

LIVE UNITED



United Way
of Snohomish County

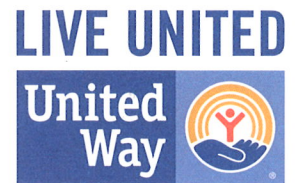
Financial Statements

For the Year Ended June 30, 2018

United Way of Snohomish County

3120 McDougall Avenue, Suite 200
Everett, Washington 98201-4433
tel 425.374.5500
fax 425.374.5555

uwsc.org



Management's Report United Way of Snohomish County 2018 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 (U.S. GAAP) and, as such, include amounts based on informed estimates and judgments of management.

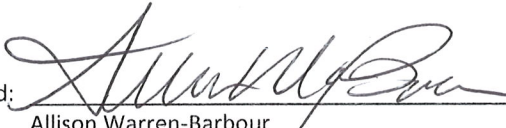
The Board of Directors, operating through its Audit Committee, provides oversight of the financial reporting process and safeguarding of assets against unauthorized acquisition, use, or disposition.

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, Allison Warren-Barbour, President and CEO, and I, Zecharias Mesgane, 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 U.S. GAAP.
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, 2018, other than those disclosed.

As of June 30, 2018, the United Way of Snohomish County believes its system of internal controls over financial reporting was effective for providing reliable financial statements.

Signed:  Allison Warren-Barbour
President and CEO

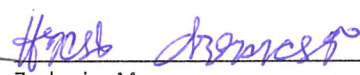
 Zecharias Mesgane
Finance & Operations Director

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 18

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, 2018, 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 1400
Bellevue WA
98004

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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 9, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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
November 27, 2018

UNITED WAY OF SNOHOMISH COUNTY

Statement of Financial Position

June 30, 2018

(With Comparative Totals for 2017)

	2018	2017
Current Assets:		
Cash and cash equivalents	\$ 2,058,572	\$ 2,133,606
Current portion of pledges and grants receivable, net (Note 2)	2,206,184	2,079,477
Prepaid expenses and other current assets	57,482	56,936
Total Current Assets	4,322,238	4,270,019
Investments (Notes 3 and 4)	1,009,089	946,774
Assets designated by the Board of Directors for long-term purposes (Note 10)	1,644,553	1,573,530
Assets restricted by donors for long-term purposes (Note 1)	415,618	411,939
Pledges and grants receivable, net (Note 2)	50,000	
Cash surrender value of charitable life insurance policy (Note 5)	39,588	36,503
Other long-term assets	11,981	27,186
Property and equipment, net (Note 6)	3,031,497	3,169,841
Total Assets	\$ 10,524,564	\$ 10,435,792
Current Liabilities:		
Accounts payable	\$ 41,537	\$ 87,031
Accrued expenses	121,065	120,628
Community impact grants and other grants payable	2,365	72,365
Designations payable	812,512	924,346
Current portion of long-term debt (Note 7)	52,300	50,385
Total Current Liabilities	1,029,779	1,254,755
Long-term debt, less current portion (Note 7)	2,128,960	2,184,349
Total Liabilities	3,158,739	3,439,104
Net Assets:		
Unrestricted-		
Undesignated	4,420,128	4,363,087
Designated by the Board of Directors (Note 10)	1,659,067	1,674,642
Total unrestricted net assets	6,079,195	6,037,729
Temporarily restricted (Note 11)	956,732	629,061
Permanently restricted (Note 12)	329,898	329,898
Total Net Assets	7,365,825	6,996,688
Total Liabilities and Net Assets	\$ 10,524,564	\$ 10,435,792

See accompanying notes.

