

UNITED WAY OF SKAGIT COUNTY
INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

JUNE 30, 2016

UNITED WAY OF SKAGIT COUNTY

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors of United Way of Skagit County:

We have audited the statements of financial position of United Way of Skagit County (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Skagit County, as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the periods then ended, in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information:

Our audits were made for the purpose of forming an opinion on the financial statements referred to in the first paragraph taken as a whole. The accompanying information on pages 13-14 is presented for purposes of additional analysis and is not a required part of the above financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements referred to above and, in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



November 2, 2016
Mount Vernon, Washington

UNITED WAY OF SKAGIT COUNTY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
ASSETS:		
Cash and cash equivalents	\$ 790,935	\$ 675,991
Unconditional promises to give	865,530	834,826
Prepaid Expense	1,750	
Property and equipment, net	<u>4,358</u>	<u>3,533</u>
TOTAL ASSETS	<u>\$ 1,662,573</u>	<u>\$ 1,514,350</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 3,817	\$ 2,387
Accrued liabilities	14,975	9,702
3rd Party proc designation	186,556	
Donor designated allocations payable	<u>53,145</u>	<u>55,792</u>
Total liabilities	<u>258,493</u>	<u>67,881</u>
 NET ASSETS:		
Unrestricted, undesignated	1,231,063	1,362,833
Unrestricted, board-designated	153,017	83,636
Temporarily restricted	<u>20,000</u>	<u>-</u>
Total net assets	<u>1,404,080</u>	<u>1,446,469</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,662,573</u>	<u>\$ 1,514,350</u>

UNITED WAY OF SKAGIT COUNTY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016 AND 2015

UNRESTRICTED NET ASSETS:	2016	2015
Support:		
Results of total campaign efforts	\$ 1,109,329	\$ 1,085,397
Less provision for uncollectible pledges	(54,827)	(22,899)
Less direct paid designations	(186,556)	(164,141)
Less contributions designated to agencies by donors	(68,286)	(71,063)
Net contributions	799,660	827,294
In-kind contributions:		
Advertising and other	67,122	49,886
Total in-kind contributions	67,122	49,886
Total support	866,782	877,180
Revenue:		
Service fees for designated agency contributions	9,860	9,721
Meals sold at campaign kickoff/board meetings	3,355	3,933
Interest income	2,613	1,662
Legacy Gift		500,000
Other revenue	19,448	2,417
Total revenue	35,276	517,733
Reclassification of funds spent for designated purposes	-	15,500
Total support, revenue and reclassifications	902,058	1,410,413
Expenses:		
Program services:		
Gross funds awarded	728,512	667,824
(Less third party direct paid designations)	(186,556)	(164,141)
(Less donor designations)	(68,286)	(71,063)
Net funds awarded/distributed	473,670	432,620
Other program services	282,813	186,805
Total program services	756,483	619,425
Management and general	103,678	90,245
Fund-raising	104,286	99,716
Total expenses	964,447	809,386
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(62,389)	601,027
TEMPORARILY RESTRICTED NET ASSETS:		
Program sponsorships	20,000	15,500
Funds reclassified when spent for designated purposes	-	(15,500)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS:	20,000	-
INCREASE (DECREASE) IN TOTAL NET ASSETS	(42,389)	601,027
NET ASSETS, beginning of year	1,446,469	845,442
NET ASSETS, end of year	\$ 1,404,080	\$ 1,446,469

UNITED WAY OF SKAGIT COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fund-</u> <u>Raising</u>	<u>2016 Totals</u>
Salaries	111,498	51,761	49,363	\$ 212,622
Employee benefits	27,990	20,251	13,673	61,914
Payroll taxes	9,517	4,753	4,551	18,821
Sub-total	<u>149,005</u>	<u>76,765</u>	<u>67,587</u>	<u>293,357</u>
Gross funds awarded	728,512			728,512
Less donor designations	(68,286)			(68,286)
Less third party direct paid designations	(186,556)			(186,556)
Collective impact - training research	8,509			8,509
Public education/other program	2,028			2,028
Legacy outreach	366			366
Financial empowerment	9,692			9,692
Early learning	689			689
Advertising/other- inkind	61,865	320	4,937	67,122
Campaign expenses	2,632	11	5,525	8,168
Occupancy	11,220	6,436	6,666	24,322
Dues and subscriptions	7,523	4,320	5,050	16,893
Professional services	225	7,690	135	8,050
Event Rally	6,302		2,296	8,598
Meetings & development	2,189	1,510	1,674	5,373
Vista position	79			79
Maintenance and services	5,198	2,353	1,745	9,296
Office	1,513	1,152	892	3,557
Miscellaneous	635	93	620	1,348
Telephone	1,204	694	661	2,559
Insurance	1,162	666	694	2,522
Postage	784	391	527	1,702
Depreciation	275	219	211	705
Travel	1,221	21	649	1,891
Information technology	360	-	509	869
Marketing and advertising	7,350	196	3,426	10,972
Small equipment	787	465	482	1,734
Bank Fees		376		376
TOTAL EXPENSES	<u>\$ 756,483</u>	<u>\$ 103,678</u>	<u>\$ 104,286</u>	<u>\$ 964,447</u>

