United Way of King County

Financial Statements

For the Year Ended June 30, 2016

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Clark Nuber PS

Independent Auditor's Report

To the Board of Directors
United Way of King County
Seattle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of United Way of King County (the Organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

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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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 11 to the financial statements, gross campaign results, gross funds awarded and designated, and donor designations (supplementary information) included in the financial statements changed significantly compared to the prior year. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 page 4 and in Note 11 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.

Clark Nuber PS

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2016, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Clark Nuber P.S.

Certified Public Accountants
October 17, 2016

UNITED WAY OF KING COUNTY

Statement of Financial Position
June 30, 2016
(With Comparative Totals for 2015)

	2016	2015
Assets		
Assets:		
Cash and cash equivalents	$ 1,852,603	$ 4,958,803
Contributions and grants receivable, net	33,118,377	25,370,667
Other receivables	34,233	68,571
Other assets	345,974	330,056
Investments	9,971,608	10,544,031
Beneficial interest in trusts and assets held by others	10,746,443	11,724,948
Property and equipment, net	11,431,003	8,811,905
Total Assets	**$ 67,500,241**	**$ 61,808,981**
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$ 4,836,942	$ 4,801,067
Donor designations payable	8,750,918	10,528,465
Long-term debt	1,947,000	2,920,000
Total Liabilities	**15,534,860**	**18,249,532**
Net Assets:		
Unrestricted-		
Undesignated, available for operations	5,481,735	10,018,570
Invested in property and equipment, net of related debt	9,484,003	5,891,905
Designated for endowments	6,127,550	6,566,080
Total unrestricted net assets	21,093,288	22,476,555
Temporarily restricted	26,253,198	16,184,026
Permanently restricted net assets	4,618,895	4,898,868
Total Net Assets	**51,965,381**	**43,559,449**
Total Liabilities and Net Assets	**$ 67,500,241**	**$ 61,808,981**

See accompanying notes.

UNITED WAY OF KING COUNTY

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Public Support, Revenues and Gains and Losses:					
Gross campaign results (Note 11)	$ 34,682,616	$ 8,403,158	$ -	$ 43,085,774	$ 96,821,062
Reconnecting Youth		3,709,563		3,709,563	
Parent-Child-Home Program contributions		605,178		605,178	4,612,941
Basics Needs contributions		537,468		537,468	819,759
Campaign to End Chronic Homelessness contributions					37,792
Total campaign results	34,682,616	13,255,367		47,937,983	102,291,554
Less donor designations (Note 11)	(22,159,309)			(22,159,309)	(76,610,542)
Net campaign revenue	12,523,307	13,255,367		25,778,674	25,681,012
Grants	7,165,576	10,903,970		18,069,546	7,662,453
Sponsorships	906,842			906,842	1,161,263
In-kind contributions	4,439,378			4,439,378	538,315
Income distribution from Administrative Endowment	6,272,292			6,272,292	5,799,822
Other income and expenses	1,105,715	2,100	(279,973)	827,842	1,055,113
Net assets released from restriction	14,092,265	(14,092,265)			
Total Public Support, Revenues and Gains and Losses	**46,505,375**	**10,069,172**	**(279,973)**	**56,294,574**	**41,897,978**
Expenses:					
Program services-					
Gross funds awarded and designated (Note 11)	54,042,674			54,042,674	108,470,638
Less donor designations (Note 11)	(22,159,309)			(22,159,309)	(76,610,542)
Net funds awarded	31,883,365			31,883,365	31,860,096
Planning	1,607,090			1,607,090	1,841,485
Distribution	1,751,370			1,751,370	1,185,784
Community services	1,565,874			1,565,874	1,435,023
Total program services	36,807,699			36,807,699	36,322,388
Supporting services-					
Management and general	2,933,926			2,933,926	3,388,030
Fundraising	8,147,017			8,147,017	7,442,761
Total supporting services	11,080,943			11,080,943	10,830,791
Total Expenses	**47,888,642**			**47,888,642**	**47,153,179**
Change in Net Assets	**(1,383,267)**	**10,069,172**	**(279,973)**	**8,405,932**	**(5,255,201)**
Net assets, beginning of year	22,476,555	16,184,026	4,898,868	43,559,449	48,814,650
Net Assets, End of Year	**$ 21,093,288**	**$ 26,253,198**	**$ 4,618,895**	**$ 51,965,381**	**$ 43,559,449**

See accompanying notes.

