

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

JUNE 30, 2018

(TAX YEAR 2017)

UNITED WAY OF WHATCOM COUNTY

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Whatcom County (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017 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 audit 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 Whatcom 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 conformity with accounting principles generally accepted in the United States of America.

September 18, 2018
Mount Vernon, Washington

UNITED WAY OF WHATCOM COUNTY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
ASSETS:		
Cash	\$ 1,463,034	\$ 1,997,182
Pledges receivable (net of provision for uncollectible pledges of \$157,910 and \$142,332)	550,699	636,671
Prepaid expenses	14,193	12,192
Property and equipment, (net of accumulated depreciation of \$89,093 and \$69,574)	92,403	107,894
Investments	905,476	378,496
TOTAL ASSETS	<u>\$ 3,025,805</u>	<u>\$ 3,132,435</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 11,986	\$ 8,632
Designations payable	110,914	118,731
Deferred revenue	31,337	51,450
Accrued liabilities	26,692	26,278
Total current liabilities	<u>180,929</u>	<u>205,091</u>
NET ASSETS:		
Without donor restrictions	1,481,948	1,511,086
With donor restrictions		
Time-restricted for future periods	1,279,615	1,332,945
Perpetual in nature	83,313	83,313
	<u>1,362,928</u>	<u>1,416,258</u>
Total net assets	<u>2,844,876</u>	<u>2,927,344</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,025,805</u>	<u>\$ 3,132,435</u>

See accompanying notes to financial statements.

UNITED WAY OF WHATCOM COUNTY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE:			
Net assets released from restrictions			
Campaign applicable to current period			
Contributions received in prior periods	\$ 1,617,409	\$ (1,617,409)	\$ -
Less donor designations	(75,971)	75,971	-
Designation recovery fee	(66,161)	66,161	-
	<u>1,475,277</u>	<u>(1,475,277)</u>	<u>-</u>
Gross Campaign results			-
Allowance for uncollectible pledges	(142,332)	142,332	-
Net Campaign for the current period	<u>1,332,945</u>	<u>(1,332,945)</u>	<u>-</u>
Campaign revenue received for next allocation period:			
Campaign revenue received for next year		1,579,105	1,579,105
Less donor designations		(132,515)	(132,515)
Designation recovery fee		(9,065)	(9,065)
Less provision for uncollectible pledges		(157,910)	(157,910)
Total campaign for next allocation period	<u>-</u>	<u>1,279,615</u>	<u>1,279,615</u>
Total campaign revenue	<u>1,332,945</u>	<u>(53,330)</u>	<u>1,279,615</u>
Other revenue, gains, and support			
Contributions received from other United Ways	5,962		5,962
Designation recovery	66,161		66,161
Other income	115,231		115,231
Unrealized gain (loss) on investments	8,852		8,852
Investment income	23,539		23,539
Total other revenue, gains, and support	<u>219,745</u>	<u>-</u>	<u>219,745</u>
Total public support and revenue	<u>1,552,690</u>	<u>(53,330)</u>	<u>1,499,360</u>
RECLASSIFICATIONS - restrictions met			
Total support, revenue and reclassifications	<u>1,552,690</u>	<u>(53,330)</u>	<u>1,499,360</u>
ALLOCATIONS			
Gross funds awarded	925,895	-	925,895
Less allocations funded through designations	(32,978)	-	(32,978)
Total allocations	<u>892,917</u>	<u>-</u>	<u>892,917</u>
Amount available for expenses	<u>659,773</u>	<u>(53,330)</u>	<u>606,443</u>
EXPENSES			
Functional expenses			
Administrative	172,944	-	172,944
Fund raising	168,472	-	168,472
Planning and allocation	204,314	-	204,314
Total expenses	<u>545,730</u>	<u>-</u>	<u>545,730</u>
CHANGES IN NET ASSETS	<u>114,043</u>	<u>(53,330)</u>	<u>60,713</u>
OTHER CHANGES IN NET ASSETS			
Prior year uncollectable	(22,245)		(22,245)
Project homeless connect	(56,928)		(56,928)
Community agency assistance grants	(52,236)	-	(52,236)
Technical and Community Initiatives grants	(11,772)	-	(11,772)
Total other changes in net assets	<u>(143,181)</u>	<u>-</u>	<u>(143,181)</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(29,138)</u>	<u>(53,330)</u>	<u>(82,468)</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,511,086</u>	<u>1,416,258</u>	<u>2,927,344</u>
NET ASSETS, END OF YEAR	<u>\$ 1,481,948</u>	<u>\$ 1,362,928</u>	<u>\$ 2,844,876</u>

See accompanying notes to financial statements.