UNITED WAY OF SNOHOMISH COUNTY

**Statement of Activities
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Public Support, Revenues, and Gains and Losses:					
Gross campaign results	\$ 2,973,048	\$ 352,944	\$ -	\$ 3,325,992	\$ 3,796,262
Less donor designations (Note 1)	(891,141)			(891,141)	(1,044,255)
Less provision for uncollectible pledges	(112,013)			(112,013)	(173,506)
Net campaign revenue	1,969,894	352,944		2,322,838	2,578,501
Designations from other United Ways	213,499			213,499	260,204
Grant and program support income	883,655	408,845		1,292,500	1,422,655
Endowment contributions					210
In-kind contributions	2,700			2,700	1,338
Service fees and other income	138,751			138,751	313,874
Rental income (Note 14)	131,368			131,368	132,200
Investment income (Note 3)	30,911	3,944		34,855	40,521
Realized and unrealized (losses) gains (Note 3)	136,665	26,005		162,670	225,237
Net assets released from restriction - other (Note 11)	464,067	(464,067)			
Total Public Support, Revenues, and Gains and Losses	3,971,510	327,671		4,299,181	4,974,740
Expenses:					
Program services-					
Gross funds awarded and designated	2,191,396			2,191,396	1,598,659
Less donor designations (Note 1)	(891,141)			(891,141)	(1,044,255)
Net funds awarded	1,300,255			1,300,255	554,404
Community impact and investment	907,738			907,738	1,518,421
Total program services	2,207,993			2,207,993	2,072,825
Supporting services-					
Resource development	380,500			380,500	579,550
Organizational administration	1,206,062			1,206,062	817,834
Rental activities	135,489			135,489	140,142
Total supporting services	1,722,051			1,722,051	1,537,526
Total Expenses	3,930,044			3,930,044	3,610,351
Change in Net Assets	41,466	327,671		369,137	1,364,389
Net assets, beginning of year	6,037,729	629,061	329,898	6,996,688	5,632,299
Net Assets, End of Year	\$ 6,079,195	\$ 956,732	\$ 329,898	\$ 7,365,825	\$ 6,996,688

See accompanying notes.

UNITED WAY OF SNOHOMISH COUNTY

Statement of Functional Expenses
 For the Year Ended June 30, 2018
 (With Comparative Totals for 2017)

	Program Services		Total
	Impact, Investment and Community Engagement	Designations to Other Agencies	
Gross funds awarded and designated	\$ 1,300,255	\$ 891,141	\$ 2,191,396
Less donor designations		(891,141)	(891,141)
Net funds awarded	1,300,255		1,300,255
Salaries, benefits and related taxes	477,014		477,014
Professional fees	145,886		145,886
Printing and publications	18,811		18,811
Occupancy	46,042		46,042
Campaign executives	91		91
Events	30,041		30,041
Membership dues	48,925		48,925
Local travel and meetings	28,456		28,456
Staff/volunteer development	12,663		12,663
Rental and maintenance	6,847		6,847
Supplies	22,325		22,325
Postage and shipping	1,074		1,074
Insurance	10,706		10,706
Telephone	11,272		11,272
In-kind expenses			
Depreciation	46,342		46,342
Miscellaneous	1,243		1,243
Total Expenses	\$ 2,207,993	\$ -	\$ 2,207,993

See accompanying notes.

Supporting Services

<u>Rental Activities</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>	<u>2018 Total Expenses</u>	<u>2017 Total Expenses</u>
\$ -	\$ 11,302	\$ 102	\$ 11,404	\$ 2,202,800	\$ 1,598,659
				<u>(891,141)</u>	<u>(1,044,255)</u>
	11,302	102	11,404	1,311,659	554,404
	279,029	868,756	1,147,785	1,624,799	1,844,726
18,567	26,392	139,527	184,486	330,372	453,202
147	7,904	22,314	30,365	49,176	45,051
52,567	11,149	18,422	82,138	128,180	132,860
	1,216		1,216	1,307	15,480
	2,722	75,715	78,437	108,478	144,115
	11,491	20,382	31,873	80,798	96,511
	2,157	4,101	6,258	34,714	26,379
	1,601	2,068	3,669	16,332	23,078
1,979	3,382	4,666	10,027	16,874	23,296
225	1,466	8,610	10,301	32,626	11,924
	1,020	2,127	3,147	4,221	6,605
	3,406	5,822	9,228	19,934	26,417
	2,006	4,953	6,959	18,231	18,302
		2,700	2,700	2,700	1,338
61,681	11,430	18,904	92,015	138,357	152,055
323	2,827	6,893	10,043	11,286	34,608
<u>\$ 135,489</u>	<u>\$ 380,500</u>	<u>\$ 1,206,062</u>	<u>\$ 1,722,051</u>	<u>\$ 3,930,044</u>	<u>\$ 3,610,351</u>

