

**UNITED WAY OF  
THURSTON COUNTY**

Audited Financial Statements

June 30, 2018 and 2017 (Restated)

**UNITED WAY OF THURSTON COUNTY**

Audited Financial Statements

June 30, 2018 and 2017 (Restated)

**INDEPENDENT AUDITOR'S REPORT** ..... 1-2

**AUDITED FINANCIAL STATEMENTS**

Statements of Financial Position..... 3

Statements of Activities .....4-7

Statements of Functional Expenses.....8-9

Statements of Cash Flows .....10-11

Notes to Financial Statements .....12-20



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## Independent Auditor's Report

Board of Directors  
United Way of Thurston County  
Olympia, Washington

### **Report on the Financial Statements**

We have audited the accompanying financial statements of United Way of Thurston County (a nonprofit organization) ("United Way"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, 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.

#### ***Auditor's 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 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 United Way'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 United Way'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.

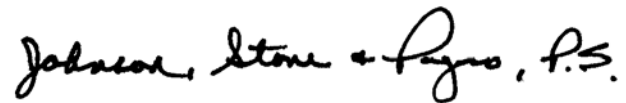
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Thurston County as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Period Adjustment***

As disclosed in Note 10 to the financial statements, adjustments were made to restate certain amounts of net assets as of July 1, 2016, and consequently as of June 30, 2017, in order to correct the presentation of net assets that carry temporary purpose or time restrictions. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Johnson, Stone & Pagano, P.S." in a cursive script.

**JOHNSON, STONE & PAGANO, P.S.**

March 8, 2019

**AUDITED FINANCIAL STATEMENTS**

**UNITED WAY OF THURSTON COUNTY**

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2018 and 2017 (Restated)

	<u>2018</u>	<u>2017</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 552,243	\$ 535,969
Certificates of deposit	62,097	268,951
Campaign pledges receivable		
2017/2018 campaign, net of allowance of \$44,792		
2016/2017 campaign, net of allowance of \$31,338	260,025	288,601
Other receivables	31,787	50,969
Other assets	2,500	2,647
Property and equipment - net	14,505	19,332
Community Foundation endowments	<u>248,699</u>	<u>236,755</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,171,856</u></b>	<b>\$ <u>1,403,224</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Accounts payable and accrued expenses	\$ 102,946	\$ 168,587
Due to designated agencies	<u>85,313</u>	<u>86,309</u>
<b>Total Liabilities</b>	188,259	254,896
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	436,770	467,775
Board-designated Women United	71,749	150,301
Board-designated reserve	<u>150,000</u>	<u>150,000</u>
<b>Total Unrestricted Net Assets</b>	658,519	768,076
Temporarily restricted	289,553	344,727
Permanently restricted	<u>35,525</u>	<u>35,525</u>
<b>Total Net Assets</b>	<b><u>983,597</u></b>	<b><u>1,148,328</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>1,171,856</u></b>	<b>\$ <u>1,403,224</u></b>

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF THURSTON COUNTY**

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>				
Current campaign				
Contributions received in current period	\$ 481,306	\$ 236,540		\$ 717,846
Less donor designations	(112,766)			(112,766)
Less donor provisions for uncollectibles	<u>(43,071)</u>			<u>(43,071)</u>
<b>Net Current Campaign Revenues</b>	325,469	236,540		562,009
Prior campaign				
Contributions received in current period	15,032			15,032
Contributions received in prior period (released from restrictions)	<u>293,143</u>	<u>(293,143)</u>		
<b>Net Old Campaign Revenues</b>	308,175	(293,143)		15,032
Campaign revenue received for next fiscal period		<u>24,873</u>		<u>24,873</u>
<b>Total Contributions</b>	633,644	(31,730)		601,914
Grants and contracts	261,689	9,500		271,189
Special events	246,812			246,812
Other contributions	37,068			37,068
Service fees	27,453			27,453
Investment income	12,503			12,503
Rental income	6,150			6,150
Miscellaneous	5,861			5,861
Release of temporary restriction on contributions	<u>32,944</u>	<u>(32,944)</u>		
<b>Total Revenues and Other Support</b>	1,264,124	(55,174)		1,208,950

