

**UNITED WAY OF
THURSTON COUNTY**

Audited Financial Statements

June 30, 2019 and 2018

UNITED WAY OF THURSTON COUNTY

Audited Financial Statements

June 30, 2019 and 2018

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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) (the "United Way"), which comprise the statements of financial position as of June 30, 2019 and 2018, 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 audits 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 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 the 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.

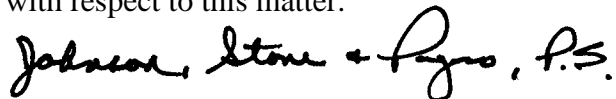
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019 and 2018, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 1, the United Way adopted the Financial Accounting Standards Board's Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-profit Entities*, as of and for the years ended June 30, 2019 and 2018. 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 17, 2020

AUDITED FINANCIAL STATEMENTS

UNITED WAY OF THURSTON COUNTY

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 522,534	\$ 552,243
Certificates of deposit	62,408	62,097
Campaign pledges receivable		
2018/2019 campaign, net of allowance of \$48,798,		
2017/2018 campaign, net of allowance of \$44,792	336,087	260,025
Other receivables	27,116	31,787
Other assets	2,500	2,500
Property and equipment - net	12,385	14,505
Community Foundation endowments	<u>259,539</u>	<u>248,699</u>
TOTAL ASSETS	\$ <u>1,222,569</u>	\$ <u>1,171,856</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 64,863	\$ 102,946
Due to designated agencies	<u>68,618</u>	<u>85,313</u>
Total Liabilities	133,481	188,259
NET ASSETS		
Without donor restrictions		
Undesignated	428,101	436,770
Board-designated Women United	59,663	71,749
Board-designated reserve	<u>150,000</u>	<u>150,000</u>
Total Net Assets without Donor Restrictions	637,764	658,519
With donor restrictions	<u>451,324</u>	<u>325,078</u>
Total Net Assets	<u>1,089,088</u>	<u>983,597</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,222,569</u>	\$ <u>1,171,856</u>

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

UNITED WAY OF THURSTON COUNTY

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Current campaign			
Contributions received in current period	\$ 449,706	\$ 341,059	\$ 790,765
Less donor designations	(91,425)		(91,425)
Less donor provisions for uncollectibles	(47,255)		(47,255)
Net Current Campaign Revenues	<u>311,026</u>	<u>341,059</u>	<u>652,085</u>
Prior campaign			
Contributions received in current period	7,508		7,508
Contributions received in prior period (released from restrictions)	<u>262,684</u>	<u>(262,684)</u>	
Net Prior Campaign Revenues	<u>270,192</u>	<u>(262,684)</u>	<u>7,508</u>
Campaign revenue received for next fiscal period		<u>56,052</u>	<u>56,052</u>
Total Contributions	581,218	134,427	715,645
Grants and contracts	252,922		252,922
Special events	157,116		157,116
Other contributions	19,311	8,489	27,800
Emergency assistance fund	1,000	42,597	43,597
Estate gift	37,270		37,270
Service fees	22,807		22,807
Investment income	11,414		11,414
In-kind revenue	3,000		3,000
Sponsorships	40,500		40,500
Miscellaneous	10,805		10,805
Release of restriction on contributions	<u>59,267</u>	<u>(59,267)</u>	
Total Revenues and Other Support	<u>1,196,630</u>	<u>126,246</u>	<u>1,322,876</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES			
Program services			
Gross funds awarded/distributed	\$ 368,377		\$ 368,377
Less donor designations	<u>(91,425)</u>		<u>(91,425)</u>
Net Funds Awarded/Distributed	276,952		276,952
Community services	<u>445,555</u>		<u>445,555</u>
Total Program Services	722,507		722,507
Supporting services			
General and administrative	197,966		197,966
Fundraising	<u>296,912</u>		<u>296,912</u>
Total Supporting Services	<u>494,878</u>		<u>494,878</u>
Total Expenses	<u>1,217,385</u>		<u>1,217,385</u>
CHANGE IN NET ASSETS	(20,755)	\$ 126,246	105,491
Net Assets at Beginning of Year	<u>658,519</u>	<u>325,078</u>	<u>983,597</u>
NET ASSETS AT END OF YEAR	<u>\$ 637,764</u>	<u>\$ 451,324</u>	<u>\$ 1,089,088</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, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Current campaign			
Contributions received in current period	\$ 481,306	\$ 236,540	\$ 717,846
Less donor designations	(112,766)		(112,766)
Less provisions for uncollectibles	(43,071)		(43,071)
Net Current Campaign Revenues	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)	293,143	(293,143)	
Net Prior Campaign Revenues	308,175	(293,143)	15,032
Campaign revenue received for next fiscal period		24,873	24,873
Total Contributions	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 restriction on contributions	32,944	(32,944)	
Total Revenues and Other Support	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