UNITED WAY OF SNOHOMISH COUNTY

Statement of Cash Flows
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	2018	2017
Cash Flows From Operating Activities:		
Change in net assets	\$ 369,137	\$ 1,364,389
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities-		
Depreciation	138,344	152,055
Realized and unrealized gains on investments	(162,670)	(225,237)
Change in cash surrender value of charitable life insurance policy	(3,085)	(5,980)
Contributions restricted for endowment		(210)
Changes in assets and liabilities:		
Pledges and grants receivable	(176,707)	1,170,610
Prepaid expenses and other current assets	(546)	35,136
Other long-term assets	15,205	19,955
Accounts payable and accrued expenses	(45,057)	(33,342)
Designations payable	(111,834)	(355,829)
Community impact grants and other grants payable	(70,000)	(1,582,965)
Net Cash (Used) Provided by Operating Activities	(47,213)	538,582
Cash Flows From Investing Activities:		
Purchases of property and equipment		(2,724)
Purchase of investments	(417,629)	(1,251,381)
Proceeds from sale of investments	517,984	987,001
Net change in assets whose use is limited or restricted-		
By donors for long-term purposes	(3,679)	53,391
By the Board of Directors for long-term purposes	(71,023)	289,444
Net Cash Provided by Investing Activities	25,653	75,731
Cash Flows From Financing Activities:		
Principal payments on long-term debt	(53,474)	(50,911)
Proceeds from contributions restricted for long-term purposes		210
Net Cash Used by Financing Activities	(53,474)	(50,701)
Net Change in Cash and Cash Equivalents	(75,034)	563,612
Cash and cash equivalents balance, beginning of year	2,133,606	1,569,994
Cash and Cash Equivalents Balance, End of Year	\$ 2,058,572	\$ 2,133,606
Supplementary Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 79,899	\$ 82,462

See accompanying notes.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements For the Year Ended June 30, 2018

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:

Advocate - A committee of United Way of Snohomish County volunteers and staff develop an annual public policy agenda to provide guidance on a variety of local, state, and federal policy issues.

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.

Basic Needs Grants - Basic needs such as food, shelter, clothing, and access to health care is the first step to identifying the complex, long-term issues families with young children face, that will eventually require collaborative solutions. These grants were awarded to provide basic need services and/or access to services for young children (prenatal to age eight) and their families with low income. Basic Needs grants consist of annual commitments and are conditional upon future funding and are not accrued as grants payable in the statement of financial position. Remaining grant commitments not accrued for 2018 totaled \$240,000.

CORE Collaborative Grants - Our CORE Collaborative Grants provide support for groups of multiple cross-sector partners with shared action plans focused on long-term solutions for children birth to age 8 and their families with low income. CORE grants are 3-year investments that began in January 2018. Future payments in years two and three of these grants are conditional upon future funding and are not accrued as grants payable in the statement of financial position. Remaining grant commitments not accrued for 2018, 2019 and 2020 totaled \$492,500, \$985,000 and \$985,000, respectively.

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.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements For the Year Ended June 30, 2018

Note 1 - Continued

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 with externally imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

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, 2018 and 2017, the allowance for uncollectible pledges was \$132,332 and \$148,350, 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 \$5,000 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 38 years for buildings.

Assets Restricted by Donors for Long-Term Purposes - As of June 30, 2018, assets restricted by donors for long-term purposes represented donor contributions temporarily restricted for future campaigns, the individual development accounts, and permanently restricted endowment contributions and are comprised of \$8,949 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.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements For the Year Ended June 30, 2018

Note 1 - Continued

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 is committed to 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, 2018, a substantial number of volunteers (1,100) donated 3,396 hours to the Organization's program services and fund-raising campaigns representing a total contributed value of \$316,943. 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.

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.

Concentrations - The Organization raised gross campaign contributions from two companies representing 31% and 38% of campaign results and program support income for the years ended June 30, 2018 and 2017, respectively. As of June 30, 2018 and 2017, 12% and 15%, respectively, of total pledges and grants receivable were due from the same company.