UNITED WAY OF WHATCOM COUNTY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE:			
Net assets released from restrictions			
Campaign applicable to current period			
Contributions received in prior periods	\$ 1,639,308	\$ (1,639,308)	\$ -
Less donor designations	(153,018)	153,018	-
Designation recovery fee	(16,032)	16,032	-
Gross Campaign results	<u>1,470,258</u>	<u>(1,470,258)</u>	<u>-</u>
Allowance for uncollectible pledges	(131,145)	131,145	-
Net Campaign for the current period	<u>1,339,113</u>	<u>(1,339,113)</u>	<u>-</u>
Campaign revenue received for next allocation period:			
Campaign revenue received for next year	-	1,617,409	1,617,409
Less donor designations	-	(118,481)	(118,481)
Designation recovery fee	-	(23,651)	(23,651)
Less provision for uncollectible pledges	-	(142,332)	(142,332)
Total campaign for next allocation period	<u>-</u>	<u>1,332,945</u>	<u>1,332,945</u>
Total campaign revenue	<u>1,339,113</u>	<u>(6,168)</u>	<u>1,332,945</u>
Other revenue, gains, and support			
Contributions received from other United Ways	12,748	-	12,748
Designation recovery	87,827	-	87,827
Other income	104,490	-	104,490
Unrealized gain (loss) on investments	21,389	-	21,389
Investment income	12,332	-	12,332
Total other revenue, gains, and support	<u>238,786</u>	<u>-</u>	<u>238,786</u>
Total public support and revenue	<u>1,577,899</u>	<u>(6,168)</u>	<u>1,571,731</u>
RECLASSIFICATIONS - restrictions met			
Total support, revenue and reclassifications	<u>1,577,899</u>	<u>(6,168)</u>	<u>1,571,731</u>
ALLOCATIONS			
Gross funds awarded	963,057	-	963,057
Less allocations funded through designations	(36,967)	-	(36,967)
Total allocations	<u>926,090</u>	<u>-</u>	<u>926,090</u>
Amount available for expenses	<u>651,809</u>	<u>(6,168)</u>	<u>645,641</u>
EXPENSES			
Functional expenses			
Administrative	147,945	-	147,945
Fund raising	177,926	-	177,926
Planning and allocation	212,208	-	212,208
Total expenses	<u>538,079</u>	<u>-</u>	<u>538,079</u>
CHANGES IN NET ASSETS	<u>113,730</u>	<u>(6,168)</u>	<u>107,562</u>
OTHER CHANGES IN NET ASSETS			
Prior year uncollectable	(19,596)	-	(19,596)
Project homeless connect	(49,145)	-	(49,145)
Community agency assistance grants	(120,178)	-	(120,178)
Technical and Community Initiatives grants	(7,207)	-	(7,207)
Total other changes in net assets	<u>(196,126)</u>	<u>-</u>	<u>(196,126)</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(82,396)</u>	<u>(6,168)</u>	<u>(88,564)</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,593,482</u>	<u>1,422,426</u>	<u>3,015,908</u>
NET ASSETS, END OF YEAR	<u>\$ 1,511,086</u>	<u>\$ 1,416,258</u>	<u>\$ 2,927,344</u>

See accompanying notes to financial statements.