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES			
Program services			
Gross funds awarded/distributed	\$ 572,145		\$ 572,145
Less donor provisions for uncollectibles	<u>(112,766)</u>		<u>(112,766)</u>
Net Funds Awarded/Distributed	459,379		459,379
Community services	<u>339,832</u>		<u>339,832</u>
Total Program Services	799,211		799,211
Supporting services			
General and administrative	279,820		279,820
Fundraising	<u>294,650</u>		<u>294,650</u>
Total Supporting Services	<u>574,470</u>		<u>574,470</u>
Total Expenses	<u>1,373,681</u>		<u>1,373,681</u>
CHANGE IN NET ASSETS	(109,557)	\$ (55,174)	(164,731)
Net Assets at Beginning of Year	<u>768,076</u>	<u>380,252</u>	<u>1,148,328</u>
NET ASSETS AT END OF YEAR	<u>\$ 658,519</u>	<u>\$ 325,078</u>	<u>\$ 983,597</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, 2019 with Comparative Totals for 2018

	Program Services		Support Services		Total		
	Distributions	Community Services	Total Program Services	General and Administrative	Fundraising	2019	2018
COMPENSATION AND RELATED EXPENSES							
Salaries and wages		\$ 220,550	\$ 220,550	\$ 89,187	\$ 145,189	\$ 454,926	\$ 422,682
Payroll taxes		19,803	19,803	8,186	13,353	41,342	40,171
Benefits		36,798	36,798	15,211	24,813	76,822	80,803
Total Compensation and Related Expenses		277,151	277,151	112,584	183,355	573,090	543,656
Professional fees				15,772		15,772	14,575
Meetings and events		35,072	35,072	14,497	23,649	73,218	112,363
Office expenses		5,306	5,306	2,193	3,578	11,077	12,736
Computer expense		3,424	3,424	1,415	2,309	7,148	7,761
Postage and printing		2,455	2,455	1,015	1,655	5,125	5,146
Occupancy		25,563	25,563	10,567	17,237	53,367	54,150
Insurance		2,544	2,544	1,051	1,715	5,310	3,507
Agreements and licensing		27,650	27,650	11,430	18,645	57,725	10,470
Miscellaneous		8,683	8,683	3,588	5,855	18,126	19,303
Contracted services		26,498	26,498	10,954	17,868	55,320	60,570
Marketing		6,333	6,333	2,618	4,270	13,221	11,831
Auto expense		2,823	2,823	1,167	1,904	5,894	5,894
Supplies		2,209	2,209	913	1,489	4,611	6,339
Staff and board development		1,403	1,403	580	947	2,930	4,519
Travel		1,884	1,884	779	1,271	3,934	10,425
Membership dues		8,758	8,758	3,620	5,906	18,284	18,951
Volunteers		5,030	5,030	2,079	3,392	10,501	5,671
Distributions, net of donor designations	\$ 276,952		276,952			276,952	459,379
Total Functional Expenses Before Depreciation	276,952	442,786	719,738	196,822	295,045	1,211,605	1,367,246
Depreciation		2,769	2,769	1,144	1,867	5,780	6,435
TOTAL EXPENSES	\$ 276,952	\$ 445,555	\$ 722,507	\$ 197,966	\$ 296,912	\$ 1,217,385	\$ 1,373,681

