907</b>	<b>\$ 170,146</b>	<b>\$ 331,882</b>	<b>\$ -</b>	<b>\$ 4,206,494</b>	<b>\$ 950,919</b>	<b>\$ 885,344</b>	<b>\$ 132,087</b>	<b>\$ 1,968,350</b>	<b>\$ 6,174,844</b>	<b>\$ 8,461,122</b>

See accompanying notes.



UNITED WAY OF SNOHOMISH COUNTY

Statement of Cash Flows  
For the Year Ended June 30, 2016  
(With Comparative Totals for 2015)

	2016	2015
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (212,237)	\$ (1,358,509)
Adjustments to reconcile change in net assets to net cash used in operating activities-		
Depreciation	152,945	147,583
Realized and unrealized gains on investments	47,860	(17,519)
Change in cash surrender value of charitable life insurance policy	(8,140)	
Contributions restricted for endowment	(29,344)	(124,079)
Changes in assets and liabilities:		
Pledges and grants receivable	343,476	153,798
Prepaid expenses and other current assets	(14,752)	14,388
Other long-term assets	5,128	13,789
Beneficial interest in assets held by others		50,000
Accounts payable and accrued expenses	66,830	(14,940)
Designations payable	(110,556)	195,214
Community impact grants and other grants payable	(1,089,206)	92,067
<b>Net Cash Used in Operating Activities</b>	<b>(847,996)</b>	<b>(848,208)</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of property and equipment	(74,539)	(141,534)
Proceeds from the sale of property and equipment		2,358
Purchase of investments	(1,069,639)	(1,913,360)
Proceeds from sale of investments	1,319,928	1,832,319
Net change in assets whose use is limited or restricted-		
By donors for long-term purposes	(18,262)	(162,713)
By the Board of Directors for long-term purposes	(108,092)	95,542
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>49,396</b>	<b>(287,388)</b>
<b>Cash Flows From Financing Activities:</b>		
Principal payments on long-term debt	(49,309)	(47,779)
Proceeds from contributions restricted for long-term purposes	29,344	134,079
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>(19,965)</b>	<b>86,300</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(818,565)</b>	<b>(1,049,296)</b>
Cash and cash equivalents balance, beginning of year	2,388,559	3,437,855
<b>Cash and Cash Equivalents Balance, End of Year</b>	<b>\$ 1,569,994</b>	<b>\$ 2,388,559</b>
<b>Supplementary Disclosure of Cash Flow Information:</b>		
Cash paid for interest	\$ 84,064	\$ 85,593
<b>Reporting of Cash and Cash Equivalents, End of year:</b>		
Cash and cash equivalents	\$ 1,569,994	\$ 2,056,803
Cash set aside for SR530 mudslide community support		331,756
	<b>\$ 1,569,994</b>	<b>\$ 2,388,559</b>

## UNITED WAY OF SNOHOMISH COUNTY

### Notes to Financial Statements For the Year Ended June 30, 2016

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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 transforming lives by bringing people, resources and strategy together to solve our community's toughest challenges. Working together, the Board of Directors (the Board), other 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. Resources 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 and individual giving campaigns and grants and support from local businesses, foundations and other government and private funders. The Organization focuses on:

Financial Stability Initiative - The Financial Stability Initiative seeks to move families in Snohomish County to greater economic independence. Key strategies include collaborating to support a county-wide asset building coalition, free tax preparation, public benefit outreach, and financial education and coaching.

Education Initiative - The Education Initiative works with early learning providers and school districts to align the early learning system and create seamless transitions for low-income children and their families, thus improving their ability to be successful in school and life. Key strategies include collaborating to support the developing Pre-K Advisory Committee, comprised of county-wide early learning system providers, Dinner and Dialogues and data and resource asset mapping.

Volunteer Center - The Organization's Volunteer Center (the 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 Federal Coordinating Committee for access to information about health and human services. The Organization 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.

SR530 Mudslide Community Support - During fiscal year 2014, the Organization served a key role in the community in raising and distributing funds to serve the families and communities impacted by the SR530 mudslide. During the year ended June 30, 2015, the Organization received total contributions of \$116,796 with none being received in 2016. During the years ended June 30, 2016 and 2015, the Organization disbursed a total of \$331,882 and \$1,098,218, respectively, to local community groups, as well as, to a corporation to help assist their employees impacted by the mudslide. All remaining funds were spent on the long-term needs of the people and communities affected by this event. These funds were included in temporarily restricted net assets at June 30, 2015 and were fully expended during the year ended June 30, 2016.

Breaking the Cycle of Poverty - The Board of Directors has chosen to narrow the Organization's granting focus to issues relating to poverty in our county. There are two long-term Community Level Goals:

1. Increase the number of low income 3<sup>rd</sup> grade students meeting grade standards in English Language Arts (ELA) from 40% to 80% and in math from 42% to 80%.
2. Increase income to reduce the number of struggling households (60,000 to 30,000).