UNITED WAY OF KING COUNTY

Statement of Functional Expenses
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

	Program Services			
	Net Funds Awarded	Planning	Distribution	Community Services
Net funds awarded	$ 31,883,365	$ -	$ -	$ -
Salary and wages		935,310	1,011,267	830,292
Payroll taxes and employee benefits		236,430	249,027	211,919
Special events		29,331	40,232	46,049
Local transportation and other staff expenses		25,642	34,592	63,913
Professional fees and contract services		13,263	28,960	25,100
Supplies		16,306	17,886	10,646
Telephone		4,996	7,396	4,051
Postage		6,099	9,860	3,653
Occupancy		13,764	13,477	13,713
Insurance		2,621	2,577	2,621
Equipment rental and maintenance		23,639	24,533	24,118
Informational material		26,094	33,995	49,319
Newsletters and publications		3,103	2,004	10,908
Conferences, staff training and development		2,757	2,638	1,938
Miscellaneous		3,261	13,127	3,964
Interest		149	64	103
In-kind		42	42	42
United Way affiliates		105,944	104,104	105,348
	31,883,365	1,448,751	1,595,781	1,407,697
Depreciation		158,339	155,589	158,177
Total Functional Expenses	**$ 31,883,365**	**$ 1,607,090**	**$ 1,751,370**	**$ 1,565,874**

See accompanying notes.

Total Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	2016 Total Expenses	2015 Total Expenses
$ 31,883,365	$ -	$ -	$ -	$ 31,883,365	$ 31,860,096
2,776,869	1,681,599	4,157,669	5,839,268	8,616,137	8,579,228
697,376	431,787	1,069,977	1,501,764	2,199,140	2,019,297
115,612	34,691	151,614	186,305	301,917	227,358
124,147	18,523	66,700	85,223	209,370	151,236
67,323	187,902	241,867	429,769	497,092	275,449
44,838	19,374	74,151	93,525	138,363	175,978
16,443	4,582	21,626	26,208	42,651	29,810
19,612	3,935	27,458	31,393	51,005	77,540
40,954	89,027	80,515	169,542	210,496	180,337
7,819	32,711	15,387	48,098	55,917	53,792
72,290	33,541	75,258	108,799	181,089	132,350
109,408	5,065	240,434	245,499	354,907	244,583
16,015	3,431	106,316	109,747	125,762	115,148
7,333	41,539	5,538	47,077	54,410	59,736
20,352	27,488	109,395	136,883	157,235	147,192
316	39,773	649	40,422	40,738	29,291
126	148	514,129	514,277	514,403	539,148
315,396	61,007	260,459	321,466	636,862	623,311
36,335,594	2,716,123	7,219,142	9,935,265	46,270,859	45,520,880
472,105	217,803	927,875	1,145,678	1,617,783	1,632,299
$ 36,807,699	**$ 2,933,926**	**$ 8,147,017**	**$ 11,080,943**	**$ 47,888,642**	**$ 47,153,179**