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.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2018

Note 1 - Continued

Summarized Information for 2017 - 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, 2017, from which the summarized information was derived.

Subsequent Events - The Organization has evaluated subsequent events through November 27, 2018, the date on which the financial statements were available to be issued.

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>2018</u>	<u>2017</u>
Pledges and grants receivable, current portion	\$ 2,206,184	\$ 2,079,477
Pledges and grants receivable, net of current portion	<u>50,000</u>	<u></u>
Total Pledges and Grants Receivable, Net	<u>\$ 2,256,184</u>	<u>\$ 2,079,477</u>

Pledges and grants receivable as of June 30, 2018, are due as follows:

Amounts due in-	
Less than one year	\$ 2,338,516
Greater than one year	50,000
Less allowance for uncollectible pledges	<u>(132,332)</u>
Total pledges and grants receivable	2,256,184
Less long-term portion of pledges and grants receivable	<u>(50,000)</u>
Current Portion of Pledges and Grants Receivable	<u>\$ 2,206,184</u>

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2018

Note 3 - Investments

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

	<u>2018</u>	<u>2017</u>
Board designated (Note 10)-		
Operating reserve fund	\$ 721,902	\$ 689,833
Quasi-endowment	<u>922,651</u>	<u>883,697</u>
Total investment designated by the Board for long-term purposes	1,644,553	1,573,530
Pledges and grants receivable, net of current portion	406,669	390,429
Investments, undesignated and unrestricted	<u>1,009,089</u>	<u>946,774</u>
Total Investments	<u>\$ 3,060,311</u>	<u>\$ 2,910,733</u>

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

	<u>2018</u>	<u>2017</u>
Dividends and interest	\$ 60,314	\$ 64,890
Less investment fees	<u>(25,459)</u>	<u>(24,369)</u>
	34,855	40,521
Realized and unrealized gains	<u>162,670</u>	<u>225,237</u>
Total Investment Return	<u>\$ 197,525</u>	<u>\$ 265,758</u>

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.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2018

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, 2018 and 2017.

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.

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

	Fair Value Measurements as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Equity investments-				
Large cap	\$ 977,080	\$ -	\$ -	\$ 977,080
Small and mid cap	626,761			626,761
International	265,709			265,709
Fixed income		1,122,110		1,122,110
Assets Recorded at Fair Value	\$ 1,869,550	\$ 1,122,110	\$ -	2,991,660
Money market funds				68,651
Total Investments				\$ 3,060,311

	Fair Value Measurements as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Equity investments-				
Large cap	\$ 943,222	\$ -	\$ -	\$ 943,222
Small and mid cap	536,701			536,701
International	250,103			250,103
Fixed income		1,125,330		1,125,330
Assets Recorded at Fair Value	\$ 1,730,026	\$ 1,125,330	\$ -	2,855,356
Money market funds				55,377
Total Investments				\$ 2,910,733

UNITED WAY OF SNOHOMISH COUNTY

**Notes to Financial Statements
For the Year Ended June 30, 2018**

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 are recognized in the accompanying statement of activities as public support revenue and the premiums are recognized as resource development expenses. The cash surrender value of the policies have been recorded in the statement of financial position and totaled \$39,588 and \$36,503 at June 30, 2018 and 2017, respectively.

Note 6 - Property and Equipment

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

	<u>2018</u>	<u>2017</u>
Land	\$ 420,000	\$ 420,000
Building	3,646,461	3,646,461
Leasehold improvements	102,608	102,608
Software and computer equipment	257,331	257,331
Furniture, fixtures and equipment	<u>125,968</u>	<u>125,968</u>
	4,552,368	4,552,368
Less accumulated depreciation	<u>(1,520,871)</u>	<u>(1,382,527)</u>
Total Property and Equipment, Net	<u>\$ 3,031,497</u>	<u>\$ 3,169,841</u>

Note 7 - Long-Term Debt

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

	<u>2018</u>	<u>2017</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>\$ 2,181,260</u>	<u>\$ 2,234,734</u>
	2,181,260	2,234,734
Less current portion	<u>(52,300)</u>	<u>(50,385)</u>
Total Long-Term Debt	<u>\$ 2,128,960</u>	<u>\$ 2,184,349</u>