## UNITED WAY OF SNOHOMISH COUNTY

### Notes to Financial Statements For the Year Ended June 30, 2016

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#### Note 1 - Continued

In addition, the Organization has two community level supports toward these long-term goals:

1. To provide basic needs to stabilize individuals to prevent further crises; and
2. To support system infrastructure to deliver critical health and human services.

Effective June 30, 2016, the three Vision Councils were sunsetted.

**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, 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.

**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 write-off 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. As of June 30, 2016 and 2015, the allowance for uncollectible pledges was \$173,226 and \$307,650, respectively.

**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 \$1,500 and an estimated useful life of three 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, fixtures and equipment, 3 to 7 years for software and computer equipment and 30 years for buildings.

## UNITED WAY OF SNOHOMISH COUNTY

### Notes to Financial Statements For the Year Ended June 30, 2016

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#### Note 1 - Continued

**Assets Restricted by Donors for Long-Term Purposes** - As of June 30, 2016, assets restricted by donors for long-term purposes represented donor contributions temporarily restricted for the individual development accounts, as well as, permanently restricted endowment contributions and are comprised of \$5,000 of pledges receivable, \$103,878 of cash and cash equivalents and the remaining amounts represent investments restricted by donors for long-term purposes as further described in Note 3.

**Designations Payable and Donor Designations** - Funds are distributed to 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.

**Workplace Campaigns** - The Organization is substantially involved in workplace campaigns. As part of the campaigns, certain pledges, payments and related disbursements are collected and remitted to unrelated organizations, at the request of donors, or unrelated third parties. Pledges, payments and related disbursements that are designated by the donor for unrelated third parties are included in gross campaign results, gross funds awarded and designated, and donor designations in the statement of activities. These totals are presented as supplementary information for the purpose of additional analysis consistent with industry practice.

**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 unrestricted revenues.

**Grant and Program Support Income** - The grant and program support includes grants to specific initiatives and programs within the Organization.

**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 nonfinancial asset or the services require specialized skills that are provided by individuals possessing those skills.

During the year ended June 30, 2016, a substantial number of volunteers (1,372) donated 15,500 hours to the Organization's program services and fund-raising campaigns representing a total contributed value of \$357,573. 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.

**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.

## UNITED WAY OF SNOHOMISH COUNTY

### Notes to Financial Statements For the Year Ended June 30, 2016

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#### Note 1 - Continued

**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 these funds in accounts that, at times, may exceed federally insured limits.

**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 2014 campaign, which ended March 31, 2016, total campaign receipts were \$294,703 with total campaign disbursements and administrative expenses being \$227,381 and \$64,943, respectively.

For the 2013 campaign, which ended March 31, 2015, total campaign receipts were \$346,912 with total campaign disbursements and administrative expenses being \$277,880 and \$69,032, respectively.

**Concentrations** - The Organization raised gross campaign contributions from two companies representing 51% of campaign revenues and program support income for the year ended June 30, 2016. The Organization raised gross campaign contributions from one company representing 39% of campaign revenues and program support income for the year ended June 30, 2015. As of June 30, 2016 and 2015, 28% and 30%, respectively, of total pledges and grants receivable were due from the same companies.

**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 and benefits derived. 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 (U.S. GAAP) 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 2015** - 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

**Subsequent Events** - The Organization has evaluated subsequent events through October 11, 2016, the date on which the financial statements were available to be issued.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements  
For the Year Ended June 30, 2016

**Note 2 - Pledges and Grants Receivable**

Pledges and grants receivable were reported as follows in the statement of financial position as of June 30:

	<u>2016</u>	<u>2015</u>
Pledges and grants receivable, current portion	\$ 3,250,087	\$ 3,593,563
Assets restricted by donors for long-term purposes	<u>5,000</u>	<u>12,083</u>
<b>Total Pledges and Grants Receivable, Net</b>	<b><u>\$ 3,255,087</u></b>	<b><u>\$ 3,605,646</u></b>

Pledges and grants receivable as of June 30, 2016, are due as follows:

Amounts due in-	
Less than one year	\$ 3,428,313
Less allowance for uncollectible pledges	<u>(173,226)</u>
Total pledges and grants receivable	3,255,087
Less current pledges restricted by donors for long-term purposes	<u>(5,000)</u>
<b>Current Portion of Pledges and Grants Receivable</b>	<b><u>\$ 3,250,087</u></b>