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, 2018

	Program Services		Support Services			
	<u>Distributions</u>	<u>Community Services</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
COMPENSATION AND RELATED EXPENSES						
Salaries and wages		\$ 140,000	\$ 140,000	\$ 145,506	\$ 137,176	\$ 422,682
Payroll taxes		14,060	14,060	12,855	13,256	40,171
Benefits		28,281	28,281	25,857	26,665	80,803
Total Compensation and Related Expenses		182,341	182,341	184,218	177,097	543,656
Professional fees				14,575		14,575
Meetings and events		72,137	72,137	3,146	37,080	112,363
Office expenses		4,512	4,512	3,970	4,254	12,736
Computer expense		2,717	2,717	2,483	2,561	7,761
Postage and printing		1,801	1,801	1,647	1,698	5,146
Occupancy		18,952	18,952	17,328	17,870	54,150
Insurance		1,228	1,228	1,122	1,157	3,507
Agreements and licensing		3,665	3,665	3,350	3,455	10,470
Miscellaneous		6,755	6,755	6,178	6,370	19,303
Contracted services		21,200	21,200	19,382	19,988	60,570
Marketing		4,141	4,141	3,786	3,904	11,831
Auto expense		2,063	2,063	1,886	1,945	5,894
Supplies		2,218	2,218	2,029	2,092	6,339
Staff and board development		1,582	1,582	1,446	1,491	4,519
Travel		3,649	3,649	3,336	3,440	10,425
Membership dues		6,633	6,633	6,064	6,254	18,951
Volunteers		1,985	1,985	1,815	1,871	5,671
Distributions, net of donor designations	\$ 459,379		459,379			459,379
Total Functional Expenses Before Depreciation	459,379	337,579	796,958	277,761	292,527	1,367,246
Depreciation		2,253	2,253	2,059	2,123	6,435
TOTAL EXPENSES	\$ 459,379	\$ 339,832	\$ 799,211	\$ 279,820	\$ 294,650	\$ 1,373,681

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

UNITED WAY OF THURSTON COUNTY

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from various donors for		
Annual campaign	\$ 771,508	\$ 743,256
Grants and contracts	257,593	290,371
Special events	157,116	246,812
Other contributions	30,800	37,068
Emergency assistance fund	43,597	
Estates and endowments	37,270	
Cash received from		
Investment income	263	248
Service fees	22,807	27,453
Rental income	550	6,150
Miscellaneous	10,257	5,861
Cash payment for		
Allocations and grants	(276,952)	(459,379)
Designated agencies	(108,120)	(112,766)
Employees and supplies	<u>(972,738)</u>	<u>(974,356)</u>
Net Cash Used by Operating Activities	(26,049)	(189,282)
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of certificates of deposit		207,164
Purchase of property and equipment	<u>(3,660)</u>	<u>(1,608)</u>
Net Cash Provided (Used) by Investing Activities	<u>(3,660)</u>	<u>205,556</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(29,709)	16,274
Cash and Cash Equivalents at Beginning of Year	<u>552,243</u>	<u>535,969</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>522,534</u>	\$ <u>552,243</u>

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

UNITED WAY OF THURSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

United Way of Thurston County (the "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). The United Way's mission is to strengthen the community by connecting people and resources to meet identified human needs.

The 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 the United Way's significant accounting policies follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The United Way is required to report information regarding its financial position and activities according to two classes of net assets based on the absence or existence and nature of donor-imposed restrictions as follows:

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions

Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the United Way pursuant to those stipulations or that expire by the passage of time and net assets subject to donor-imposed stipulations that are to be maintained in perpetuity by the United Way. Generally, the donors of such assets permit the United Way to use all or part of the income earned on the assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the 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

Campaign pledges receivable consist of unconditional promises to give. 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, 2019 and 2018 are from corporations and individuals.