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF THURSTON COUNTY**

STATEMENTS OF ACTIVITIES (Continued)

Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>EXPENSES</b>				
Program services				
Gross funds awarded/distributed	\$ 572,145			\$ 572,145
Less donor designations	<u>(112,766)</u>			<u>(112,766)</u>
<b>Net Funds Awarded/Distributed</b>	459,379			459,379
Community services	<u>339,832</u>			<u>339,832</u>
<b>Total Program Services</b>	799,211			799,211
Supporting services				
Fundraising	294,650			294,650
Organization administration	<u>279,820</u>			<u>279,820</u>
<b>Total Supporting Services</b>	<u>574,470</u>			<u>574,470</u>
<b>Total Expenses</b>	<u>1,373,681</u>			<u>1,373,681</u>
<b>CHANGE IN NET ASSETS</b>	(109,557)	\$ (55,174)		(164,731)
<b>Net Assets at Beginning of Year</b>	<u>768,076</u>	<u>344,727</u>	\$ <u>35,525</u>	<u>1,148,328</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 658,519</u>	<u>\$ 289,553</u>	<u>\$ 35,525</u>	<u>\$ 983,597</u>

The accompanying notes are an integral part of these financial statements.



**UNITED WAY OF THURSTON COUNTY**

STATEMENTS OF ACTIVITIES (Continued)

Year Ended June 30, 2017 (Restated)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>				
Current campaign				
Contributions received in current period	\$ 581,141	\$ 257,958		\$ 839,099
Less donor designations	(114,622)			(114,622)
Less provisions for uncollectables	(50,328)			(50,328)
<b>Net Current Campaign Revenues</b>	416,191	257,958		674,149
Prior campaign				
Contributions received in current period	24,731			24,731
Contributions received in prior period (released from restrictions)	302,387	(302,387)		
<b>Net Old Campaign Revenues</b>	327,118	(302,387)		24,731
Campaign revenue received for next fiscal period		26,971		26,971
<b>Total Contributions</b>	743,309	(17,458)		725,851
Grants and contracts	440,165			440,165
Special events	249,905	40,000		289,905
Other contributions	46,385			46,385
Service fees	28,205			28,205
Investment income	26,307			26,307
In-kind revenue	26,590			26,590
Rental income	6,000			6,000
Miscellaneous	18,000			18,000
Release of temporary restriction on contributions	59,718	(59,718)		
<b>Total Revenues and Other Support</b>	1,644,584	(37,176)		1,607,408

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF THURSTON COUNTY**  
**STATEMENTS OF ACTIVITIES (Continued)**  
Year Ended June 30, 2017 (Restated)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>EXPENSES</b>				
Program services				
Gross funds awarded/distributed	\$ 825,818			\$ 825,818
Less donor provisions for uncollectibles	<u>(114,622)</u>			<u>(114,622)</u>
<b>Net Funds Awarded/Distributed</b>	711,196			711,196
Community services	<u>407,922</u>			<u>407,922</u>
<b>Total Program Services</b>	1,119,118			1,119,118
Supporting services				
Fundraising	259,328			259,328
Organization administration	<u>403,158</u>			<u>403,158</u>
<b>Total Supporting Services</b>	<u>662,486</u>			<u>662,486</u>
<b>Total Expenses</b>	<u>1,781,604</u>			<u>1,781,604</u>
<b>CHANGE IN NET ASSETS</b>	(137,020)	\$ (37,176)		(174,196)
<b>Net Assets at Beginning of Year</b>	<u>905,096</u>	<u>381,903</u>	\$ <u>35,525</u>	<u>1,322,524</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 768,076</u>	<u>\$ 344,727</u>	<u>\$ 35,525</u>	<u>\$ 1,148,328</u>

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF THURSTON COUNTY**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2018