UNITED WAY OF SKAGIT COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>2015 Totals</u>
Salaries	68,722	43,866	50,387	\$ 162,975
Employee benefits	11,693	13,110	7,423	32,226
Payroll taxes	6,262	4,078	4,585	14,925
Sub-total	<u>86,677</u>	<u>61,054</u>	<u>62,395</u>	<u>210,126</u>
Gross funds awarded	667,824			667,824
Less donor designations	(71,063)			(71,063)
Less third party direct paid designations	(164,141)			(164,141)
Advertising/other- inkind	40,011	483	9,392	49,886
Campaign expenses	1,156		5,541	6,697
Occupancy	9,021	6,852	6,363	22,236
Dues and subscriptions	6,095	4,717	4,332	15,144
Professional services	156	7,623	549	8,328
Meetings & development	10,301	534	1,081	11,916
Vista position	7,584			7,584
Maintenance and services	6,890	3,132	1,706	11,728
Office	1,957	1,537	1,471	4,965
Miscellaneous	1,217	263	172	1,652
Telephone	1,026	780	724	2,530
Insurance	980	769	737	2,486
Postage	585	460	440	1,485
Depreciation	1,018	809	782	2,609
Travel	2,464	191	1,636	4,291
Information technology	1,212	45	314	1,571
Marketing and advertising	3,917	359	1,158	5,434
Small equipment	4,424	547	837	5,808
Training	114	90	86	290
TOTAL EXPENSES	<u>\$ 619,425</u>	<u>\$ 90,245</u>	<u>\$ 99,716</u>	<u>\$ 809,386</u>

UNITED WAY OF SKAGIT COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016 AND 2015

Increase (Decrease) In Cash and Cash Equivalents	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (42,389)	\$ 601,027
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	705	2,609
Changes in operating assets and liabilities		
Unconditional promises to give	(30,704)	(525,255)
Prepaid expense	(1,750)	
Accounts payable and accrued liabilities	6,703	2,503
Donor designated allocations payable	(2,647)	(15,219)
3rd Party proc designation	186,556	
Net cash from operating activities	<u>116,474</u>	<u>65,665</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(1,530)</u>	<u>(2,997)</u>
Net cash used in investing activities	<u>(1,530)</u>	<u>(2,997)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	114,944	62,668
CASH AND CASH EQUIVALENTS, beginning of year	<u>675,991</u>	<u>613,323</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 790,935</u>	<u>\$ 675,991</u>

UNITED WAY OF SKAGIT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – United Way of Skagit County (the Organization) is a Washington Non-Profit Corporation, incorporated August 20, 1964, and governed by a volunteer board of directors. The mission statement is “Uniting Skagit County to create positive, sustainable change for the common good.” The Organization is funded through workplace giving campaign, grants and support from local businesses, foundations and other private funders. The Board oversees all aspects of the Organization including approval of funding decisions. The Organization directs resources within the areas of Education, Income, and Health to targeted key influence sectors that address some of the critical underlying causes of our complex social issues and increase stability of the underpinnings of a healthy and prosperous Skagit County. The Organization promotes a cooperative and supportive spirit throughout the community.

Basis of accounting - The accompanying financial statements have been prepared on the accrual basis and follow the recommendations of the Financial Accounting Standards Board in its ASC 958, formerly Statement of Financial Accounting Standards No. 117 “Financial Statements of Non-Profit Organizations.” Under ASC 958 the organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. This category of net assets includes amounts designated by the Board for long-term investment.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the principal be maintained permanently by the Organization. The Organization is permitted to use the income earned on the related investments for general or specified operating purposes. The Organization did not have any permanently restricted net assets as of June 30, 2016 or June 30, 2015.