UNITED WAY OF THURSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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

Campaign Pledges and Designations (Continued)

Community-wide care donations and pledges are recorded as revenues with donor restrictions in the campaign year and released into net assets without donor restrictions 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 the 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.

Donor-designated pledges are assessed a processing fee based on actual historical costs in accordance with the 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 with or without donor restrictions depending on the existence or nature of any donor-imposed stipulations. Support that is restricted by the donor (other than donor-designated gifts received through the annual campaign) is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

UNITED WAY OF THURSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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

Community Investment Grants and Donor Choice Designations (Continued)

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 20% and 25% for the years ended June 30, 2019 and 2018. Donations to other United Ways in Washington and designations from major donors are processed at a reduced fee or without fee.

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, 2019 and 2018, \$59,663 and \$71,749 have 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 in-kind revenue at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions 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 in-kind revenue or contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the United Way reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The United Way reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Materials

Donated materials are reflected as in-kind revenue at their estimated values at the date of receipt. For the years ended June 30, 2019, the United Way received \$3,000 in donated materials. The United Way did not receive donated materials for the year ended June 30, 2018.

Donated Services

No amounts have been reflected in the financial statements for donated services. The United Way generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the United Way with allocations, Day of Caring and various committee assignments. The United Way receives more than 6,800 volunteer hours per year.

UNITED WAY OF THURSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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

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*. The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Federal Income Taxes

The 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, 2019 and 2018.

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

The United Way has evaluated for subsequent events through March 17, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, the United Way has been negatively affected by the effects of the world-wide COVID-19 pandemic. The United Way is closely monitoring its operations, liquidity, capital and financial resources and is actively working to minimize the current and future effects of this unprecedented situation. As of the date of issuance of these financial statements, the full effect to the United Way's financial position or operations is not known.

Concentration of Risk

Accounts maintained at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2019, the United Way's cash balance at one financial institution exceeded the insurance limit by approximately \$13,356. The United Way has not experienced any losses related to these cash balances.

The employee payroll deduction program of the State of Washington comprises approximately 6.0% and 6.5% of annual campaign pledges for the years ended June 30, 2019 and 2018, respectively. For the years ended June 30, 2019 and 2018, three company campaigns had pledges comprising approximately 16% and 19%, respectively, of total annual campaign pledges.

UNITED WAY OF THURSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-profit Entities*. The update requires the presentation of expenses by nature and by function, changes to the presentation of net asset classifications, disclosure of information about liquidity and availability of financial resources and changes to the presentation of investment gains and losses. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at June 30:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 522,534	\$ 552,243
Certificates of deposit	62,408	62,097
Campaign pledges receivable	336,087	260,025
Other receivables	27,116	31,787
Community Foundation endowments	<u>259,539</u>	<u>248,699</u>
Total Financial Assets	1,207,684	1,154,851
Less financial assets not available for general expenditures		
Board-designated Women United	59,663	71,749
Board-designated reserve	150,000	150,000
Net assets with donor restrictions	<u>451,324</u>	<u>325,078</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ <u>546,697</u>	\$ <u>608,024</u>

UNITED WAY OF THURSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Equipment and furniture	\$ 133,216	\$ 129,556
Less accumulated depreciation	<u>120,831</u>	<u>115,051</u>
Property and Equipment, net	\$ <u>12,385</u>	\$ <u>14,505</u>

Depreciation expense totaled \$5,780 and \$6,435 for the years ended June 30, 2019 and 2018, respectively.

NOTE 4 - COMMUNITY FOUNDATION ENDOWMENTS

The 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 the 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 gifts with perpetual donor restrictions are to be maintained by the Community Foundation.

