

LIVE UNITED



United Way
of Snohomish County

Financial Statements

For the Year Ended June 30, 2021

**Management's Report
United Way of Snohomish County
2021 Financial Statements**

The United Way of Snohomish County (UWSC) is responsible for the preparation, integrity, and fair presentation of its published financial statements. UWSC management is responsible for the reliability and objectivity of the financial statements. The statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and, as such, include amounts based on informed estimates and judgments of management.

The Board of Directors, operating through its Audit Committee, provides oversight of the financial reporting process and safeguarding of assets against unauthorized acquisition, use, or disposition.

UWSC maintains a system of internal control over financial reporting and over safeguarding of assets which is designed to provide reasonable assurance to management, the Audit Committee, and the Board of Directors regarding the preparation of reliable published financial statements.

I, Terry Cox, Interim President and CEO, and I, Bradford Parker, Director of Finance and Operations, certify that we have reviewed these financial statements:

1. Based on our knowledge, the statements do not contain any untrue statement of a material fact, nor do they omit a material fact.
2. Based on our knowledge, the financial statements fairly present in all material respects the financial position, results of operations, changes in net assets, and cash flows of the United Way of Snohomish County, in accordance with U.S. GAAP.
3. We are responsible for establishing and maintaining a system of internal controls and procedures.
4. We are responsible for disclosing any significant deficiencies and material weaknesses in the internal controls over financial reporting, and any known fraud or allegations of fraud that involves management or other employees.
We are not aware of any such conditions existing for the year ended June 30, 2021, other than those disclosed.

As of June 30, 2021, the United Way of Snohomish County believes its system of internal controls over financial reporting was effective for providing reliable financial statements.

Signed: 
Terry Cox
Interim President and CEO


Bradford Parker
Director of Finance & Operations

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Independent Auditor's Report

**To the Board of Directors
United Way of Snohomish County
Everett, Washington**

We have audited the accompanying financial statements of the United Way of Snohomish County (the Organization) which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 the Organization as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



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Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 8, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, consisting of gross campaign results, gross funds awarded and designated, and donor designations on pages 4 and 5, is not a required part of the financial statements and is included for the purpose of additional analysis consistent with industry practice. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The information on the donated hours and related value included in Note 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Clark Nuber P.C.

Certified Public Accountants
December 7, 2021

UNITED WAY OF SNOHOMISH COUNTY

Statement of Financial Position

June 30, 2021

(With Comparative Totals for 2020)

| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|----------------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 70,965 | \$ 566,861 |
| Current portion of pledges and grants receivable, net (Note 2) | 821,701 | 1,364,014 |
| Prepaid expenses and other current assets | <u>81,460</u> | <u>127,835</u> |
| Total Current Assets | 974,126 | 2,058,710 |
| Investments (Notes 3 and 4) | 1,318,262 | 1,319,603 |
| Assets designated by the Board of Directors for long-term purposes (Note 10) | 1,660,813 | 1,275,838 |
| Assets restricted by donors for long-term purposes (Note 1) | 495,156 | 411,078 |
| Pledges and grants receivable, net (Note 2) | | 33,334 |
| Cash surrender value of charitable life insurance policy (Note 5) | 47,240 | 40,844 |
| Other long-term assets | 65,591 | 65,089 |
| Prepaid service contracts (Note 1) | 91,102 | 88,439 |
| Property and equipment, net (Note 6) | <u>2,689,217</u> | <u>2,820,991</u> |
| Total Assets | <u>\$ 7,341,507</u> | <u>\$ 8,113,926</u> |
| Current Liabilities: | | |
| Accounts payable | \$ 61,809 | \$ 14,687 |
| Accrued expenses | 79,833 | 72,057 |
| Designations payable | 257,629 | 482,897 |
| Current portion of long-term debt (Note 7) | <u>61,545</u> | <u>59,358</u> |
| Total Current Liabilities | 460,816 | 628,999 |
| Long-term debt, less current portion (Note 7) | 1,947,934 | 2,009,468 |
| Paycheck Protection Program loan (Note 1) | <u>72,308</u> | |
| Total Liabilities | 2,481,058 | 2,638,467 |
| Net Assets: | | |
| Without donor restrictions (Note 10) | 3,960,054 | 4,587,770 |
| With donor restrictions (Note 11) | <u>900,395</u> | <u>887,689</u> |
| Total Net Assets | <u>4,860,449</u> | <u>5,475,459</u> |
| Total Liabilities and Net Assets | <u>\$ 7,341,507</u> | <u>\$ 8,113,926</u> |

See accompanying notes.