Recognition of Donor Restrictions - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

UNITED WAY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Cash and Cash Equivalents - Cash and cash equivalents consist of cash held in checking, savings, money market accounts and cash on hand. For purposes of the statement of cash flows, the Organization considers all highly liquid unrestricted investments with an initial maturity of less than three months to be cash equivalents.

Property and Equipment – Property and equipment are recorded at cost or, if acquired as a donation, at fair market value at the date of donation. Assets with a useful life greater than one year and cost over \$1,500 are capitalized. Depreciation is computed using the straight-line method, over the estimated useful lives of the assets (from five to ten years).

Federal Income Tax - The Organization is a non-profit organization, which is exempt from federal income taxation under Section 501 (c) (3) of the Internal Revenue Code and is classified as an organization that is not a private foundation under Section 509 (a) (20) of the Internal Revenue Code. The Organization’s Form 990 federal information return is subject to audit for a period of three years after filing.

Donated Services - Donated services are recognized at their fair values only if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In addition to donated services recognized, a substantial number of volunteers have donated significant amounts of their time in the Organization’s program services and its fund raising campaigns.

Advertising - The Organization’s policy is to expense advertising costs as incurred. Advertising expense paid were \$9,798 and \$3,605 for 2016 and 2015 respectively. Additionally, a significant portion of advertising is received as an in-kind donation.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

UNITED WAY OF SKAGIT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Promises to Give – Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based upon prior years' experience and management's analysis of specific promises made.

Functional allocation of expenses – Costs of providing programs and activities are summarized by functional category in the accompanying statement of activities and statement of functional expenses. Costs are directly allocated where possible and certain expenses not directly related to a particular function are allocated based upon the percentage of time devoted to the benefited activities or on other appropriate methods. The Organization complies with United Way Worldwide standards established for donor designated deductions.

NOTE 2. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

	<u>2016</u>	<u>2015</u>
Pledges receivable	\$ 897,914	\$ 857,090
Allowance for uncollectible promises	<u>(32,384)</u>	<u>(22,264)</u>
Net unconditional promises to give	<u>\$ 865,530</u>	<u>\$ 834,826</u>

The Organization expects all promises to give to be received within one year. Third party processed designations are included in these financial statements in order to give a complete picture of United Way activities and results.

UNITED WAY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 28,838	\$ 27,308
Computer software	4,750	4,750
Leasehold improvements	<u>6,037</u>	<u>6,037</u>
Total property and equipment	39,625	38,095
Less accumulated depreciation	<u>35,267</u>	<u>34,562</u>
Net property and equipment	<u><u>\$ 4,358</u></u>	<u><u>\$ 3,533</u></u>

NOTE 4. UNRESTRICTED, BOARD-DESIGNATED NET ASSETS

Unrestricted, board-designated net assets are available for the following purpose:

	<u>2016</u>	<u>2015</u>
Operating reserves	\$ 153,017	\$ 83,636

Board voted to fund 18 months of expenditures with one campaign during the fiscal year transition. We would borrow from Reserves in order to have very little impact on our partner agency funding. Replenishment plan is as follows:

- Year 1 - replenish Reserves to a minimum of 14% (2015-15)
- Year 2 – replenish Reserves to a minimum of 17% (2015-16)
- Year 3 – replenish Reserves to a minimum of 20% (2016-17)
- Year 4 – replenish Reserves to a minimum of 22% (2017-18)
- Year 5 – replenish Reserves to a minimum of 25% (2018-19)

As of July 1, 2016 the reserves were at 20.35% of budget. The organization is currently on track with its replenishment plan.

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

Donors designated the temporarily restricted net assets, which were used for their designated purposes. Unspent temporarily restricted net asset at June 30, 2016 and 2015 are \$20,000 and \$0 respectively.

UNITED WAY OF SKAGIT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT PLAN

The Organization contributes to the union pension fund for member employees under the provisions of the contract formula. Organization contributions totaled \$7,511 and \$4,324 for the year ended June 30th, 2016 and 2015, respectively.

NOTE 7. OPERATING LEASE OBLIGATIONS

The Organization entered into a long-term, non-cancellable operating lease for office space commencing June 1, 2011. The lease agreement as for five years, expired May 31, 2016 and provide for the minimum monthly rentals are as follows:

Year 1	\$1,072.50
Year 2	\$1,072.50
Year 3	\$1,179.75
Year 4	\$1,394.25
Year 5	\$1,608.75

The lease agreement is extended for five years, expiring May 31, 2021 provides for minimum monthly rentals as follows:

Year 1	\$1,072.50
Year 2	\$1,104.68
Year 3	\$1,137.82
Year 4	\$1,171.95
Year 5	\$1,207.11

Future minimum lease payments under this noncancellable operating lease over each year until expiration are as follows:

Years ending June 30,		
	2017	\$ 12,902
	2018	13,289
	2019	13,688
	2020	14,099
	2021	13,278
Total future minimum operating lease obligations		<u>\$ 67,256</u>

UNITED WAY OF SKAGIT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 8. SUBSEQUENT EVENTS

Management of the Organization has evaluated events and transactions occurring after June 30, 2016 through November 2, 2016, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. There were no events and transactions that required recognition and disclosure in the financial statements.