**Note 3 - Investments**

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

	<u>2016</u>	<u>2015</u>
Board designated (Note 11)-		
Operating reserve fund	\$ 1,048,553	\$ 902,760
Quasi-endowment	<u>814,421</u>	<u>852,122</u>
Total investment designated by the Board for long-term purposes	1,862,974	1,754,882
Assets restricted by donors for long-term purposes	356,452	329,108
Investments, undesignated and unrestricted	<u>457,157</u>	<u>755,306</u>
<b>Total Investments</b>	<b><u>\$ 2,676,583</u></b>	<b><u>\$ 2,839,296</u></b>

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements  
For the Year Ended June 30, 2016

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**Note 3 - Continued**

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

	<u>2016</u>	<u>2015</u>
Dividends and interest	\$ 67,498	\$ 60,764
Less investment fees	<u>(23,008)</u>	<u>(23,314)</u>
	44,490	37,450
Realized and unrealized gains	<u>(47,860)</u>	<u>17,519</u>
<b>Total Investment Return</b>	<b><u>\$ (3,370)</u></b>	<b><u>\$ 54,969</u></b>

**Note 4 - Fair Value Measurements**

U.S. 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, U.S. GAAP defines 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 for identical assets and liabilities 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.

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, 2016 and 2015.

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

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

Fixed Income - Valued at the closing price reported on the active market on which similar instruments are sold.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements  
For the Year Ended June 30, 2016

Note 4 - Continued

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

	Fair Value Measurements as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 17,582	\$ -	\$ -	\$ 17,582
Equity investments-				
Large cap	885,031			885,031
Small and mid cap	517,375			517,375
International	211,866			211,866
Fixed income	1,044,729			1,044,729
	<u>\$ 2,676,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,676,583</u>

	Fair Value Measurements as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 91,507	\$ -	\$ -	\$ 91,507
Fixed income-				
Corporate debt securities		25,327		25,327
Equity investments-				
Large cap	886,603			886,603
Small and mid cap	402,919			402,919
International	372,824			372,824
Fixed income	1,060,116			1,060,116
	<u>\$ 2,813,969</u>	<u>\$ 25,327</u>	<u>\$ -</u>	<u>\$ 2,839,296</u>



**UNITED WAY OF SNOHOMISH COUNTY**

**Notes to Financial Statements  
For the Year Ended June 30, 2016**

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

The Organization is the owner and beneficiary of two donated life insurance policies on the lives of supporters of the Organization. Each insured individual donated the cost of the premiums of the policy. The Organization paid the premiums to the insurance company. In the year received, the donations have been included in the accompanying statement of activities as contribution revenue and the premiums were included as resource development expenses. The cash surrender value of the policies have been recorded in the statement of financial position and was \$30,523 and \$22,383 at June 30, 2016 and 2015, respectively.

**Note 6 - Property and Equipment**

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

	<u>2016</u>	<u>2015</u>
Land	\$ 420,000	\$ 420,000
Building	3,643,736	3,627,970
Leasehold improvements	102,608	102,608
Software and computer equipment	257,331	272,583
Furniture, fixtures and equipment	<u>125,968</u>	<u>83,835</u>
	4,549,643	4,506,996
Less accumulated depreciation	<u>(1,230,471)</u>	<u>(1,109,418)</u>
<b>Total Property and Equipment, Net</b>	<b><u>\$ 3,319,172</u></b>	<b><u>\$ 3,397,578</u></b>

**Note 7 - Long-Term Debt**

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

	<u>2016</u>	<u>2015</u>
Mortgage payable to a banking institution, due April 1, 2023, payable \$11,114 per month, including principal and fixed interest of 3.625%. A balloon payment of \$1,905,913 is due upon maturity. This note is secured by real property located in Snohomish County and assignment of all rents from the real property located in Snohomish County.	<u>\$ 2,285,645</u>	<u>\$ 2,334,954</u>
	2,285,645	2,334,954
Less current portion	<u>(51,438)</u>	<u>(46,866)</u>
<b>Total Long-Term Debt</b>	<b><u>\$ 2,234,207</u></b>	<b><u>\$ 2,288,088</u></b>

**UNITED WAY OF SNOHOMISH COUNTY**

**Notes to Financial Statements  
For the Year Ended June 30, 2016**

**Note 7 - Continued**

Future principal maturities of long-term debt are as follows:

For the Year Ending June 30,

2017	\$ 51,438
2018	53,332
2019	55,295
2020	57,331
2021	59,442
Thereafter	<u>2,008,807</u>
	<u><u>\$ 2,285,645</u></u>

**Note 8 - Self Insurance**

The Organization is a member of a trust that 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, 2016 and 2015, the Organization had deposits with the trust of \$46 and \$1,983, respectively, which are reported as prepaid expenses and other current assets in the statement of financial position. 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, 2016 and 2015.