UNITED WAY OF SNOHOMISH COUNTY

Statement of Activities
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

| | Without Donor Restrictions | With Donor Restrictions | 2021 Total | 2020 Total |
|---|-------------------------------|----------------------------|---------------------|---------------------|
| Public Support, Revenues and Gains and Losses: | | | | |
| Gross campaign results | \$ 1,448,746 | \$ 333,622 | \$ 1,782,368 | \$ 2,095,917 |
| Less donor designations (Note 1) | (279,963) | | (279,963) | (433,216) |
| Less provision for uncollectible pledges | (153,000) | | (153,000) | (206,000) |
| Net campaign revenue | 1,015,783 | 333,622 | 1,349,405 | 1,456,701 |
| Designations from other United Ways | 128,959 | | 128,959 | 147,420 |
| Grant and program support income | 229,273 | | 229,273 | 87,922 |
| Paycheck Protection Program loan forgiveness (Note 1) | 236,392 | | 236,392 | 253,700 |
| In-kind contributions | | | | 580 |
| Service fees and other income | 89,482 | | 89,482 | 85,362 |
| Rental income (Note 13) | 154,641 | | 154,641 | 115,980 |
| Investment income (Note 3) | 36,598 | 7,905 | 44,503 | 49,822 |
| Realized and unrealized gains (Note 3) | 500,208 | 96,021 | 596,229 | 113,891 |
| Net assets released from donor restriction (Note 11) | 424,842 | (424,842) | | |
| Total Public Support, Revenues and Gains | 2,816,178 | 12,706 | 2,828,884 | 2,311,378 |
| Expenses: | | | | |
| Program services- | | | | |
| Gross funds awarded and designated | 1,649,686 | | 1,649,686 | 2,141,415 |
| Less donor designations (Note 1) | (279,963) | | (279,963) | (433,216) |
| Net funds awarded | 1,369,723 | | 1,369,723 | 1,708,199 |
| Community impact and investment | 470,381 | | 470,381 | 698,233 |
| Total program services | 1,840,104 | | 1,840,104 | 2,406,432 |
| Supporting services- | | | | |
| Fundraising | 416,826 | | 416,826 | 432,103 |
| Organizational administration | 1,114,604 | | 1,114,604 | 1,286,658 |
| Rental activities | 72,360 | | 72,360 | 37,227 |
| Total supporting services | 1,603,790 | | 1,603,790 | 1,755,988 |
| Total Expenses | 3,443,894 | | 3,443,894 | 4,162,420 |
| Change in Net Assets | (627,716) | 12,706 | (615,010) | (1,851,042) |
| Net assets, beginning of year | 4,587,770 | 887,689 | 5,475,459 | 7,326,501 |
| Net Assets, End of Year | \$ 3,960,054 | \$ 900,395 | \$ 4,860,449 | \$ 5,475,459 |

See accompanying notes.

UNITED WAY OF SNOHOMISH COUNTY

Statement of Functional Expenses
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

| | Program Services | | | Total |
|------------------------------------|--|----------------------------------|--------------------------------------|---------------------|
| | Impact, Investment and Community Engagement | Engagement Program Related | Designations to Other Agencies | |
| Gross funds awarded and designated | \$ 1,649,686 | \$ - | \$ - | \$ 1,649,686 |
| Less donor designations | (279,963) | | | (279,963) |
| Net funds awarded | 1,369,723 | | | 1,369,723 |
| Salaries, benefits and taxes | 229,708 | 20,132 | | 249,840 |
| Professional fees | 27,608 | 6,161 | | 33,769 |
| Supplies | 487 | 266 | | 753 |
| Telephone | 3,925 | 2,038 | | 5,963 |
| Postage and shipping | 3 | | | 3 |
| Occupancy | 34,085 | 14,941 | | 49,026 |
| Equipment and maintenance | 1,775 | 784 | | 2,559 |
| Printing and publications | 24,335 | 13,578 | | 37,913 |
| Local travel and meetings | 549 | | | 549 |
| Events | | 3,000 | | 3,000 |
| Staff/volunteer development | 400 | 109 | | 509 |
| In-kind expenses | | | | |
| Depreciation and amortization | 56,388 | 16,121 | | 72,509 |
| Miscellaneous | 8,970 | 5,018 | | 13,988 |
| Total Expenses | \$ 1,757,956 | \$ 82,148 | \$ - | \$ 1,840,104 |

See accompanying notes.