UNITED WAY OF WHATCOM COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	<u>Administrative</u>	<u>Fund Raising</u>	<u>Planning and Allocations</u>	<u>2018 Total</u>
Salaries and wages	\$ 93,848	\$ 79,629	\$ 110,912	\$ 284,389
Employee benefits	21,717	18,426	25,665	65,808
Payroll taxes	8,940	7,586	10,566	27,092
Total salaries and related expense	<u>124,505</u>	<u>105,641</u>	<u>147,143</u>	<u>377,289</u>
Campaign supplies	-	3,935	-	3,935
Campaign events	-	14,904	-	14,904
Advertising	4,572	3,879	5,403	13,854
Professional services	6,079	5,158	7,184	18,420
Printing and publication	1,074	912	1,269	3,256
Office supplies	973	825	1,149	2,947
Telephone	774	657	915	2,345
Postage	1,080	916	1,276	3,272
Maintenance	4,903	4,161	5,795	14,859
Occupancy	4,877	4,138	5,764	14,780
Travel and mileage	1,573	2,303	1,788	5,664
Insurance	1,444	1,226	1,707	4,377
Conferences and meetings	367	312	433	1,112
Volunteer Training	-	1,926	-	1,926
Depreciation	6,815	5,783	8,055	20,653
In-kind services	611	518	722	9,047
In-kind rent	2,986	2,533	3,528	1,850
Employee recruiting	118	100	139	357
Dues to affiliated United Way	5,528	4,691	6,534	16,753
United Way of PNW dues	1,335	1,132	1,577	4,044
Membership dues/fees	647	549	764	1,959
Miscellaneous	2,682	2,275	3,169	8,126
Total	<u>\$ 172,944</u>	<u>\$ 168,472</u>	<u>\$ 204,314</u>	<u>\$ 545,730</u>

See accompanying notes to financial statements

UNITED WAY OF WHATCOM COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	<u>Administrative</u>	<u>Fund-Raising</u>	<u>Planning and Allocation</u>	<u>2017 Total</u>
Salaries and wages	\$ 68,974	\$ 85,221	\$ 114,956	\$ 269,151
Employee benefits	16,869	17,494	28,115	62,478
Payroll taxes	6,299	7,785	10,498	24,582
Total salaries and related expenses	92,142	110,500	153,569	356,211
Campaign supplies	-	3,486	-	3,486
Campaign events	-	17,193	-	17,193
Advertising	4,785	4,059	5,655	14,499
Professional services	4,568	3,876	5,398	13,842
Printing and publication	889	755	1,051	2,695
Office supplies	595	505	703	1,803
Telephone	769	653	909	2,331
Postage	1,081	917	1,278	3,276
Maintenance	8,252	7,001	9,752	25,005
Occupancy	4,640	3,938	5,484	14,062
Travel and mileage	1,861	2,558	2,199	6,618
Insurance	1,389	1,178	1,641	4,208
Conferences and meetings	207	175	245	627
Staff development	378	321	446	1,145
Volunteer Training	-	3,668	-	3,668
Depreciation	6,760	5,736	7,990	20,486
In-kind services	2,169	1,841	2,564	6,574
In-kind rent	2,892	2,454	3,419	8,765
Employee recruiting	345	293	407	1,045
Dues to affiliated organizations	9,912	5,083	7,080	22,075
Membership dues/fees	1,865	-	-	1,865
Miscellaneous	2,046	1,736	2,418	6,200
Total	\$ 147,945	\$ 177,926	\$ 212,208	\$ 538,079

See accompanying notes to financial statements

UNITED WAY OF WHATCOM COUNTY
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from campaign contributions	\$ 1,387,188	\$ 1,377,811
Cash received from other contributions and income	187,354	205,065
Investment income received	23,539	12,232
Cash paid to suppliers and employees	(540,909)	(521,143)
Cash paid to agencies for allocations and designations	(1,064,028)	(1,140,733)
Net cash provided by operating activities	(6,856)	(66,768)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(5,162)	
Purchases and reinvesting of investments - net	(522,130)	(108,464)
Net cash provided (used) by investing activities	(527,292)	(108,464)
NET INCREASE (DECREASE) IN CASH	(534,148)	(175,232)
CASH BEGINNING OF YEAR	1,997,182	2,172,414
CASH END OF YEAR	\$ 1,463,034	\$ 1,997,182
Reconciliation of change in net assets to net cash provided (used) by operating activities		
Increase(decrease)in net assets	\$ (82,468)	\$ (88,564)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	20,653	20,486
Unrealized (gain) loss on investments	(8,852)	(21,389)
(increase) decrease in		
Pledges receivable	85,972	44,866
Prepaid expenses	2,001	(331)
Beneficiary trust receivable		
Increase(decrease)in		
Accounts payable	3,354	(815)
Accrued liabilities	414	(2,504)
Deferred grant revenue	(20,113)	7,511
Designations payable	(7,817)	(26,028)
	\$ (6,856)	\$ (66,768)

See accompanying notes to financial statements.

UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – The summary of the significant accounting policies of United Way of Whatcom County (the Agency) is presented to assist the reader in evaluating the Agency’s financial statements. In all major aspects, the Agency has consistently followed the policies for the year covered by the financial statements presented.