The following is a schedule of endowments at June 30:

	<u>Without Donor Restrictions</u>		With Donor Restrictions for Perpetual	
	<u>Unrestricted</u>	Board- <u>designated</u>	<u>Duration</u>	<u>Total</u>
June 30, 2019				
Pam Toal Leadership Fund	\$ 9,874		\$ 25,000	\$ 34,874
General Endowment Fund	<u>64,140</u>	\$ <u>150,000</u>	<u>10,525</u>	<u>224,665</u>
	\$ <u>74,014</u>	\$ <u>150,000</u>	\$ <u>35,525</u>	\$ <u>259,539</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>

UNITED WAY OF THURSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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 net assets with donor restrictions 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 net assets without donor restrictions (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 restricted for time or purpose 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 years ended June 30, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>		<u>With Donor</u>	
	<u>Unrestricted</u>	<u>Board-</u>	<u>Restrictions</u>	
		<u>designated</u>	<u>for Perpetual</u>	<u>Total</u>
			<u>Duration</u>	
<u>June 30, 2019</u>				
Endowment net assets at beginning of year	\$ 63,174	\$ 150,000	\$ 35,525	\$ 248,699
Investment return, net	<u>14,964</u>	_____	_____	<u>14,964</u>
Appropriation of endowment for expenses	<u>(4,124)</u>	_____	_____	<u>(4,124)</u>
Endowment Net Assets at End of Year	\$ <u>74,014</u>	\$ <u>150,000</u>	\$ <u>35,525</u>	\$ <u>259,539</u>
<u>June 30, 2018</u>				
Endowment net assets at beginning of year	\$ 51,230	\$ 150,000	\$ 35,525	\$ 236,755
Investment return, net	<u>16,123</u>	_____	_____	<u>16,123</u>
Appropriation of endowment for expenses	<u>(4,179)</u>	_____	_____	<u>(4,179)</u>
Endowment Net Assets at End of Year	\$ <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, 2019 and 2018

NOTE 4 - COMMUNITY FOUNDATION ENDOWMENTS (Continued)

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, 2019 and 2018, 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 those 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.

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 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Net assets with purpose or time restrictions		
Next fiscal year campaign receivable	\$ 36,926	\$ 4,845
Current year campaign receivable	299,161	255,180
Next fiscal year campaign cash received	19,127	20,028
Reading Buddy program	17,988	9,500
Emergency assistance fund	<u>42,597</u>	
	415,799	<u>289,553</u>
Net assets restricted in perpetuity held in		
Community Foundation endowments		
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>
Total Net Assets with Donor Restrictions	\$ <u>451,324</u>	\$ <u>325,078</u>

UNITED WAY OF THURSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 6 - OPERATING LEASES

Office

The United Way has a lease agreement for an office facility with monthly payments of \$3,967 through March 1, 2024.

Equipment

The United Way has two lease agreements for two copiers. The first lease was signed on March 29, 2017, with monthly payments of \$309 through March 2020.

The second lease was signed on March 29, 2019, with monthly payments of \$55 through June 2022. The combined monthly rental rate for 2019 was \$364.

Minimum future lease payments on the operating leases as of June 30, 2019 are as follows:

2020	\$ 53,162
2021	51,308
2022	49,454
2023	47,600
2024	<u>31,733</u>
	<u>\$ 233,257</u>

Rent expense for these leases for June 30, 2019 and 2018 was \$58,186 and \$58,461, respectively.

NOTE 7 - PENSION PLAN

The United Way has established a Simplified Employee Pension Plan available to all permanent employees when certain eligibility requirements are met. The United Way may make discretionary contributions. For the years ended June 30, 2019 and 2018, the United Way made contributions to the plan of \$17,774 and \$20,792, respectively.

NOTE 8 - SPECIAL EVENTS

The 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:

UNITED WAY OF THURSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 8 - SPECIAL EVENTS (Continued)

	<u>2019</u>	<u>2018</u>
Revenue	\$ 157,116	\$ 246,812
Expenses	<u>70,766</u>	<u>106,763</u>
	\$ <u>86,350</u>	\$ <u>140,049</u>

NOTE 9 - FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll taxes, benefits, meetings and events, office expenses, computer expenses, postage and printing, occupancy, insurance, agreements and licensing, miscellaneous, contracted services, marketing, auto expense, supplies, staff and board development, travel, membership dues and volunteers, which are allocated on the basis of management's estimates of time and effort.