| Supporting Services | | | | | |
|----------------------|-------------------|---------------------------|---------------------|------------------------|------------------------|
| Rental Activities | Fundraising | Management and General | Total | 2021 Total Expenses | 2020 Total Expenses |
| \$ - | \$ 18,759 | \$ 1,000 | \$ 19,759 | \$ 1,669,445 | \$ 2,146,777 |
| | | | | (279,963) | (433,216) |
| | 18,759 | 1,000 | 19,759 | 1,389,482 | 1,713,561 |
| | 276,573 | 828,475 | 1,105,048 | 1,354,888 | 1,635,364 |
| 11,125 | 26,242 | 104,326 | 141,693 | 175,462 | 213,658 |
| | 516 | 1,287 | 1,803 | 2,556 | 7,440 |
| | 2,493 | 5,723 | 8,216 | 14,179 | 14,610 |
| | 1,726 | 923 | 2,649 | 2,652 | 1,748 |
| 57,986 | 24,525 | 35,879 | 118,390 | 167,416 | 163,806 |
| 1,897 | 1,481 | 9,012 | 12,390 | 14,949 | 23,617 |
| 1,352 | 31,321 | 40,363 | 73,036 | 110,949 | 131,517 |
| | 204 | 776 | 980 | 1,529 | 14,648 |
| | 4,144 | | 4,144 | 7,144 | 61,032 |
| | 893 | 1,823 | 2,716 | 3,225 | 9,999 |
| | | | | | 580 |
| | 19,717 | 39,548 | 59,265 | 131,774 | 104,014 |
| | 8,232 | 45,469 | 53,701 | 67,689 | 66,826 |
| \$ 72,360 | \$ 416,826 | \$ 1,114,604 | \$ 1,603,790 | \$ 3,443,894 | \$ 4,162,420 |

UNITED WAY OF SNOHOMISH COUNTY

Statement of Cash Flows
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

| | 2021 | 2020 |
|---|------------------|--------------------|
| Cash Flows From Operating Activities: | | |
| Change in net assets | \$ (615,010) | \$ (1,851,042) |
| Adjustments to reconcile change in net assets to net cash used by operating activities- | | |
| Depreciation | 131,774 | 104,014 |
| Realized and unrealized gains on investments | (596,229) | (113,891) |
| Paycheck Protection Program loan forgiveness | (236,392) | (253,700) |
| Change in cash surrender value of charitable life insurance policy | (6,396) | (632) |
| Changes in assets and liabilities: | | |
| Pledges and grants receivable | 575,647 | 1,026,310 |
| Prepaid expenses and other current assets | 46,375 | (77,272) |
| Other long-term assets | (502) | (53,877) |
| Accounts payable and accrued expenses | 54,898 | (49,526) |
| Designations payable | (225,268) | (98,192) |
| Net Cash Used by Operating Activities | (871,103) | (1,367,808) |
| Cash Flows From Investing Activities: | | |
| Purchases of prepaid service contracts | (2,663) | (88,439) |
| Purchase of investments | (1,088,930) | (968,555) |
| Proceeds from sale of investments | 1,686,500 | 771,918 |
| Net change in assets whose use is limited or restricted- | | |
| By donors for long-term purposes | (84,078) | 9,936 |
| By the Board of Directors for long-term purposes | (384,975) | 511,939 |
| Net Cash Provided by Investing Activities | 125,854 | 236,799 |
| Cash Flows From Financing Activities: | | |
| Principal payments on long-term debt | (59,347) | (57,006) |
| Proceeds from Paycheck Protection Program loan | 308,700 | 253,700 |
| Net Cash Provided by Financing Activities | 249,353 | 196,694 |
| Net Change in Cash and Cash Equivalents | (495,896) | (934,315) |
| Cash and cash equivalents balance, beginning of year | 566,861 | 1,501,176 |
| Cash and Cash Equivalents Balance, End of Year | \$ 70,965 | \$ 566,861 |
| Supplementary Disclosure of Cash Flow Information: | | |
| Cash paid for interest | \$ 74,025 | \$ 76,367 |

See accompanying notes.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements For the Year Ended June 30, 2021

Note 1 - Nature of Operations and Significant Accounting Policies

Organization - United Way of Snohomish County (the Organization) is a local not-for-profit organization with the mission of transforming lives by bringing people, resources and strategy together to solve our community's toughest challenges. Working together, the Board of Directors (the Board), other volunteers and staff employ multiple strategies to achieve the Organization's mission. The Board oversees all aspects of the Organization, including approval of funding decisions. Resources are directed to programs, initiatives, and services that demonstrate positive outcomes and are aligned with the Organization's impact areas. The Organization is primarily funded through workplace and individual giving campaigns and grants and support from local businesses, foundations and other government and private funders. The Organization focuses their funds awarded, community impact and investment on:

Advocate - A committee of United Way of Snohomish County volunteers and staff develop an annual public policy agenda to provide guidance on a variety of local, state, and federal policy issues.