	Program Services		Supporting Services			Combined Total
	Distributions	Community Services	Fundraising	Organization Administration	Total Supporting Services	
Salaries, payroll tax and benefits		\$ 182,341	\$ 177,097	\$ 184,218	\$ 361,315	\$ 543,656
Professional fees				14,575	14,575	14,575
Meetings and events		72,137	37,080	3,146	40,226	112,363
Office expenses		4,512	4,254	3,970	8,224	12,736
Computer expense		2,717	2,561	2,483	5,044	7,761
Postage and printing		1,801	1,698	1,647	3,345	5,146
Occupancy		18,952	17,870	17,328	35,198	54,150
Insurance		1,228	1,157	1,122	2,279	3,507
Miscellaneous		10,420	9,825	9,528	19,353	29,773
Contracted services		21,200	19,988	19,382	39,370	60,570
Marketing		4,141	3,904	3,786	7,690	11,831
Auto expense		2,063	1,945	1,886	3,831	5,894
Supplies		2,218	2,092	2,029	4,121	6,339
Staff and board development		1,582	1,491	1,446	2,937	4,519
Travel		3,649	3,440	3,336	6,776	10,425
Membership dues		6,633	6,254	6,064	12,318	18,951
Volunteers		1,985	1,871	1,815	3,686	5,671
Distributions, net of donor designations	\$ 459,379					459,379
<b>Total Functional Expenses Before Depreciation</b>	<u>459,379</u>	<u>337,579</u>	<u>292,527</u>	<u>277,761</u>	<u>570,288</u>	<u>1,367,246</u>
Depreciation		<u>2,253</u>	<u>2,123</u>	<u>2,059</u>	<u>4,182</u>	<u>6,435</u>
<b>TOTAL EXPENSES</b>	<u>\$ 459,379</u>	<u>\$ 339,832</u>	<u>\$ 294,650</u>	<u>\$ 279,820</u>	<u>\$ 574,470</u>	<u>\$ 1,373,681</u>

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF THURSTON COUNTY**

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

Year Ended June 30, 2017 (Restated)

	Program Services		Supporting Services			Combined Total
	Distributions	Community Services	Fundraising	Organization Administration	Total Supporting Services	
Salaries, payroll tax and benefits		\$ 302,779	\$ 161,299	\$ 205,763	\$ 367,062	\$ 669,841
Professional fees				16,150	16,150	16,150
Meetings and events		38,210	35,625	69,812	105,437	143,647
Office expenses		3,257	3,039	5,954	8,993	12,250
Computer expense		2,560	2,386	4,677	7,063	9,623
Postage and printing		4,160	3,879	7,601	11,480	15,640
Occupancy		15,217	14,187	27,802	41,989	57,206
Insurance		858	799	1,566	2,365	3,223
Miscellaneous		4,161	3,879	7,555	11,434	15,595
Advertising		5,917	5,517		5,517	11,434
Contracted services		9,184	8,562	16,778	25,340	34,524
Marketing		3,264	3,043	5,963	9,006	12,270
Auto expense		2,370	2,210	4,331	6,541	8,911
Supplies		2,429	2,265	4,439	6,704	9,133
Staff and board development		993	925	1,814	2,739	3,732
Travel		2,820	2,629	5,152	7,781	10,601
Membership dues		5,161	4,813	9,431	14,244	19,405
Volunteers		2,463	2,296	4,499	6,795	9,258
Distributions, net of donor designations	\$ 711,196					711,196
<b>Total Functional Expenses Before Depreciation</b>	711,196	405,803	257,353	399,287	656,640	1,773,639
Depreciation		2,119	1,975	3,871	5,846	7,965
<b>TOTAL EXPENSES</b>	<u>\$ 711,196</u>	<u>\$ 407,922</u>	<u>\$ 259,328</u>	<u>\$ 403,158</u>	<u>\$ 662,486</u>	<u>\$ 1,781,604</u>

