

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

JUNE 30, 2017

(TAX YEAR 2016)

UNITED WAY OF WHATCOM COUNTY

TABLE OF CONTENTS

JUNE 30, 2017

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	5
Statement of Cash Flows	7
Notes to Financial Statements	8-15
SUPPLEMENTAL INFORMATION:	
Independent Auditor's Report on Supplemental Information	16
Schedule of Member Agency Allocations and Designations	17
Schedule of Net Assets	18

INDEPENDENT AUDITORS' REPORT

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

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, 2017 and 2016 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2017 and 2016, 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.



October 12, 2017

UNITED WAY OF WHATCOM COUNTY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
ASSETS:		
Cash	\$ 1,997,182	\$ 2,172,414
Pledges receivable (net of provision for uncollectible pledges of \$142,332 and \$131,145)	636,671	681,537
Prepaid expenses	12,192	11,861
Property and equipment, (net of accumulated depreciation of \$69,574 and \$70,682)	107,894	128,381
Investments	378,496	248,642
TOTAL ASSETS	<u>\$ 3,132,435</u>	<u>\$ 3,242,835</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 8,632	\$ 9,447
Designations payable	118,731	144,759
Deferred grant revenue	51,450	43,939
Accrued liabilities	26,278	28,782
Total current liabilities	<u>205,091</u>	<u>226,927</u>
NET ASSETS:		
Unrestricted	1,511,086	1,593,482
Temporarily restricted	1,332,945	1,339,113
Permanently restricted	83,313	83,313
Total net assets	<u>2,927,344</u>	<u>3,015,908</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,132,435</u>	<u>\$ 3,242,835</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>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</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	-	-
	<u>1,470,258</u>	<u>(1,470,258)</u>	<u>-</u>	<u>-</u>
Gross Campaign results				
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>	<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>-</u>	<u>1,332,945</u>
Total campaign revenue	<u>1,339,113</u>	<u>(6,168)</u>	<u>-</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>-</u>	<u>238,786</u>
Total public support and revenue	<u>1,577,899</u>	<u>(6,168)</u>	<u>-</u>	<u>1,571,731</u>
RECLASSIFICATIONS - restrictions met				
Total support, revenue and reclassifications	<u>1,577,899</u>	<u>(6,168)</u>	<u>-</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>-</u>	<u>926,090</u>
Amount available for expenses	<u>651,809</u>	<u>(6,168)</u>	<u>-</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>-</u>	<u>538,079</u>
CHANGES IN NET ASSETS	<u>113,730</u>	<u>(6,168)</u>	<u>-</u>	<u>107,562</u>
OTHER CHANGES IN NET ASSETS				
Prior year uncollectible	(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>-</u>	<u>(196,126)</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(82,396)</u>	<u>(6,168)</u>	<u>-</u>	<u>(88,564)</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,593,482</u>	<u>1,339,113</u>	<u>83,313</u>	<u>3,015,908</u>
NET ASSETS, END OF YEAR	<u>\$ 1,511,086</u>	<u>\$ 1,332,945</u>	<u>\$ 83,313</u>	<u>\$ 2,927,344</u>

See accompanying notes to financial statements.