Volunteer Center - The Organization's Volunteer Center (the Center) is a key resource for volunteer involvement in the community. The Center maintains an online database that matches interested volunteers with projects in their community and organizes the annual Days of Caring volunteer event. Youth United connects youth (ages 14-19) with local volunteer opportunities.

Basic Needs Grants - Basic needs such as food, shelter, clothing and access to health care is the first step to identifying the complex, long-term issues families with young children face, that will eventually require collaborative solutions. These grants are awarded to provide basic need services and/or access to services for young children (prenatal to age eight) and their families with low income. Basic Needs grants consist of annual commitments and are conditional upon future funding and are not accrued as grants payable in the statement of financial position. There were no remaining conditional grant commitments as of June 30, 2021.

CORE Collaborative Grants - Our CORE Collaborative Grants provide support for groups of multiple cross-sector partners with shared action plans focused on long-term solutions for children birth to age 8 and their families with low income. CORE grants are 3-year investments that began in January 2021. Future payments in year three of these grants are conditional upon future funding and are not accrued as grants payable in the statement of financial position. Remaining conditional grant commitments at June 30, 2021 totaled \$2,100,000.

Board of Directors - The Organization is governed by an elected board of volunteers, which at any time must be comprised of no less than fifteen members.

Basis of Presentation - Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported 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 will be met either by actions of the Organization or the passage of time, or net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements For the Year Ended June 30, 2021

Note 1 - Continued

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Contributions with externally imposed restrictions that are met in the same year as received are reported as revenues of net assets without donor restrictions.

Cash and Cash Equivalents - The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, except those held in the investment portfolio.

Allowance for Uncollectible Pledges - Provision for uncollectible pledges is primarily based upon a three-year historical write-off average, applied to gross campaign revenues, including donor designations. The allowance estimate is also affected by management's evaluation of the quality, character, current trends and inherent risks associated with the receivables. As of June 30, 2021 and 2020, the allowance for uncollectible pledges was \$202,709 and \$166,414, respectively.

Investments - Investments are carried at fair value in the financial statements. Realized and unrealized gains and losses are reflected in the statement of activities.

Property and Equipment - The Organization capitalizes assets with a cost greater than \$5,000 and an estimated useful life of three or more years. Purchased property and equipment is carried at cost. Donated property and equipment are recorded at market value when received. Provision for depreciation of all items of property and equipment is computed using the straight-line method over the estimated useful lives of the assets: 5 to 10 years for furniture, fixtures and equipment, 3 to 7 years for software and computer equipment and 38 years for buildings.

Assets Restricted by Donors for Long-Term Purposes - As of June 30, 2021, assets restricted by donors for long-term purposes represented donor contributions restricted for future campaigns, the individual development accounts, and restricted endowment contributions and are comprised of \$7,663 of cash and cash equivalents and the remaining amounts represent investments restricted by donors for long-term purposes of \$487,493 as further described in Note 3.

Designations Payable and Donor Designations - Funds are distributed to not-for-profit agencies in accordance with donor instructions. To be eligible to receive these funds, a not-for-profit organization must have been granted exemption under sections 501(c)(3) and 509(a) of the Internal Revenue Code and must comply with U.S. Patriot Act requirements and not be on the Internal Revenue Service's Revocation List.

Workplace Campaigns - The Organization is substantially involved in workplace campaigns. As part of the campaigns, certain pledges, payments and related disbursements are collected and remitted to unrelated organizations, at the request of donors, or unrelated third parties. Pledges, payments and related disbursements that are designated by the donor for unrelated third parties are included in gross campaign results, gross funds awarded and designated, and donor designations in the statement of activities. These totals are presented as supplementary information for the purpose of additional analysis consistent with industry practice.

Contributions - Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period received. Contributions with donor-imposed restrictions that are met in the same year as received are reported as revenues without donor restrictions.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements For the Year Ended June 30, 2021

Note 1 - Continued

Grant and Program Support Income - The grant and program support include unconditional grants to specific initiatives and programs within the Organization. There were no conditional pledges receivable as of June 30, 2021 and 2020.