United Way of Whatcom County is organized to solicit and receive contributions and, through member agencies, provide services to the community of Whatcom County in the promotion of the health and welfare of its members.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets as follows:

- *Equipment* – established to fund future purchases of a capital nature upon approval of the Board of Directors.
- *Contingency* – established to ultimately provide a minimum of a three-month reserve of operational and agency allocation requirements.
- *Agency* – Established to support organizations previously funded by United Way to increase agency capacity through direct, technical assistance, and professional development.
- *Quasi-Endowment* – designation of Board of Directors requiring that the principal amount be invested in perpetuity and that only the income earned thereon be expended to support the activities of the Agency.
- *Community Impact* – Used to assist selected agencies in Whatcom County develop new and/or emerging services.
- *Variable Compensation* – Established to provide employee wage bonuses based on a system of board-determined goals and performance measures.
- *Capacity Building Fund* – Established for fund raising ventures and community engagement costs.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Contributions – Contributions received are recorded as support without donor restrictions, or with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are reported as support with donor restrictions are then reclassified to net assets without donor restrictions upon expiration of the time restriction. Donors designated contributions are reflected as liabilities.

Cash and Cash Equivalents – The Agency considers all highly liquid assets purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist primarily of funds held by depository institutions and money market funds. The Agency maintains its cash and cash equivalents in depository institution accounts and money market accounts that at times may exceed federally insured limits. The Agency has not experienced any losses in such accounts.

Provision for uncollectible pledges – It represents management’s estimate, based on historical experience of pledges receivable that will not be honored by donors.

Use of 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and equipment – Property and equipment is stated at cost. Gains or losses on dispositions of property and equipment are included in operations in the year of disposal. The Agency’s policy is to capitalize property and equipment with a cost of \$500 or greater.

Maintenance and repairs – Expenditures for maintenance and repairs are charged against operations; renewals and betterments that materially extend the life of the assets are capitalized.

Depreciation – Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Retirement plan – The Agency provides coverage for qualified employees under a SEP-IRA plan. The contributions are at the discretion of the Board of Directors. During the year ended June 30, 2018, the Agency contributed 8% of qualified employees’ regular monthly salaries to the plan. The plan contribution (pension expense) was \$20,946 and \$19,638 for the years ended June 30, 2018 and 2017.

UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Allocation of functional expenses – Expenses that benefit more than one function are allocated based on time or percentage of resources consumed, as estimated by management.

Volunteer services – No amounts have been reflected in the accompanying financial statements for volunteer services. Volunteers donate significant amounts of their time in the Agency's program services and fund-raising efforts. Only those contributed services requiring specific expertise, which the Agency would otherwise need to purchase is reflected in the in-kind donations.

Federal income tax – The Agency is a not-for-profit organization that is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). The Agency has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). There was no unrelated business income for the years ended June 30, 2018 and 2017.

The Agency adopted accounting for uncertain tax position. The accounting standard prescribes a recognition threshold and measurement process for uncertain tax positions. As of June 30, 2018 and 2017, the Agency had no uncertain tax positions requiring accrual. The Agency files an exempt organization tax return in the U.S. federal jurisdiction and is no longer subject to examination by taxing authorities for periods prior to 2011.

Advertising – Advertising costs are expensed as incurred and totaled \$13,854 and \$14,499 for the years ended June 30, 2018 and 2017.

Concentration of credit risk – The Agency maintains cash accounts at a financial institution located in Bellingham. The Organization may at times have cash balances on deposit at a local bank in excess of FDIC insured limits of \$250,000. Investment accounts totaling \$905,476 and \$378,496 on June 30, 2018 and 2017 concentrated in a financial institution, and valued at fair market value. The Agency has pledges receivable from community members, substantially all of whom are from Whatcom County.

Reclassifications – The accompanying statement of functional expenses for 2018 and 2017 have been reclassified to include dues to affiliated organizations to be consistent with the presentation preferred by United Way Worldwide.