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF THURSTON COUNTY**

**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2018 and 2017 (Restated)

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from various donors for		
Annual campaign	\$ 743,256	\$ 840,473
Grants and contracts	290,371	440,165
Special events	246,812	289,905
Other contributions	37,068	46,385
Cash received from		
Investment income	248	500
Service fees	27,453	28,205
Rental income	6,150	6,000
Miscellaneous	5,861	18,000
Cash payment for		
Allocations and grants	(459,379)	(711,196)
Designated agencies	(112,766)	(114,622)
Employees and supplies	(974,356)	(1,033,241)
	<u>(189,282)</u>	<u>(189,426)</u>
<b>Net Cash Used by Operating Activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Maturities of certificates of deposit	207,164	65,956
Distributions from investments		36,683
Purchase of property and equipment	(1,608)	(7,991)
	<u>205,556</u>	<u>94,648</u>
<b>Net Cash Provided by Investing Activities</b>		
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	16,274	(94,778)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>535,969</u>	<u>630,747</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 552,243</u>	<u>\$ 535,969</u>

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF THURSTON COUNTY**

**STATEMENTS OF CASH FLOWS (Continued)**

Years Ended June 30, 2018 and 2017 (Restated)

	<u>2018</u>	<u>2017</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (164,731)	\$ (174,196)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Depreciation	6,435	7,965
Allowance for uncollectibles	(46,380)	(53,193)
Realized gain on investments	(10,583)	(14,345)
Unrealized gain on investments	(1,361)	(10,534)
(Increase) decrease in operating assets		
Certificates of deposit	(310)	(928)
Pledges receivable	74,956	52,894
Other receivables	19,182	(6,096)
Other assets	147	(147)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(65,641)	(3,611)
Due to designated agencies	(996)	12,765
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b><u>\$ (189,282)</u></b>	<b><u>\$ (189,426)</u></b>

The accompanying notes are an integral part of these financial statements.

## UNITED WAY OF THURSTON COUNTY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017 (Restated)

#### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

##### *Nature of Activities*

United Way of Thurston County ("United Way") is a nonprofit organization organized under the laws of the State of Washington and is an exempt organization under the Internal Revenue Code, Section 501(c)(3). United Way's mission is to strengthen the community by connecting people and resources to meet identified human needs.

United Way strengthens the lives of people, from children to seniors, through partnerships, programs and community initiatives that deliver tangible results. It focuses its resources on four specific areas of impact:

Helping Kids Succeed  
Promoting Self-sufficiency

Meeting Basic Needs  
Supporting Health and Wellness

A summary of United Way's significant accounting policies follows:

##### *Basis of Presentation*

The financial statements present United Way's financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

##### *Cash and Cash Equivalents*

For purposes of the statements of cash flows, United Way considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consist of checking, savings and money market accounts.

##### *Campaign Pledges and Designations*

An annual fundraising campaign is conducted each fall to obtain donations and pledges to fund the subsequent year's operations. Accordingly, a receivable is recorded at year-end for outstanding campaign pledges with an allowance for amounts estimated to be uncollectible. Substantially all of the pledges receivable at June 30, 2018 and 2017 are from corporations and individuals.

Community-wide care donations and pledges are recorded as temporarily restricted revenues in the campaign year and released into unrestricted net assets as time restrictions are satisfied in the subsequent year. Donor-designated pledges are accounted for as a liability until disbursed to the designated agency. Those amounts are not accounted for as revenue by United Way but are reported as part of campaign results from which the amounts are then deducted to arrive at campaign revenue.

Provision for uncollectible pledges is computed based upon a three-year historical average adjusted by management's estimates of current economic factors, applied to gross campaign revenue.

## UNITED WAY OF THURSTON COUNTY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017 (Restated)

#### **NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Campaign Pledges and Designations (Continued)***

Donor-designated pledges are assessed a processing fee based on actual historical costs in accordance with United Way of America membership standards, as outlined in their publication titled *United Way of America Implementation Requirements for Membership Standard M (Cost Deduction for Designed Funds)*.