Cost Deductions - The Organization is committed to compliance with the Cost Deduction Requirements for Membership Requirement M, as established by United Way Worldwide. The standard establishes uniform rules for deducting resource development and organizational administration expenses from donor pledges.

In-Kind Contributions - Donated assets and services are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. Contributions of services are recognized if the services received create or enhance a nonfinancial asset or the services require specialized skills that are provided by individuals possessing those skills.

During the year ended June 30, 2021, a substantial number of volunteers (276) donated 6,800 hours to the Organization's program services and fund-raising campaigns representing a total contributed value of \$184,960 (unaudited). However, only donated services that meet the criteria for recognition under current accounting standards are reflected in the accompanying financial statements and at the market values at the time of donation. The donated service information above is for informational purposes and is unaudited.

Federal Income Tax - The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and is not considered to be a private foundation; accordingly, no provision has been made for federal income tax in the accompanying financial statements.

Financial Instruments and Credit Risk Concentration - Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents and investments. The Organization maintains these funds in accounts that, at times, may exceed federally insured limits.

Concentrations - The Organization raised gross campaign contributions from one company each representing 24% and 21% of campaign results and program support income for the years ended June 30, 2021 and 2020, respectively. As of June 30, 2020, 11% of total pledges and grants receivable were due from one company. No such concentration of pledges and grants receivable existed at June 30, 2021.

Functional Expense Allocation - The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Directly identifiable expenses are charged to program and support services. Expenses related to more than one function are charged to programs and support services based on the activity in each respective function and benefits derived. Payroll costs are allocated based on time and effort. Indirect costs are allocated based on department percentage of expenses and square footage.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions. These affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Summarized Information for 2020 - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements For the Year Ended June 30, 2021

Note 1 - Continued

Subsequent Events - The Organization has evaluated subsequent events through December 7, 2021, the date on which the financial statements were available to be issued.

Related Party Transactions - During the years ended June 30, 2021 and 2020, the Organization received contributions from employees and board members of approximately \$21,000 and \$40,000, respectively.

Paycheck Protection Loan - In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. All or a portion of the PPP loan may be forgiven if certain terms and conditions of the program are met. The terms and conditions include, but are not limited to, spending the PPP loan funds on qualifying expenses. The Organization follows the accounting guidance for government grants in U.S. GAAP for accounting for the recognition of revenue from forgiveness of the PPP loan. In applying that guidance, the Organization recognizes revenue from forgiveness of the PPP loan. In applying that guidance, the Organization has determined that the barriers to entitlement consist of the incurrence of qualifying expenses.

On April 16, 2020, the Organization obtained a loan under the PPP with a principal balance of \$253,700 which was fully forgiven during 2021. The Organization obtained a second PPP loan on April 6, 2021 with principal proceeds totaling \$308,700. Management has determined that \$236,392 of qualifying expenses were incurred during the year ended June 30, 2021, and so revenue in the amount of \$236,392 has been recognized in the statement of activities for the year ended June 30, 2021. A corresponding reduction to the loan liability has been recorded for the amount of revenue recognized, with \$72,308 remaining for the loan liability as of June 30, 2021.

To complete the loan forgiveness process, management must submit a loan forgiveness application to the lender and then the lender and the Small Business Administration (SBA) must review and approve the application. A risk exists that the lender or the SBA may reject some or all of the requested forgiveness amount during the review process, in which case, the Organization will be required to repay the amount that is not forgiven.

Adoption of New Accounting Pronouncement - For the year ended June 30, 2021, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-08 - Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update was issued to clarify and improve the scope and accounting guidance for contributions received and contributions made. The update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for periods beginning after December 15, 2019 for entities that are the resource provider. There was no retrospective financial statement effect of this accounting pronouncement for the Organization.

Prepaid Service Contracts - The Organization has entered into commitments with vendors for hosted software contracts, with fees charged being dependent on software use. Development and implementation costs for the software service contracts are capitalized as prepaid service contracts on the statement of financial position and totaled \$91,102 and \$88,439 at June 30, 2021 and 2020, respectively.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2021

Note 2 - Pledges and Grants Receivable

Pledges and grants receivable were reported as follows in the statement of financial position as of June 30:

| | <u>2021</u> | <u>2020</u> |
|---|--------------------------|----------------------------|
| Pledges and grants receivable, current portion | \$ 821,701 | \$ 1,364,014 |
| Pledges and grants receivable, net of current portion | | <u>33,334</u> |
| Total Pledges and Grants Receivable, Net | <u>\$ 821,701</u> | <u>\$ 1,397,348</u> |