UNITED WAY OF KING COUNTY

Statement of Cash Flows
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	$ 8,405,932	$ (5,255,201)
Adjustments to reconcile change in net assets to		
net cash used by operating activities-		
Depreciation	1,617,783	1,632,299
Contributed beneficial interest		(260,000)
Donated software	(3,924,498)	
Net gains on beneficial interests	135,267	(282,756)
Investment return	(172,421)	(17,387)
Changes in certain assets and liabilities:		
Contributions and grants receivable	(7,747,710)	16,883,539
Other receivables	34,338	44,454
Other assets	(15,918)	(54,783)
Accounts payable and accrued liabilities	35,875	(549,502)
Donor designations payable	(1,777,547)	(13,095,299)
Net Cash Used by Operating Activities	**(3,408,899)**	**(954,636)**
Cash Flows From Investing Activities:		
Purchase of investments	(24,556,119)	(19,247,967)
Proceeds from investments	26,144,201	23,565,864
Purchase of property and equipment	(312,383)	(211,053)
Net Cash Provided by Investing Activities	**1,275,699**	**4,106,844**
Cash Flows From Financing Activities:		
Principal payments on long-term obligations	(973,000)	(340,000)
Net Cash Used by Financing Activities	**(973,000)**	**(340,000)**
Net Change in Cash and Cash Equivalents	**(3,106,200)**	**2,812,208**
Cash and cash equivalents balance, beginning of year	4,958,803	2,146,595
Cash and Cash Equivalents Balance, End of Year	**$ 1,852,603**	**$ 4,958,803**
Supplementary Disclosures of Cash Flow Information:		
Cash paid for interest	$ 39,604	$ 27,656

See accompanying notes.

Note 1 - Description of Organization and Summary of Significant Accounting Policies

Mission Statement and Activity - The mission of United Way of King County (the Organization) is to bring caring people together to give, volunteer and take action to help people in need and solve our community's toughest challenges.

Most of the Organization's transactions are with entities located in King County. The Organization had two major donors (including corporate and employee contributions) that accounted for approximately 22% of United Way of King County's support and revenue for the year ended June 30, 2016. The Organization had one major donor (including corporate and employee contributions) that accounted for approximately 31% United Way of King County's support and revenue for the year ended June 30, 2015.

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:

> Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.
>
> Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization or the passage of time.
>
> Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary 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.

Contribution and Grant Receivables - Contributions and grants, which include unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until such time as the conditions are substantially met. Contributions of noncash assets are recognized at their estimated fair value on the date of contribution. Contributions to be collected in future years are recorded at fair value when the promise is made based on a discounted cash flow model. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

An allowance for uncollectible accounts is recorded using an estimated percentage of outstanding contributions receivable. This estimate is compared to historical averages to determine its reasonableness. Donor designated balances are not reserved against for uncollectability as an offsetting designation liability is recorded.

Note 1 - Continued

Gross Campaign Results - Consistent with industry practice, the Organization presents gross campaign results and donor designations as supplementary information. Gross campaign results consist of funds raised as a result of the Organization's fundraising efforts during the normal course of its campaigns, including donor designated amounts. This includes pledges processed by third-party processors where the involvement of United Way of King County in workplace campaigns is considered to be significant. Amounts raised that are designated by the donor to nonprofit organizations other than the Organization, are deducted from total campaign results to arrive at net campaign revenue as the Organization does not retain variance power. If a workplace which uses a third-party processor elects not to report its total campaign results to the Organization, its designated amounts raised are not included in the Organization's campaign results. In addition, certain companies have moved to an Evergreen workplace giving model, including Microsoft. See Note 11 for further discussion.

Cash and Cash Equivalents - The Organization 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 money market funds, which are not subject to withdrawal restrictions or penalties and are stated at fair value, which approximates cost. The Organization maintains its cash and cash equivalents in depository institution accounts and money market accounts that at times exceed federally insured limits.

Investments - Investments are comprised of certificates of deposits all having maturity periods of greater than three months, bonds, equity securities and money market funds. The investments are recorded at cost plus accrued interest, which approximates fair value. The Organization engages in investment activities that are designed to maintain liquidity, maximize returns, and minimize risk within policy guidelines approved by the Organization's Board of Directors.

Property and Equipment - Property and equipment are carried at cost or, if donated, at the fair value on the date of donation and purchases of property and equipment greater than $1,000 are capitalized. Depreciation is recorded using the straight-line method over the following estimated useful lives:

Buildings	40 years
Building improvements	5 - 40 years
Furniture, fixtures, and equipment	3 - 10 years

Donor Designations Payable - 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.