##### ***Contributions***

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor (other than donor-designated gifts received through the annual campaign) 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 (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

##### ***Fair Value Measurements***

The carrying value of cash and equivalents, certificates of deposit, campaign pledges receivable and liabilities approximates fair value due to the short maturity of these instruments. The carrying value of the Community Foundation of South Puget Sound (the "Community Foundation") endowments is believed to approximate fair value and is based upon the stated value of the endowments as reported to the United Way by the Community Foundation. As such, the United Way does not report investments or financial instruments measured at fair value.

##### ***Community Investment Grants and Donor Choice Designations***

Community investment grants to support health and human service programs are determined through a review process by United Way committees composed of board members and community volunteers. Agencies that are awarded funding are notified in the spring of each year and are required to sign a memorandum of understanding.

Donor choice designations to other nonprofit organizations are subject to an administrative fee based on the previous year's functional expense overhead calculation. The administrative fee applied was 25% for the years ended June 30, 2018 and 2017. Donations to other United Ways in Washington and designations from major donors are processed at a reduced fee or without fee.



## UNITED WAY OF THURSTON COUNTY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017 (Restated)

#### **NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Board-Designated - Women United***

Women United is an affinity group of United Way of Thurston County. Funds raised by Women United through events are available for grants to non-profits serving women and children in Thurston County. At June 30, 2018 and 2017, \$71,749 and \$150,301 has been designated for Women United grants and projects, respectively.

##### ***Property and Equipment***

Property and equipment purchased in excess of \$500 with a useful life of two or more years are capitalized and stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Property and equipment consist of computer equipment, office equipment and furniture.

##### ***Donated Property and Equipment***

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a significant purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, United Way reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. United Way reclassifies temporarily restricted net assets to unrestricted net assets at that time.

##### ***Donated Materials***

Donated materials are reflected as contributions at their estimated values at the date of receipt. For the year ended June 30, 2018, United Way did not receive donated advertising, printing and website design. For the year ended June 30, 2017, United Way received \$11,434 in donated materials.

##### ***Donated Services***

No amounts have been reflected in the financial statements for donated services. United Way generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist United Way with allocations, Day of Caring and various committee assignments. United Way receives more than 12,500 volunteer hours per year.

##### ***Functional Expenses***

Expenses are charged to each program based on direct expenditures incurred. Any program expenses not directly chargeable are allocated to programs based on the annual time study method recommended by United Way of America in its publication *United Way of America Functional Expenses and Overhead Reporting Standards*.

## UNITED WAY OF THURSTON COUNTY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017 (Restated)

#### **NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Federal Income Taxes***

United Way is a nonprofit organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and is not a private foundation. There was no income tax expense for the years ended June 30, 2018 and 2017.

##### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

##### ***Subsequent Events***

United Way has evaluated for subsequent events through March 8, 2019, the date the financial statements were available to be issued.

##### ***Concentration of Risk***

Accounts maintained at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2018, United Way's cash balance at one financial institution exceeded the insurance limit by approximately \$72,000. United Way has not experienced any losses related to these cash balances.

The employee payroll deduction program of the State of Washington comprises approximately 6.5% and 5.4% of annual campaign pledges for the years ended June 30, 2018 and 2017, respectively. For the years ended June 30, 2018 and 2017, three company campaigns had pledges comprising approximately 4.2% to 9.8% and 4.7% to 7.5%, respectively, of total annual campaign pledges.

##### ***New Accounting Pronouncement***

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, to improve the presentation of net asset classifications and other information, presented or disclosed in the financial statements, regarding a not-for-profit entity's liquidity and availability of financial resources, board designations of net assets, financial performance and expenses on a functional basis. The ASU's requirements are broadly applicable, and will be effective for years beginning after December 15, 2017. Management is currently evaluating how the new requirements will affect United Way's financial statements.

#### **NOTE 2 - PLEDGES RECEIVABLE**

Pledges receivable consist of unconditional promises to give. All amounts are expected to be received within one year.