Pledges and grants receivable as of June 30, 2021, are due as follows:

| | | |
|--|--------------------------|------------------|
| Amounts due in- | | |
| Less than one year | \$ 1,024,410 | |
| Less allowance for uncollectible pledges | | <u>(202,709)</u> |
| Total Pledges and Grants Receivable | <u>\$ 821,701</u> | |

Note 3 - Investments

Investments are presented in the statement of financial position as follows at June 30:

| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|----------------------------|
| Board designated (Note 10)- | | |
| Operating reserve fund | \$ 553,541 | \$ 366,189 |
| Quasi-endowment | <u>1,107,272</u> | <u>909,649</u> |
| Total investment designated by the Board of Directors for long-term purposes | 1,660,813 | 1,275,838 |
| Investments restricted by donors for long-term purposes | 487,493 | 403,415 |
| Investments, undesignated and without donor restriction | <u>1,318,262</u> | <u>1,319,603</u> |
| Total Investments | <u>\$ 3,466,568</u> | <u>\$ 2,998,856</u> |

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2021

Note 3 - Continued

Investment income was as follows for the years ended June 30:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|--------------------------|--------------------------|
| Dividends and interest | \$ 70,116 | \$ 75,288 |
| Less investment fees | <u>(25,613)</u> | <u>(25,466)</u> |
| | 44,503 | 49,822 |
| Realized and unrealized gains | <u>596,229</u> | <u>113,891</u> |
| Total Investment Return | <u>\$ 640,732</u> | <u>\$ 163,713</u> |

Note 4 - Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP defines a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Valuation Techniques - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices for identical assets and liabilities within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Equity Investments - Valued at quoted market prices for identical assets in active markets.

Fixed Income - Valued at the closing price reported on the active market on which similar instruments are sold.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2021

Note 4 - Continued

Assets recorded at fair value on a recurring basis at June 30 were as follows:

| | Fair Value Measurements as of June 30, 2021 | | | |
|--------------------------------------|---|---------------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Equity investments- | | | | |
| Large cap | \$ 1,053,998 | \$ - | \$ - | \$ 1,053,998 |
| Small and mid cap | 395,925 | | | 395,925 |
| International | 531,536 | | | 531,536 |
| Fixed income | | 1,347,157 | | 1,347,157 |
| Assets Recorded at Fair Value | \$ 1,981,459 | \$ 1,347,157 | \$ - | 3,328,616 |
| Money market funds | | | | 137,952 |
| Total Investments | | | | \$ 3,466,568 |

| | Fair Value Measurements as of June 30, 2020 | | | |
|--------------------------------------|---|---------------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Equity investments- | | | | |
| Large cap | \$ 972,924 | \$ - | \$ - | \$ 972,924 |
| Small and mid cap | 256,544 | | | 256,544 |
| International | 438,091 | | | 438,091 |
| Fixed income | | 1,202,310 | | 1,202,310 |
| Assets Recorded at Fair Value | \$ 1,667,559 | \$ 1,202,310 | \$ - | 2,869,869 |
| Money market funds | | | | 128,987 |
| Total Investments | | | | \$ 2,998,856 |

Note 5 - Cash Surrender Value of Charitable Life Insurance Policy

The Organization is the owner and beneficiary of two donated life insurance policies on the lives of supporters of the Organization. Each insured individual donated the cost of the premiums of the policy. The Organization paid the premiums to the insurance company. In the year received, the donations are recognized in the accompanying statement of activities as public support revenue and the premiums are recognized as resource development expenses. The cash surrender value of the policies have been recorded in the statement of financial position and totaled \$47,240 and \$40,844 at June 30, 2021 and 2020, respectively.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2021

Note 6 - Property and Equipment

A summary of property and equipment is as follows at June 30:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------------|----------------------------|
| Land | \$ 420,000 | \$ 420,000 |
| Building | 3,646,461 | 3,646,461 |
| Furniture, fixtures and equipment | <u>125,968</u> | <u>125,968</u> |
| | 4,192,429 | 4,192,429 |
| Less accumulated depreciation | <u>(1,503,212)</u> | <u>(1,371,438)</u> |
| Total Property and Equipment, Net | <u>\$ 2,689,217</u> | <u>\$ 2,820,991</u> |