UNITED WAY OF WHATCOM COUNTY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE:				
Net assets released from restrictions				
Campaign applicable to current period				
Contributions received in prior periods	\$ 1,803,006	\$ (1,803,006)		\$ -
Less donor designations	(177,691)	177,691		-
Designation recovery fee	(22,029)	22,029		-
	<u>1,603,286</u>	<u>(1,603,286)</u>	<u>-</u>	<u>-</u>
Gross Campaign results				
Allowance for uncollectible pledges	(135,225)	135,225	-	-
Net Campaign for the current period	<u>1,468,061</u>	<u>(1,468,061)</u>	<u>-</u>	<u>-</u>
Campaign revenue received for next allocation period:				
Campaign revenue received for next year		1,639,308		1,639,308
Less donor designations		(153,018)		(153,018)
Designation recovery fee		(16,032)		(16,032)
Less provision for uncollectible pledges		(131,145)		(131,145)
Total campaign for next allocation period	<u>-</u>	<u>1,339,113</u>	<u>-</u>	<u>1,339,113</u>
Total campaign revenue	<u>1,468,061</u>	<u>(128,948)</u>	<u>-</u>	<u>1,339,113</u>
Other revenue, gains, and support				
Contributions received from other United Ways	17,335		-	17,335
Designation recovery	106,746		-	106,746
Other income	114,294		-	114,294
Unrealized gain (loss) on investments	(741)	(726)	-	(1,467)
Investment income	6,647	6,777	-	13,424
Total other revenue, gains, and support	<u>244,281</u>	<u>6,051</u>	<u>-</u>	<u>250,332</u>
Total public support and revenue	<u>1,712,342</u>	<u>(122,897)</u>	<u>-</u>	<u>1,589,445</u>
RECLASSIFICATIONS - restrictions met				
Total support, revenue and reclassifications	<u>51,117</u>	<u>(51,117)</u>	<u>-</u>	<u>-</u>
ALLOCATIONS				
Gross funds awarded	1,066,726	-	-	1,066,726
Less allocations funded through designations	(42,290)	-	-	(42,290)
Total allocations	<u>1,024,436</u>	<u>-</u>	<u>-</u>	<u>1,024,436</u>
Amount available for expenses	<u>739,023</u>	<u>(174,014)</u>	<u>-</u>	<u>565,009</u>
EXPENSES				
Functional expenses				
Administrative	141,675	-	-	141,675
Fund raising	165,318	-	-	165,318
Planning and allocation	205,022	-	-	205,022
Total expenses	<u>512,015</u>	<u>-</u>	<u>-</u>	<u>512,015</u>
CHANGES IN NET ASSETS	<u>227,008</u>	<u>(174,014)</u>	<u>-</u>	<u>52,994</u>
OTHER CHANGES IN NET ASSETS				
Prior year uncollectible	(44,989)			(44,989)
Community agency assistance grants	(40,939)	-	-	(40,939)
Technical and Community Initiatives grants	(15,660)	-	-	(15,660)
Total other changes in net assets	<u>(101,588)</u>	<u>-</u>	<u>-</u>	<u>(101,588)</u>
INCREASE (DECREASE) IN NET ASSETS	<u>125,420</u>	<u>(174,014)</u>	<u>-</u>	<u>(48,594)</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,468,062</u>	<u>1,513,127</u>	<u>83,313</u>	<u>3,064,502</u>
NET ASSETS, END OF YEAR	<u>\$ 1,593,482</u>	<u>\$ 1,339,113</u>	<u>\$ 83,313</u>	<u>\$ 3,015,908</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 recruitig	345	293	407	1,045
Dues to affiliated United Way	5,991	5,083	7,080	18,154
United Way of PNW dues	4,321			4,321
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 FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	<u>Administrative</u>	<u>Fund- Raising</u>	<u>Planning and Allocation</u>	<u>2016Total</u>
Salaries and wages	\$ 64,125	\$ 73,871	\$ 106,875	\$ 244,871
Employee benefits	13,765	14,275	22,942	50,982
Payroll taxes	5,439	6,308	9,065	20,812
Total salaries and related expenses	83,329	94,454	138,882	316,665
Campaign supplies		3,413		3,413
Campaign events		18,099		18,099
Advertising	4,605	3,907	5,442	13,954
Professional services	5,950	5,048	7,031	18,029
Printing and publication	1,751	1,486	2,069	5,306
Office supplies	644	546	761	1,951
Telephone	945	802	1,117	2,864
Postage	1,489	1,264	1,760	4,513
Maintenance	5,987	5,079	7,075	18,141
Occupancy/in kind rent	7,617	6,462	9,001	23,080
Travel and mileage	3,109	3,375	3,674	10,158
Insurance	1,400	1,188	1,654	4,242
Conferences and meetings	97	82	114	293
Staff development	650	551	768	1,969
Volunteer Training		1,127		1,127
Depreciation	8,120	6,890	9,596	24,606
In-kind services	4,130	3,504	4,880	12,514
Dues to affiliated organization	7,430	6,304	8,780	22,514
Membership dues/fees	2,375			2,375
Miscellaneous	2,047	1,737	2,418	6,202
Total	\$ 141,675	\$ 165,318	\$ 205,022	\$ 512,015

See accompanying notes to financial statements

UNITED WAY OF WHATCOM COUNTY
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