UNITED WAY OF SKAGIT COUNTY
 SUPPLEMENTARY SCHEDULE OF GROSS FUNDS AWARDED
 FOR THE YEAR ENDED JUNE 30, 2016

Agency	Community Impact Grants	Designations	Basic Needs Grants	Contracted w/Agency	Total
American Red Cross – Mt. Baker		2,670	18,500		21,170
Boy Scouts of America- Mt. Baker Council	4,000	2,816			6,816
Boys & Girls Club of Skagit County	25,000	8,968			33,968
Brigid Collins-Skagit Valley Family Support Center	10,000				10,000
Camp Fire USA: Samish Council	12,500	1,380			13,880
Children's Museum of Skagit County	6,005				6,005
Chinook Enterprises	20,000	1,350			21,350
Community Action of Skagit County	100,000	5,537			105,537
Foundtion of Dist #304	4,000	492		55,665	60,157
Northwest Youth Services	25,000				25,000
Sea Mar Community Health Center		700	9,000		9,700
Secret Harbor	19,000	1,200			20,200
Skagit Council on Aging-Meals on Wheels	22,500	6,934			29,434
Skagit Domestic Violence & Sexual Assault	24,500	4,170			28,670
Skagit Habitat for Humanity	10,000	2,840			12,840
SPARC	20,000	720			20,720
Skagit Valley College Foundation	8,500				8,500
Skagit Valley Family YMCA	24,000	1,124			25,124
Volunteers of America WW	10,000	156	13,500		23,656
Youthnet	12,000	6,300			18,300
Other Agency Designations		20,929			20,929
Skagit County Health Dept	20,000				20,000
Third party processed direct paid designations		186,556			186,556
Total	\$ 377,005	\$ 254,842	\$ 41,000	\$ 55,665	\$ 728,512

UNITED WAY OF SKAGIT COUNTY
SUPPLEMENTARY SCHEDULE OF GROSS FUNDS AWARDED
FOR THE YEAR ENDED JUNE 30, 2015

Agency	Community Impact		Basic	Total
	Grants	Designations	Needs Grants	
American Red Cross – Islands Chapter	\$ 4,800			\$ 4,800
American Red Cross – Mt. Baker	19,000	5,418		24,418
American Red Cross – Mt. Baker Council	10,000	564		10,564
Bread of Life Food Bank	7,500	865		8,365
Brigid Collins-Skagit Valley Family Support Center	11,000	360		11,360
Camp Fire USA: Samish Council	10,900	3,120		14,020
Catholic Community Services, WW-NW	12,000	5,854		17,854
Chinook Enterprises	18,000	2,220		20,220
Community Action of Skagit County	71,500	5,777	12,000	89,277
Community Action - Ideas for living	10,800			10,800
Concrete Food Bank	6,500	1,270		7,770
Foundation of Dist #304		617	7,500	8,117
Girl Scouts of Western Washington	9,000	120		9,120
Helping Hands Food Bank		100	8,000	8,100
Mount Vernon Community Wellness Council	4,500			4,500
North Cascades Health Council	4,500			4,500
Northwest Youth Services	16,500	1,800		18,300
Sea Mar Community Health Center	11,500	700		12,200
Skagit Council on Aging-Meals on Wheels	27,000	7,978		34,978
Skagit Domestic Violence & Sexual Assault	25,500	4,654		30,154
Skagit Habitat for Humanity	7,500	2,960		10,460
SPARC	20,000	1,912		21,912
Skagit Valley Family YMCA	32,500	2,264		34,764
VOA WW	20,750	156		20,906
Youthnet	17,500	3,880		21,380
Other Agency Designations		18,475		18,475
Youth United			7,872	7,872
Collective Impact			13,717	13,717
Early Learning			3,026	3,026
Public Education			1,755	1,755
Third party processed direct paid designations		164,141		164,141
Total	\$ 378,750	\$ 235,204	\$ 53,870	\$ 667,824