

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

JUNE 30, 2017

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, 2017 and 2016, 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, 2017 and 2016, 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.



October 24, 2017
Mount Vernon, Washington

UNITED WAY OF SKAGIT COUNTY
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2017 AND 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
ASSETS:		
Cash and cash equivalents	\$ 934,541	\$ 790,935
Unconditional promises to give	715,101	865,530
Prepaid Expense	-	1,750
Property and equipment, net	<u>2,833</u>	<u>4,358</u>
TOTAL ASSETS	<u><u>\$ 1,652,475</u></u>	<u><u>\$ 1,662,573</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 4,776	\$ 3,817
Accrued liabilities	14,965	14,975
3rd party processed designations	271,518	186,556
Donor designated allocations payable	<u>52,003</u>	<u>53,145</u>
Total liabilities	<u>343,262</u>	<u>258,493</u>
 NET ASSETS:		
Unrestricted, undesignated	1,096,448	1,231,063
Unrestricted, board-designated	205,265	153,017
Temporarily restricted	<u>7,500</u>	<u>20,000</u>
Total net assets	<u>1,309,213</u>	<u>1,404,080</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,652,475</u></u>	<u><u>\$ 1,662,573</u></u>

UNITED WAY OF SKAGIT COUNTY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017 AND 2016

UNRESTRICTED NET ASSETS:	2017	2016
Support:		
Results of total campaign efforts	\$ 1,195,633	\$ 1,109,329
Less provision for uncollectible pledges	(29,583)	(54,827)
Less direct paid designations	(271,518)	(186,556)
Less contributions designated to agencies by donors	(71,018)	(68,286)
Net contributions	823,514	799,660
In-kind contributions:		
Advertising and other	46,201	67,122
Total in-kind contributions	46,201	67,122
Total support	869,715	866,782
Revenue:		
Service fees for designated agency contributions	10,447	9,860
Meals sold at campaign kickoff/board meetings	5,514	3,355
Interest income	1,981	2,613
Other revenue	9,511	19,448
Total revenue	27,453	35,276
Reclassification of funds spent for designated purposes	40,000	-
Total support, revenue and reclassifications	937,168	902,058
Expenses:		
Program services:		
Gross funds awarded	806,785	728,512
(Less third party direct paid designations)	(271,518)	(186,556)
(Less donor designations)	(71,018)	(68,286)
Net funds awarded/distributed	464,249	473,670
Other program services	360,062	282,813
Total program services	824,311	756,483
Management and general	112,816	103,678
Fund-raising	82,408	104,286
Total expenses	1,019,535	964,447
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(82,367)	(62,389)
TEMPORARILY RESTRICTED NET ASSETS:		
Program sponsorships	27,500	20,000
Funds reclassified when spent for designated purposes	(40,000)	-
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS:	(12,500)	20,000
INCREASE (DECREASE) IN TOTAL NET ASSETS	(94,867)	(42,389)
NET ASSETS, beginning of year	1,404,080	1,446,469
NET ASSETS, end of year	\$ 1,309,213	\$ 1,404,080

UNITED WAY OF SKAGIT COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fund-</u> <u>Raising</u>	<u>2017 Totals</u>
Salaries	117,452	51,438	43,652	\$ 212,542
Employee benefits	28,860	18,842	10,730	58,432
Payroll taxes	10,349	4,692	3,883	18,924
Sub-total	<u>156,661</u>	<u>74,972</u>	<u>58,265</u>	<u>289,898</u>
Gross funds awarded	806,785			806,785
Less donor designations	(71,018)			(71,018)
Less third party direct paid designations	(271,518)			(271,518)
Other in-kind expense	45,826		375	46,201
Campaign/Awareness	4,999		1,736	6,735
Occupancy	9,661	4,607	4,218	18,486
Dues and subscriptions	9,322	4,218	4,224	17,764
Professional services	38,328	21,043	1,649	61,020
Event Rally	8,496			8,496
Meetings & development/staff training	3,186	1,229	1,038	5,453
Kick off breakfast	3,070		3,239	6,309
Maintenance and services	1,397	487	447	2,331
Office small equipment	2,822	762	692	4,276
Miscellaneous	908	187	707	1,802
Telephone/Internet	1,661	618	554	2,833
Insurance	1,212	598	552	2,362
Postage	1,050	304	281	1,635
Depreciation	520	504	500	1,524
Travel	406	239	226	871
Information technology	332	163	148	643
Marketing and advertising	5,587		308	5,895
Office expense & supplies	2,742	804	1,281	4,827
Bank charges & on-line service fees		269	804	1,073
Contract service & fees	4,608	1,755	989	7,352
Legacy outreach	537	57	175	769
Collective impact - training & research	7,144			7,144
Public education/other program	2,603			2,603
Financial empowerment	46,984			46,984
TOTAL EXPENSES	<u>\$ 824,311</u>	<u>\$ 112,816</u>	<u>\$ 82,408</u>	<u>\$ 1,019,535</u>