**UNITED WAY OF THURSTON COUNTY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017 (Restated)

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Equipment and furniture	\$ 129,556	\$ 127,948
Less accumulated depreciation	<u>115,051</u>	<u>108,616</u>
Property and Equipment, net	\$ <u>14,505</u>	\$ <u>19,332</u>

Depreciation expense totaled \$6,435 and \$7,965 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 4 - COMMUNITY FOUNDATION ENDOWMENTS**

United Way has established endowment funds with the Community Foundation. The Foundation shall control the invested assets. Under the agreement with the Community Foundation, distributions are available to United Way for purposes of acquiring or renovating a capital asset or in the event of unexpected financial need that is not expected to recur. Distributions of investment income, when available, will be made at least annually to the United Way. It is the United Way's policy that all permanently restricted donor gifts are to be maintained by the Community Foundation.

The following is a schedule of endowments at June 30:

	<u>Unrestricted</u>	<u>Unrestricted Board- designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2018				
Pam Toal Leadership Fund	\$ 8,417		\$ 25,000	\$ 33,417
General Endowment Fund	<u>54,757</u>	\$ <u>150,000</u>	<u>10,525</u>	<u>215,282</u>
	\$ <u>63,174</u>	\$ <u>150,000</u>	\$ <u>35,525</u>	\$ <u>248,699</u>
June 30, 2017				
Pam Toal Leadership Fund	\$ 6,812		\$ 25,000	\$ 31,812
General Endowment Fund	<u>44,418</u>	\$ <u>150,000</u>	<u>10,525</u>	<u>204,943</u>
	\$ <u>51,230</u>	\$ <u>150,000</u>	\$ <u>35,525</u>	\$ <u>236,755</u>

**UNITED WAY OF THURSTON COUNTY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017 (Restated)

**NOTE 4 - COMMUNITY FOUNDATION ENDOWMENTS (Continued)**

***Interpretation of Relevant Law Applicable to Temporarily or Permanently Restricted Funds***

Donor-restricted funds intended to be maintained in perpetual duration are classified as permanently restricted net assets and are subject to the Washington State Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Board of Directors has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the United Way 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 restricted endowment fund that is not classified in the permanently restricted funds would be considered temporarily restricted until those amounts are appropriated for expenditure by the United Way in a manner consistent with the standard of prudence prescribed by UPMIFA.

Changes in endowment net assets for the year ended June 30, 2018 and 2017 are as follows:

	<u>Unrestricted</u>	<u>Unrestricted Board- designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - July 1, 2017	\$ 51,230	\$ 150,000	\$ 35,525	\$ 236,755
Investment return				
Investment income	5,275			5,275
Net appreciation realized and unrealized	<u>10,848</u>	_____	_____	<u>10,848</u>
Total Investment Return	16,123			16,123
Appropriation of endowment Expenses	<u>(4,179)</u>	_____	_____	<u>(4,179)</u>
Total Appropriation of Endowment	<u>(4,179)</u>	_____	_____	<u>(4,179)</u>
Endowment Net Assets - June 30, 2018	\$ <u>63,174</u>	\$ <u>150,000</u>	\$ <u>35,525</u>	\$ <u>248,699</u>

**UNITED WAY OF THURSTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 and 2017 (Restated)

**NOTE 4 - COMMUNITY FOUNDATION ENDOWMENTS (Continued)**

	<u>Unrestricted</u>	<u>Unrestricted Board- designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - July 1, 2016	\$ 63,034	\$ 150,000	\$ 35,525	\$ 248,559
Investment return				
Investment income	4,937			4,937
Net appreciation realized and unrealized	<u>24,257</u>	_____	_____	<u>24,257</u>
Total Investment Return	29,194			29,194
Appropriation of endowment				
Expenses	(4,315)			(4,315)
Distribution	<u>(36,683)</u>	_____	_____	<u>(36,683)</u>
Total Appropriation of Endowment	<u>(40,998)</u>	_____	_____	<u>(40,998)</u>
Endowment Net Assets - June 30, 2017	<u>\$ 51,230</u>	<u>\$ 150,000</u>	<u>\$ 35,525</u>	<u>\$ 236,755</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 UPMIFA requires the United Way to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are to be reported. There were no such amounts to report for the years ended June 30, 2018 and 2017, respectively.