UNITED WAY OF SNOHOMISH COUNTY

**Notes to Financial Statements
For the Year Ended June 30, 2018**

Note 7 - Continued

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

For the Year Ending June 30,

2019	\$ 55,296
2020	57,331
2021	59,442
2022	61,630
2023	<u>1,947,561</u>
	<u>\$ 2,181,260</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, 2018 and 2017, the Organization had deposits with the trust of \$9,895 and \$1,080, respectively, which are included in 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, 2018 and 2017.

Note 9 - Retirement Plan

The Organization 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 of each covered employee's salary for the years ended June 30, 2018 and 2017. The Organization will also provide as a percentage match of a participant's salary up to a maximum of an additional three percent of each covered employee's salary for fiscal years 2018 and 2017. Total retirement plan expense for the years ended June 30, 2018 and 2017, under the plan was \$64,959 and \$68,953, 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>2018</u>	<u>2017</u>
Operating reserve fund	\$ 721,902	\$ 689,833
Quasi-endowment (Note 13)	922,651	883,697
Philanthropy donor advised fund	<u>14,514</u>	<u>101,112</u>
	<u>\$ 1,659,067</u>	<u>\$ 1,674,642</u>

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2018

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, 2018 and 2017.

Note 11 - Temporarily Restricted Net Assets

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

	<u>2018</u>	<u>2017</u>
Program services	\$ 289,730	\$ 279,916
Time restriction	581,784	267,099
Endowment earnings (Note 13)	76,787	60,536
Individual development accounts	<u>8,431</u>	<u>21,510</u>
	<u>\$ 956,732</u>	<u>\$ 629,061</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>2018</u>	<u>2017</u>
Program services	\$ 183,889	\$ 612,057
Time restriction	267,099	469,060
Individual development accounts	<u>13,079</u>	<u>82,732</u>
	<u>\$ 464,067</u>	<u>\$ 1,163,849</u>

Note 12 - Permanently Restricted Net Assets

As of June 30, 2018 and 2017, net assets of \$329,898 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, 2018

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	\$ -	\$ 76,787	\$ 329,898	\$ 406,685
Board designated quasi-endowment funds	<u>922,651</u>			<u>922,651</u>
Endowment Net Assets, June 30, 2018	<u>\$ 922,651</u>	<u>\$ 76,787</u>	<u>\$ 329,898</u>	<u>\$ 1,329,336</u>
Endowment Net Assets, June 30, 2017	<u>\$ 883,697</u>	<u>\$ 60,536</u>	<u>\$ 329,898</u>	<u>\$ 1,274,131</u>

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2018

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>2018 Total</u>	<u>2017 Total</u>
Endowment Net Assets, June 30, 2017	\$ 883,697	\$ 60,536	\$ 329,898	\$ 1,274,131	\$ 1,175,874
Endowment investment return	72,270	29,949		102,219	128,619
Contributions					210
Appropriation of endowment for expenditure	<u>(33,316)</u>	<u>(13,698)</u>		<u>(47,014)</u>	<u>(30,572)</u>
Endowment Net Assets, June 30, 2018	<u>\$ 922,651</u>	<u>\$ 76,787</u>	<u>\$ 329,898</u>	<u>\$ 1,329,336</u>	<u>\$ 1,274,131</u>

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, 2018 and 2017.

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% 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.

UNITED WAY OF SNOHOMISH COUNTY

**Notes to Financial Statements
For the Year Ended June 30, 2018**

Note 14 - Operating Lease

The Organization leases a portion of its building to a local not-for profit entity. The lease required monthly payments under a noncancelable lease agreement through April 2018. Effective May 1, 2018, the lease agreement was amended with required monthly payments extended to October of 2018. Effective November 1, 2019, the lease agreement was amended again with required monthly payments extended to January of 2019. Rental income recognized for the years ended June 30, 2018 and 2017 was \$131,368 and \$132,200, respectively, and is reported as rental income in the statement of activities. Future minimum lease payments to be received consist of \$57,200 in fiscal year 2019.