UNITED WAY OF WHATCOM COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 AND 2017

NOTE 2. IN-KIND CONTRIBUTIONS

Donated professional fees are recorded at their estimated fair market value when received. The in-kind contributions are included in other income and are comprised of the following:

	2018	2017
In-kind rent	\$ 9,047	\$ 8,765
In-kind services	1,850	6,574
	\$ 10,897	\$ 15,339

NOTE 3. FAIR VALUE MEASUREMENTS

The Agency applies the authoritative guidance for Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The standard describes three levels of inputs that may be used to measure fair value:

- **Level 1** – Quoted prices in active markets for identical assets or liabilities.
- **Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Mutual Funds – Investments valued at quoted market price which represents the net asset value (“NAV”) of shares held by the Agency at year end. Investment returns consist of interest, dividends and unrealized gains and losses on brokerage accounts. These returns are shown in the Statement of Activities. Investments are mutual funds and bond accounts with Charles Schwab in the amounts of \$905,476 and \$378,496 for June 30, 2018 and 2017.

NOTE 4. ENDOWMENTS AND NET ASSETS

The Agency has established an endowment program to offer contributors a wide range of giving options. An endowment program allows donors to make contribution in which the principal is never touched but is invested, and the income is distributed in support of community services or in support of operations of the Agency, in perpetuity. It is the practice of the Agency that all unrestricted legacies and memorial gifts are accounted for as endowment gifts by the Agency as Board designated Quasi-Endowments.

UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4. ENDOWMENTS AND NET ASSETS (CONTINUED)

The Board of Directors of the Agency has interpreted the Washington Uniform Prudent Management of Institutional Funds Act (“WUPMIFA”) 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 Agency classifies as net assets with donor restrictions that are perpetual in nature (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions that are perpetual in nature are classified as net assets with donor restrictions that are time restricted for future periods until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by WUPMIFA. In accordance with WUMPIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Agency and the investment policies of the Agency.

Endowment Net Asset Composition by Type of Fund as of June 30 2018 is as follows:

<u>Endowment Funds</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 83,313	\$ 83,313
Board-designated	165,699		165,699
	<u>\$ 165,699</u>	<u>\$ 83,313</u>	<u>\$249,012</u>

Endowment Net Asset Composition by Type of Fund as of June 30 2017 is as follows:

<u>Endowment Funds</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 83,313	\$ 83,313
Board-designated	165,699		165,699
	<u>\$ 165,699</u>	<u>\$ 83,313</u>	<u>\$249,012</u>

UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4. ENDOWMENTS AND NET ASSETS (Continued)

Donor-restricted endowment funds consist of funds not available for expenditure, but for which income from the related investments is available for current use. Board designated, the principal may be transferred to other Reserve funds or appropriated for expenditures upon the Board of Director's approval.

The Agency's endowment consists of approximately two individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Net assets with donor restrictions that are perpetual in nature consist of the endowment funds which are not available for expenditure, but for which income from the related investments are available for current use.

Investment Policy – The assets of the Agency's Endowment and Trusts portfolio are administered by the Agency and held in trust by an independent brokerage institution. The Agency's investment policy has three main priorities: 1) preservation of capital, 2) preservation of the purchasing power of assets invested through capital appreciation and investment income equal to, or exceeding, appropriate and common market indices or benchmarks, and 3) to provide current income for the operations and goals of the Agency. The Agency receives monthly and quarterly reports that summarize the investment performance of the endowment funds. The Finance Committee, a standing committee of the Agency's management regarding the investment of the portfolio and also provides oversight of the investment practices and performance of the Agency.

Investment Objective – The investment objective of the Agency is to maintain the purchasing power of the assets in the Endowment and Trusts portfolio while at the same time providing a dependable, growing source of income that can be used

NOTE 5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of campaign revenues which have been designated for the future years, which are typically released from restrictions and made available the beginning of the following year.

UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 6. OTHER INCOME

Other income consists of the following:

	<u>2018</u>	<u>2017</u>
In-kind rent	\$ 9,047	\$ 8,765
In-kind services	1,850	6,574
Recovery of prior year receivables	885	(296)
Community builder sponsorship	27,500	27,500
Miscellaneous income	441	176
Project homeless administrative fee	3,457	4,821
Project homeless Connect	56,928	49,145
Campaign functions revenue	11,773	6,750
FEMA administration fee	3,350	1,055
Total other income	<u>\$ 115,231</u>	<u>\$ 104,490</u>

NOTE 7. OPERATING LEASE COMMITMENTS

The Agency leases office space under an operating lease expiring May 31, 2020. Minimum future rental payments under this non-cancelable operating lease as of June 30, 2018 are:

Year ending June 30:	<u>Amount</u>
2019	53,944
2020	<u>55,556</u>
Total minimum future rental payments	<u>\$ 109,500</u>

Rent expense under this lease totaled \$10,614 and \$10,328 for the years ended June 30, 2018 and 2017.

UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 8. LIQUIDITY AND AVAILABILITY

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

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,282,105	\$ 1,792,091
Pledges receivable	550,699	636,671
Investments	905,476	378,496
	<u>\$ 2,738,280</u>	<u>\$ 2,807,258</u>

NOTE 9. SUBSEQUENT EVENTS

Management of the Organization has evaluated events and transactions occurring after June 30, 2018 through September 18, 2018, 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 disclosures in the financial statements.

INDEPENDENT AUDITORS' REPORT ON SUPPEMENTAL INFORMATION

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

Our report on our audit of the basic financial statements of United Way of Whatcom County as of June 30, 2018, appears on page one. We conducted our audit on accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Allocations and Designations and Schedule of Net Assets are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material aspects in relation to the basic financial statements taken as a whole.

Padgett & Padgett PLLC

September 18, 2018
Mount Vernon, Washington

UNITED WAY OF WHATCOM COUNTY
SCHEDULE OF ALLOCATIONS AND DESIGNATIONS
YEAR ENDED JUNE 30, 2018

	Donor Designation	United Way Allocation	Total
ARC of Whatcom County	\$ 400	\$ 18,048	\$ 18,448
Bellingham Childcare & Learning Center	1,891	33,000	34,891
Bellingham Food Bank	8,421	29,319	37,740
Boys & Girls Club of Blaine	47	-	47
Boys & Girls Club of Ferndale	277	-	277
Boys & Girls Club of Whatcom County	1,082	54,209	55,291
Brigid Collins	4,045	88,113	92,158
Compass Health	-	25,000	25,000
Domestic Violence & Sexual Assault Services of Whatcor	2,420	66,792	69,212
Grads Program	-	29,415	29,415
Home Port Learning Center	36	23,000	23,036
Lydia Place	4,146	57,850	61,996
Max Higbee Community Recreation Center	987	10,834	11,821
Mercy Housing Northwest	44	13,735	13,779
Northwest Youth Services	2,396	75,000	77,396
Opportunity Council	1,836	61,978	63,814
Rebound of Whatcom County	133	25,495	25,628
Sun Community Services	-	27,065	27,065
Sustainable Connections	-	10,060	10,060
Whatcom Alliance for Health Advancement	-	5,000	5,000
Whatcom Center for Early Learning	571	35,197	35,768
Whatcom Council on Aging	589	26,000	26,589
Whatcome Early Learning Alliance	-	18,048	18,048
Whatcom Family YMCA	68	41,900	41,968
Whatcom Literacy Council	2,383	37,745	40,128
Work Opportunities	-	8,129	8,129
WWU Foundation	-	36,985	36,985
YWCA	1,206	35,000	36,206
GROSS FUNDS ALLOCATED	<u>\$ 32,978</u>	<u>\$ 892,917</u>	<u>\$ 925,895</u>

See accompanying notes to financial statements.

UNITED WAY OF WHATCOM COUNTY
 SCHEDULE OF NET ASSETS
 YEAR ENDED JUNE 30, 2018

Without Donor Restrictions

	Capacity		Board Designated						Total Without Donor Restrictions	
	Undesignated	Building	Equipment	Contingency	Agency	Quasi-Endowment	Community Impact	Facilities		Variable Compensation
Beginning	\$ (82,396)	\$ 205,670	\$ 65,208	\$ 753,713	\$ 240,691	\$ 165,699	\$ 150,000	\$ -	\$ 12,501	\$ 1,511,086
Transfer prior year, net	82,396									82,396
Current year transfers	53,330	(42,578)	(8,845)		(31,533)				560	(29,066)
Changes in net assets	(82,468)									(82,468)
Ending	\$ (29,138)	\$ 163,092	\$ 56,363	\$ 753,713	\$ 209,158	\$ 165,699	\$ 150,000	\$ -	\$ 13,061	\$ 1,481,948

With Donor Restrictions

	Time Restricted For Future Periods	Perpetual In Nature	Total Net Assets
Transfer prior year, net			82,396
Current year transfers	(53,330)		(82,396)
Changes in net assets			(82,468)
Ending	\$ 1,279,615	\$ 83,313	\$ 2,844,876

See accompanying notes to financial statements.