Note 7 - Long-Term Debt

Long-term debt consisted of the following at June 30:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------------|----------------------------|
| Mortgage payable to a banking institution, due April 1, 2023, payable \$11,114 per month, including principal and fixed interest of 3.625%. A balloon payment of \$1,905,913 is due upon maturity. This note is secured by real property located in Snohomish County and assignment of all rents from the real property located in Snohomish County. | <u>\$ 2,009,479</u> | <u>\$ 2,068,826</u> |
| | 2,009,479 | 2,068,826 |
| Less current portion | <u>(61,545)</u> | <u>(59,358)</u> |
| Total Long-Term Debt | <u>\$ 1,947,934</u> | <u>\$ 2,009,468</u> |

Future principal maturities of long-term debt are as follows:

For the Year Ending June 30,

| | |
|------|----------------------------|
| 2022 | \$ 61,545 |
| 2023 | <u>1,947,934</u> |
| | <u>\$ 2,009,479</u> |

The Agreement includes certain financial covenants, including maintaining minimum unrestricted liquidity. For the year ended June 30, 2021, the Organization failed to comply with the fixed charge coverage ratio, however the bank waived the noncompliance as of June 30, 2021. The Organization was in compliance with the covenants at June 30, 2020.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2021

Note 8 - Self Insurance

The Organization is a member of a trust that facilitates the utilization by member agencies of the Reimbursement Financing Method of meeting obligations under the State of Washington unemployment insurance statutes. As of June 30, 2021 and 2020, the Organization had deposits with the trust of \$41,154 and \$29,649, respectively, which are included in prepaid expenses and other current assets in the statement of financial position. The Organization cannot reasonably estimate a liability for any unpaid unemployment claims as of year end; accordingly, a liability has not been accrued as of June 30, 2021 and 2020.

Note 9 - Retirement Plan

The Organization sponsors a 403(b) thrift plan that covers substantially all of its employees after one year of service and after they have attained age 21. Contributions were three percent of each covered employee's salary for the years ended June 30, 2021 and 2020. The Organization will also provide as a percentage match of a participant's salary up to a maximum of an additional three percent of each covered employee's salary for fiscal years 2021 and 2020. Total retirement plan expense for the years ended June 30, 2021 and 2020, under the plan was \$48,440 and \$46,560, respectively.

Note 10 - Net Assets Without Donor Restrictions

Net assets without donor restriction are comprised of the following at June 30:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------------|----------------------------|
| Undesignated, available for operations | \$ 1,619,503 | \$ 2,559,767 |
| Invested in property and equipment net of related debt | 679,738 | 752,165 |
| Quasi-Endowment - Preservation of Retained Earnings-Impact | 540,866 | 444,910 |
| Quasi-Endowment - Preservation of Retained Earnings-Sustaining | 566,406 | 464,739 |
| Reserve Fund | <u>553,541</u> | <u>366,189</u> |
| Total Net Assets Without Donor Restrictions | <u>\$ 3,960,054</u> | <u>\$ 4,587,770</u> |

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2021

Note 11 - Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30:

| | <u>2021</u> | <u>2020</u> |
|---|--------------------------|--------------------------|
| Subject to expenditure for a specific purpose- | | |
| Program services | \$ 71,617 | \$ 73,458 |
| Individual development accounts | <u>7,663</u> | <u>7,663</u> |
| | 79,280 | 81,121 |
| Subject to the passage of time- | | |
| Pledges received from the current campaign for use in a future period, net of dollar designations and allowance for uncollectible pledges | 333,622 | 401,312 |
| Subject to Organization's spending policy and appropriation- | | |
| Endowment earnings (Note 12) | <u>157,595</u> | <u>75,358</u> |
| Total subject to the passage of time, appropriation or expenditure for specified purpose | 570,497 | 557,791 |
| Not subject to appropriation or expenditure- | | |
| Endowment funds (Note 12) | <u>329,898</u> | <u>329,898</u> |
| Total Net Assets With Donor Restrictions | <u>\$ 900,395</u> | <u>\$ 887,689</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows for the years ended June 30:

| | <u>2021</u> | <u>2020</u> |
|--|--------------------------|--------------------------|
| Restricted for time- | | |
| Time restriction | \$ 369,819 | \$ 744,660 |
| Restricted for purpose- | | |
| Program services | <u>55,023</u> | <u>204,676</u> |
| Total Net Assets Released From Donor Restrictions | <u>\$ 424,842</u> | <u>\$ 949,336</u> |

Note 12 - Endowments

The Organization's endowments consist of three funds; a board designated quasi-endowment and the Organization's permanently restricted Impact and Sustaining Funds. As required by U.S. GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2021

Note 12 - Continued

Interpretation of Relevant Law - The Board of Directors of the Organization has interpreted the Washington State Prudent Management of Institutional Funds Act (PMIFA) as making it advisable for the Organization to track 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 Organization classifies as net assets with donor restrictions (endowment corpus) (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 donor-restricted endowment fund that is not classified in net assets with donor restrictions (endowment corpus) is classified as net assets with donor restrictions (endowment earnings) until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by PMIFA.