Increase (decrease) in cash

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from campaign contributions	\$ 1,377,811	\$ 1,463,937
Cash received from other contributions and income	205,065	238,375
Investment income received	12,232	13,424
Cash paid to suppliers and employees	(521,143)	(494,111)
Cash paid to agencies for allocations and designations	<u>(1,140,733)</u>	<u>(1,137,649)</u>
Net cash provided by operating activities	<u>(66,768)</u>	<u>83,976</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets		(4,459)
Purchases and reinvesting of investments - net	<u>(108,464)</u>	<u>(10,467)</u>
Net cash provided (used) by investing activities	<u>(108,464)</u>	<u>(14,926)</u>
NET INCREASE (DECREASE) IN CASH	(175,232)	69,050
CASH BEGINNING OF YEAR	<u>2,172,414</u>	<u>2,103,364</u>
CASH END OF YEAR	<u><u>\$ 1,997,182</u></u>	<u><u>\$ 2,172,414</u></u>
Reconciliation of change in net assets to net cash provided (used) by operating activities		
Increase(decrease)in net assets	\$ (88,564)	\$ (48,594)
Adjustments to reconcile change in net assets to net cash provided		
by operating activities		
Depreciation	20,486	24,606
Unrealized (gain) loss on investments	(21,389)	1,468
(increase) decrease in		
Pledges receivable	44,866	124,824
Prepaid expenses	(331)	3,406
Beneficiary trust receivable		
Increase(decrease)in		
Accounts payable	(815)	(11,500)
Accrued liabilities	(2,504)	1,390
Deferred grant revenue	7,511	9,543
Designations payable	<u>(26,028)</u>	<u>(21,167)</u>
	<u><u>\$ (66,768)</u></u>	<u><u>\$ 83,976</u></u>

See accompanying notes to financial statements.

UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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.

Basis of accounting - The accompanying financial statements have been prepared on the accrual basis and follow the recommendations of the Financial Accounting Standards Board in its ASC 958, formerly Statement of Financial Accounting Standards No. 117 “Financial Statements of Not-For-Profit Organizations.” Under ASC 958 the organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. This category of net assets includes amounts designated by the Board for long-term reserves and special agency needs. Board designated unrestricted net assets are 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.

UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, including campaign pledge contributions received during the current period and recognized and allocated to member agencies during the next year. Campaign revenue amounts shown relate to allocations to be made during the next fiscal year.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the principal be maintained permanently by the Organization. The Organization is permitted to use the income earned on the related investments for general or specified operating purposes.

Contributions – The Agency reports in accordance with Financial Accounting Standards Board ASC 958.205 *Contributions Received and Contributions Made* (formerly SFAS No. 116), Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are reported as temporarily restricted support are then reclassified to unrestricted net assets 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 \$250 or greater.

UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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, 2017, the Agency contributed 8% of qualified employees' regular monthly salaries to the plan. The plan contribution (pension expense) was \$19,638 and \$18,168 for the years ended June 30, 2017 and 2016.

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, 2017 and 2016.

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, 2017 and 2016, 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 \$14,499 and \$13,954 for the years ended June 30, 2017 and 2016.

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

UNITED WAY OF WHATCOM COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017 AND 2016

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
 (Continued)

totaling \$378,496 and \$248,642 on June 30, 2017 and 2016 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 2017 and 2016 have been reclassified to include dues to affiliated organizations to be consistent with the presentation preferred by United Way Worldwide.

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:

	2017	2016
In-kind rent	\$ 8,765	\$ 8,667
In-kind services	6,574	12,513
	\$ 15,339	\$ 21,180

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 \$378,496 and \$248,642 for June 30, 2017 and 2016.

UNITED WAY OF WHATCOM COUNTY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017 AND 2016

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.

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 permanently restricted net assets (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 permanently restricted net assets is classified as temporarily restricted net assets 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 WUPMIFA, 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 2017 is as follows:

Endowment Funds	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ -	\$ 83,313	\$ 83,313
Board-designated	165,699			165,699
	\$ 165,699	\$ -	\$ 83,313	\$249,012

Endowment Net Asset Composition by Type of Fund as of June 30 2016 is as follows:

Endowment Funds	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ -	\$ 83,313	\$ 83,313
Board-designated	165,699			165,699
	\$ 165,699	\$ -	\$ 83,313	\$249,012

UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 2 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.

Permanently restricted net assets consists 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. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets 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.

NOTE 6. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of an endowment which is not available for expenditure, but for which income from the related investments are available for current use.

UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 7. OTHER INCOME

Other income consists of the following:

	<u>2017</u>	<u>2016</u>
In-kind rent	\$ 8,765	\$ 8,667
In-kind services	6,574	12,513
Recovery of prior year receivables	(296)	7,349
Community builder sponsorship	27,500	30,000
Miscellaneous income	176	238
Project homeless administrative fee	4,821	4,544
Project homeless Connect	49,145	40,939
Campaign functions revenue	6,750	8,225
FEMA administration fee	1,055	1,819
Total other income	<u>\$ 104,490</u>	<u>\$ 114,294</u>

NOTE 8. 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, 2017 are:

Year ending June 30:	<u>Amount</u>
2018	52,376
2019	53,944
2020	55,556
Total minimum future rental payments	<u>\$ 161,876</u>

Rent expense under this lease totaled \$10,328 and \$9,939 for the years ended June 30, 2017 and 2016.

UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 9. SUBSEQUENT EVENTS

Management of the Organization has evaluated events and transactions occurring after June 30, 2016 through October 12, 2017, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. There were no events and transactions that required recognition and 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, 2017, 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

October 12, 2017

UNITED WAY OF WHATCOM COUNTY
SCHEDULE OF ALLOCATIONS AND DESIGNATIONS
YEAR ENDED JUNE 30, 2017

	Donor Designation	United Way Allocation	Total
ARC of Whatcom County	\$ 300	\$ 18,401	\$ 18,701
Bellingham Childcare & Learning Center	1,856	38,091	39,947
Bellingham Food Bank	9,479	29,902	39,381
Boys & Girls Club of Blaine	24		24
Boys & Girls Club of Ferndale	878		878
Boys & Girls Club of Lynden	183		183
Boys & Girls Club of Whatcom County	843	55,300	56,143
Brigid Collins	6,353	89,904	96,257
Compass Health	76	64,406	64,482
Domestic Violence & Sexual Assault Services of Whatcom	3,046	68,124	71,170
Grads Program		30,000	30,000
Home Port Learning Center		25,394	25,394
Lydia Place	2,980	59,000	61,980
Max Higbee Community Recreation Center	721	11,040	11,761
Mercy Housing Northwest		14,000	14,000
Northwest Youth Services	2,078	50,788	52,866
Opportunity Council	1,871	46,131	48,002
Rebound of Whatcom County	29	26,000	26,029
Salvation Army	1,242	14,813	16,055
Sun Community Services		27,602	27,602
Sustainable Connections		10,250	10,250
Whatcom Center for Early Learning	703	35,900	36,603
Whatcom Council on Aging	488	18,199	18,687
Whatcome Early Learning Alliance		18,401	18,401
Whatcom Family YMCA	132	49,940	50,072
Whatcom Literacy Council	2,145	38,500	40,645
Work Opportunities		8,280	8,280
WWU Foundation		37,724	37,724
YWCA	1,540	40,000	41,540
GROSS FUNDS ALLOCATED	<u>\$ 36,967</u>	<u>\$ 926,090</u>	<u>\$ 963,057</u>

See accompanying notes to financial statements.

UNITED WAY OF WHATCOM COUNTY
SCHEDULE OF NET ASSETS
YEAR ENDED JUNE 30, 2017

	Unrestricted									
	Board Designated									
	Undesignated	Capacity Building	Equipment	Contingency	Agency	Quasi- Endowment	Community Impact	Facilities	Variable Compensation	Total Unrestricted
Beginning	\$ 153,093	\$ 150,000	\$ 65,208	\$ 753,713	\$ 143,268	\$ 165,699	\$ 150,000	\$ -	\$ 12,501	\$ 1,593,482
Transfer prior year, net	(153,093)									(153,093)
Current year transfers	6,168	55,670			97,423					159,261
Changes in net assets	(88,564)									(88,564)
Ending	\$ (82,396)	\$ 205,670	\$ 65,208	\$ 753,713	\$ 240,691	\$ 165,699	\$ 150,000	\$ -	\$ 12,501	\$ 1,511,086

	Temporarily Restricted	Permanently Restricted Endowment	Total Net Assets
Beginning	\$ 1,339,113	\$ 83,313	\$ 3,015,908
Transfer prior year, net			(153,093)
Current year transfers	(6,168)		153,093
Changes in net assets			(88,564)
Ending	\$ 1,332,945	\$ 83,313	\$ 2,927,344

See accompanying notes to financial statements.