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
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017 AND 2016

Increase (Decrease) In Cash and Cash Equivalents	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (94,867)	\$ (42,389)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,525	705
Changes in operating assets and liabilities		
Unconditional promises to give	150,429	(30,704)
Prepaid expense	1,750	(1,750)
Accounts payable and accrued liabilities	949	6,703
Donor designated allocations payable	(1,142)	(2,647)
3rd party processed designations	84,962	186,556
Net cash from operating activities	<u>143,606</u>	<u>116,474</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment		(1,530)
Net cash used in investing activities	<u>-</u>	<u>(1,530)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	143,606	114,944
CASH AND CASH EQUIVALENTS, beginning of year	<u>790,935</u>	<u>675,991</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 934,541</u>	<u>\$ 790,935</u>

UNITED WAY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization –United Way of Skagit County (UWSC) 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 changes to build a good quality of life.” UWSC targets key influence sectors that addresses the critical underlying causes of the complex social issues and to increase stability of the underpinnings of a healthy and prosperous community. Working with many different partners, including schools, libraries, local government, businesses, coalitions and community leaders, UWSC is fighting for the education, health and financial stability of all. Some of UWSC’s accomplishments include the Financial People project, Youth United, funding the Skagit County early learning coordinator and support of the Skagit Trends website. In addition, UWSC advocates at all levels of government on public policy that is tied to its areas of focus of Early Education, Financial Stability and Health.

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, 2017 or June 30, 2016.

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 \$5,897 and \$9,798 for 2017 and 2016 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>2017</u>	<u>2016</u>
Pledge receivable	\$ 747,485	\$ 897,914
Allowance for uncollectible	<u>(32,384)</u>	<u>(32,384)</u>
Net unconditional promise to give	<u>\$ 715,101</u>	<u>865,530</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>2017</u>	<u>2016</u>
Furniture and equipment	\$ 28,838	\$ 28,838
Computer software	4,750	4,750
Leasehold improvements	<u>6,037</u>	<u>6,037</u>
Total property and equipment	39,625	39,625
Less accumulated depreciation	<u>36,792</u>	<u>35,267</u>
Net property and equipment	<u>\$ 2,833</u>	<u>\$ 4,358</u>

NOTE 4. UNRESTRICTED, BOARD-DESIGNATED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Operating reserves	\$ 205,265	\$ 153,017

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% (2014-15)
- 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, 2017 the reserves were at 25% of budget. The organization has replenished its reserves.

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, 2017 and 2016 are \$7,500 and \$20,000 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 \$6,709 and \$7,511 for the year ended June 30th, 2017 and 2016, 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 was for five years, expired May 31, 2016. The lease has been extended for additional 5 years expiring May 31, 2021.

Minimum monthly rentals:

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,		
	2018	13,289
	2019	13,688
	2020	14,099
	2021	13,278
		13,278
Total future minimum operating lease obligations		\$ 54,354

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, 2017 through October 24, 2017, 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, 2017

Agency	Community Impact Grants	Designations	Basic Needs Grants	Collective Impact Grants	Contracted w/Agency	Total
American Red Cross – Mt. Baker		3,500	18,500			22,000
Boys & Girls Club of Skagit County	25,000	12,279				37,279
Brigid Collins-Skagit Valley Family	19,000	2,900				21,900
Camp Fire USA: Samish Council	14,000	1,270				15,270
Chinook Enterprises	25,000	2,250				27,250
Community Action of Skagit County	51,000	3,828	35,000	13,000		102,828
Community in Schools of Whatcom	10,000					10,000
Foundation of Dist #304	5,000	100			56,349	61,449
Northwest Youth Services	26,000					26,000
Sea Mar Community Health Center		1,200	9,000			10,200
Secret Harbor	20,000	1,950				21,950
Skagit Council on Aging-Meals on Wheels		10,274	17,400			27,674
Skagit Domestic Violence & Sexual	22,000	3,639				25,639
SPARC	25,000	1,160				26,160
Skagit Valley College Foundation				10,000		10,000
Skagit Valley Family YMCA	28,000	4,118				32,118
Volunteers of America WW	5,000	520	13,500			19,020
Youthnet	10,000	5,740				15,740
Other Agency Designations		16,290				16,290
Skagit County Health Dept					6,500	6,500
Third party processed direct paid designations		271,518				271,518
Total	\$ 285,000	\$ 342,536	\$ 93,400	\$ 23,000	\$ 62,849	\$ 806,785

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
American Red Cross – 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
Foundation 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
VOA 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	\$ 235,204	\$ 41,000	\$ 55,665	\$ 728,512