**Note 9 - Retirement Plan**

In fiscal year 2015, the Organization combined their pension plan with their 403(b) plan, with no changes to the contribution schedule. The Organization now sponsors a 403(b) thrift plan that covers substantially all of its employees after one year of service and after they have attained age 21. Contributions were three percent and six percent of each covered employee's salary for the years ended June 30, 2016 and 2015, respectively. The Organization will also provide as a percentage match of a participant's salary up to a maximum of an additional three percent for fiscal years 2016 and 2015. Total pension expense for the years ended June 30, 2016 and 2015, under these plans was \$119,687 and \$153,752, respectively.

**Note 10 - Designated by the Board of Directors**

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

	<u>2016</u>	<u>2015</u>
Operating reserve fund	\$ 1,048,553	\$ 902,760
Quasi-endowment (Note 14)	814,421	852,122
Philanthropy donor advised fund	167,016	156,476
Other		<u>5,000</u>
	<u><u>\$ 2,029,990</u></u>	<u><u>\$ 1,916,358</u></u>

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements  
For the Year Ended June 30, 2016

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**Note 10 - Continued**

Assets designated by the Board for long-term purposes consisted of investments, as further described in Note 3, as of June 30, 2016 and 2015.

**Note 11 - Temporarily Restricted Net Assets**

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

	<u>2016</u>	<u>2015</u>
Program services	\$ 331,993	\$ 320,621
SR530 mudslide community support		331,756
Time restriction	463,910	776,728
Endowment earnings (Note 13)	31,765	40,846
Individual development accounts	<u>103,877</u>	<u>105,877</u>
	<u><b>\$ 931,545</b></u>	<u><b>\$ 1,575,828</b></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 for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Program services	\$ 169,285	\$ 915,799
SR530 mudslide community support	331,882	1,098,218
Time restriction	776,728	842,669
Individual development accounts	<u>31,888</u>	<u>18,661</u>
	<u><b>\$ 1,309,783</b></u>	<u><b>\$ 2,875,347</b></u>

**Note 12 - Permanently Restricted Net Assets**

As of June 30, 2016 and 2015, net assets of \$329,688 and \$300,344, 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 13 - Endowments**

The Organization's endowments consist of three funds; a board designated quasi-endowment and the Organization's permanently restricted Impact and Sustaining Funds. As required by U.S. GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements  
For the Year Ended June 30, 2016

Note 13 - Continued

**Interpretation of Relevant Law** - The Board of Directors of the Organization has interpreted the Washington State Prudent Management of Institutional Funds Act (PMIFA) as making it advisable for the Organization to track 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.

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>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 31,765	\$ 329,688	\$ 361,453
Board designated quasi-endowment funds	<u>814,421</u>			<u>814,421</u>
<b>Endowment Net Assets, June 30, 2016</b>	<b><u>\$ 814,421</u></b>	<b><u>\$ 31,765</u></b>	<b><u>\$ 329,688</u></b>	<b><u>\$ 1,175,874</u></b>
<b>Endowment Net Assets, June 30, 2015</b>	<b><u>\$ 852,122</u></b>	<b><u>\$ 40,846</u></b>	<b><u>\$ 300,344</u></b>	<b><u>\$ 1,193,312</u></b>

**UNITED WAY OF SNOHOMISH COUNTY**

**Notes to Financial Statements  
For the Year Ended June 30, 2016**

**Note 13 - Continued**

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Endowment Net Assets, June 30, 2015	\$ 852,122	\$ 40,846	\$ 300,344	\$ 1,193,312	\$ 1,079,504
Endowment investment return-					
Interest and dividends	13,357	5,325		18,682	13,809
Realized and unrealized gains	<u>(21,131)</u>	<u>(8,424)</u>		<u>(29,555)</u>	<u>8,412</u>
Total endowment investment return	(7,774)	(3,099)		(10,873)	22,221
Contributions			29,344	29,344	124,079
Appropriation of endowment for expenditure	<u>(29,927)</u>	<u>(5,982)</u>		<u>(35,909)</u>	<u>(32,492)</u>
<b>Endowment Net Assets, June 30, 2016</b>	<b><u>\$ 814,421</u></b>	<b><u>\$ 31,765</u></b>	<b><u>\$ 329,688</u></b>	<b><u>\$ 1,175,874</u></b>	<b><u>\$ 1,193,312</u></b>

**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, 2016 and 2015.

**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.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements  
For the Year Ended June 30, 2016

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**Note 13 - Continued**

**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% 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.

**Note 14 - Operating Lease**

The Organization leases a portion of its building to a local not-for profit entity. The lease requires monthly payments under a noncancelable lease agreement through April 2018. Rental income recognized for the years ended June 30, 2016 and 2015 was \$131,850 and \$131,150, respectively, and is reported in the statement of activities.

Future minimum lease payments to be received are as follows:

For the Year Ending June 30,

2017	\$ 139,732
2018	<u>118,329</u>
<b>Total Minimum Lease Payments to be Received</b>	<b><u><u>\$ 258,061</u></u></b>