***Return Objectives and Risk Parameters***

The United Way has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the United Way must hold in perpetuity and maintained by the Community foundation, 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 are to be compared regularly to the performance of equity and fixed income market indices, while assuming a moderate level of investment risk. The United Way expects its endowment funds, over time, to provide a reasonable rate of return.

## UNITED WAY OF THURSTON COUNTY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017 (Restated)

#### NOTE 4 - COMMUNITY FOUNDATION ENDOWMENTS (Continued)

##### *Strategies Employed for Achieving Objective*

To satisfy its long-term rate-of-return objectives, the United Way 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 United Way 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.

#### NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

	<u>2018</u>	<u>2017</u>
Next fiscal year campaign receivable	\$ 4,845	\$ 10,489
Current year campaign receivable	255,180	278,112
Next fiscal year campaign cash received	20,028	26,971
Early learning		29,155
Reading Buddy program	<u>9,500</u>	<u>          </u>
	<u>\$ 289,553</u>	<u>\$ 344,727</u>

#### NOTE 6 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are comprised of amounts held in Community Foundation endowments as follows at December 31:

	<u>2018</u>	<u>2017</u>
Pam Toal Leadership Fund	\$ 25,000	\$ 25,000
General Endowment Fund	<u>10,525</u>	<u>10,525</u>
	<u>\$ 35,525</u>	<u>\$ 35,525</u>

#### NOTE 7 - OPERATING LEASES

##### *Office*

United Way has a month-to-month lease agreement for an office facility with monthly payments of \$4,512.

##### *Equipment*

United Way has a lease agreement for a copier. The lease is recognized as an operating lease with monthly payments of \$309 through February 2020.

## UNITED WAY OF THURSTON COUNTY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017 (Restated)

#### NOTE 7 - OPERATING LEASES (Continued)

Future minimum lease payments for this copier lease for the year ended June 30, 2019 is \$3,708.

Rent expense for these leases for June 30, 2018 and 2017 was \$58,461 and \$60,736, respectively.

#### NOTE 8 - PENSION PLAN

United Way has established a Simplified Employee Pension Plan available to all permanent employees when certain eligibility requirements are met. United Way may make discretionary contributions. For the years ended June 30, 2018 and 2017, United Way made contributions to the plan of \$20,792 and \$26,121, respectively.

#### NOTE 9 - SPECIAL EVENTS

United Way sponsors events and projects, including value-added services to the community, fundraising and award/recognition events. Management's intention is to have costs incurred covered by the contributions specifically solicited for each event or project. Special events and projects include the Day of Caring, Straight from the Heart, Power of the Purse and an annual luncheon. Revenues and expenses from these events and projects consist of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Revenue	\$ 246,812	\$ 289,905
Expenses	<u>106,763</u>	<u>95,708</u>
	\$ <u>140,049</u>	\$ <u>194,197</u>

#### NOTE 10 - PRIOR PERIOD ADJUSTMENT

During the 2018 audit, a determination was made that certain net asset classifications needed to be restated to properly present and disclose net asset balances that are temporarily restricted due to purpose or time restrictions as stipulated by donors. The financial statements previously reported temporarily restricted net assets in amounts that exceeded the amount of known temporary restrictions. Temporarily restricted net assets previously reported as of July 1, 2016 of \$668,599 have been restated as \$381,903. As a result, unrestricted net assets previously reported as of July 1, 2016 of \$618,400 have been restated as \$905,096. Consequently, temporarily restricted net assets previously reported as of June 30, 2017 of \$631,423 have been restated as \$344,727 and unrestricted net assets previously reported as of June 30, 2017 of \$481,380 have been restated as \$768,076. This restatement has no effect on prior period total assets, total net assets, or total change in net assets as previously reported.