In accordance with PMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the 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 Organization; and
- The investment policies of the Organization.

As of June 30, 2021 and 2020, endowment net assets consisted of the following:

| | Without Donor Restrictions | With Donor Restrictions | | Total |
|--|-------------------------------|-------------------------|---------------------|---------------------|
| | | Endowment Earnings | Endowment Corpus | |
| Donor-restricted endowment funds | \$ - | \$ 157,595 | \$ 329,898 | \$ 487,493 |
| Board designated quasi-endowment funds | 1,107,272 | | | 1,107,272 |
| Endowment Net Assets, June 30, 2021 | \$ 1,107,272 | \$ 157,595 | \$ 329,898 | \$ 1,594,765 |
| Endowment Net Assets, June 30, 2020 | \$ 909,649 | \$ 75,358 | \$ 329,898 | \$ 1,314,905 |

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2021

Note 12 - Continued

Changes to endowment net assets for the years ended June 30 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | | 2021 Total | 2020 Total |
|--|-------------------------------|-------------------------|---------------------|---------------------|---------------------|
| | | Endowment Earnings | Endowment Corpus | | |
| Endowment Net Assets, June 30, 2020 | \$ 909,649 | \$ 75,358 | \$ 329,898 | \$ 1,314,905 | \$ 1,351,703 |
| Endowment investment return | 250,875 | 103,926 | | 354,801 | 56,549 |
| Appropriation of endowment for expenditure | (53,252) | (21,689) | | (74,941) | (93,347) |
| Endowment Net Assets, June 30, 2021 | \$ 1,107,272 | \$ 157,595 | \$ 329,898 | \$ 1,594,765 | \$ 1,314,905 |

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 PMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2021 and 2020.

Return Objectives and Risk Parameters - The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for donor-specified periods 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 exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average real rate of return of approximately 6% - 9% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Organization 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 Organization 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Organization has a policy of appropriating for distribution each year a maximum of 4% of the endowment fund balance. The fund balance is defined as the average of the prior three year end fair value balances of the fund. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 2% to 5% annually after its planned payouts. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

UNITED WAY OF SNOHOMISH COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2021

Note 13 - Operating Lease

The Organization leased a portion of its building to two different local not-for profit entities during the years ended June 30, 2021 and 2020. The leases required monthly payments under a noncancelable lease agreements through March 31, 2025. Rental income recognized for the years ended June 30, 2021 and 2020 was \$154,641 and \$115,980, respectively, and is reported as rental income in the statement of activities. Future noncancelable receipts through March 31, 2025 are as follows:

For the Year Ending June 30,

| | |
|--|---------------------------------|
| 2022 | \$ 166,244 |
| 2023 | 171,231 |
| 2024 | 176,368 |
| 2025 | <u>135,230</u> |
| Total Minimum Lease Payments to be Received | <u><u>\$ 649,073</u></u> |

Note 14 - Liquidity and Availability of Financial Assets

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------------------|-----------------------------------|
| Cash and cash equivalents | \$ 70,965 | \$ 566,861 |
| Pledges and grants receivable, net | 821,701 | 1,397,348 |
| Investments | <u>3,466,568</u> | <u>2,998,856</u> |
| Total financial assets | 4,359,234 | 4,963,065 |
| Contractual or donor-imposed restrictions- | | |
| Assets designated by the Board of Directors for long-term purposes | (1,660,813) | (1,275,838) |
| Assets restricted by donors for long-term purposes | <u>(495,156)</u> | <u>(412,919)</u> |
| Total Financial Assets Available for General Expenditure Within One Year | <u><u>\$ 2,203,265</u></u> | <u><u>\$ 3,274,308</u></u> |

The Organization has a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Board has approved reserve and endowment policies that require three months of annual grants and three months of operating expenses to be maintained. Spending of these funds require Board approval. To manage liquidity, excess cash is invested in money market funds and savings accounts. The Organization's cash flows have seasonal variations during the year attributable to the annual campaign and timing of payments received on pledges from donors.