In-Kind Contributions - Donated assets and services are reflected as contributions in the accompanying statement of activities and changes in net assets 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. A substantial number of volunteers donate significant amounts of time in the furtherance of the Organization's objectives. However, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), the value of these services is not recognized in these financial statements as they do not meet the specific criteria for recognition.

Note 1 - Continued

During the year ending June 30, 2016, the Organization recognized in-kind contribution revenue totaling $3,924,498 related to donated software with no donated software being received in 2015. Other in-kind contributions include $514,880 in goods and services.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes - 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.

Use of Estimates - Preparation of financial statements in conformity with U.S. GAAP 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Totals - 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, 2015, from which the summarized information was derived.

Reclassifications - Certain prior year amounts have been reclassified for consistency with the current presentation. These reclassifications hold no effect on the reported results of activities.

Subsequent Events - The Organization has evaluated subsequent events through October 17, 2016, the date on which the financial statements were available to be issued.

Note 2 - Contributions and Grants Receivable

Contributions and grants receivable as of June 30 are expected to be received as follows:

	2016	2015
Within one year	$ 25,145,875	$ 17,591,213
Between one and five years	9,848,171	9,112,753
	34,994,046	26,703,966
Less-		
Discount to present value	(675,894)	(368,262)
Allowance for uncollectible accounts	(1,199,775)	(965,037)
Total Contributions and Grants Receivable	**$ 33,118,377**	**$ 25,370,667**

Note 2 - Continued

As of June 30, 2016, contributions and grants to be received between one and five years are discounted using a rate of 0.40% to 2.55% through the expected term of the contribution and grants receivable.

Note 3 - Property and Equipment

The components of property and equipment as of June 30 are as follows:

	2016	2015
Land	$ 2,352,000	$ 2,352,000
Office building and improvements	7,229,738	7,193,462
Furniture, fixtures and equipment	2,447,697	4,439,327
Property and equipment not yet placed in service	3,626,736	22,411
	15,656,171	14,007,200
Less accumulated depreciation	(4,225,168)	(5,195,295)
Total Property and Equipment, Net	**$ 11,431,003**	**$ 8,811,905**

Property and equipment not yet placed in service includes donated software placed into service in July 2016, subsequent to year end.

Note 4 - Beneficial Interest in Trusts and Assets Held by Others

The Organization's beneficial interests in trusts and assets held by others included the following at June 30:

	2016	2015
Beneficial interest in assets held by The Seattle Foundation	$ 6,127,550	$ 6,566,080
Beneficial interest in irrevocable trust		260,000
Beneficial interest in perpetual trust - Egvedt Trust (19.16%)	3,914,756	4,150,943
Beneficial interest in perpetual trust - Egvedt Trust (1.50%)	704,137	747,925
	$ 10,746,443	**$ 11,724,948**

Note 4 - Continued

The following is a summary each component of the beneficial interest in trusts and assets held by others:

Beneficial Interest in Assets Held by The Seattle Foundation - Two endowment funds are held by The Seattle Foundation for the benefit of the Organization: the United Way of King County Endowment Fund (UWKC Endowment Fund) and the United Way of King County Administrative Endowment (Administrative Endowment). The Seattle Foundation retains variance power with respect to both endowments. Gifts directly to the endowment funds at The Seattle Foundation by donors or gifts directed by donors to be transferred to endowments at The Seattle Foundation are not recorded as assets of the Organization in accordance with U.S. GAAP, as The Seattle Foundation retains variance power. Transfers from the Organization to the endowment funds held by The Seattle Foundation for its benefit with no donor obligation to do so, in accordance with U.S. GAAP, are recorded as assets (beneficial interest in assets held by others) on the books of the Organization even though The Seattle Foundation retains variance power, as the Organization named itself as a beneficiary.

UWKC Endowment Fund - In 1982, the Organization established the UWKC Endowment Fund with The Seattle Foundation for the benefit of the Organization. Gifts from donors wishing to establish endowments in support of the Organization's mission are directed to The Seattle Foundation. The Organization typically receives annual distributions from The Seattle Foundation from the earnings of the endowment. The ending fair value of the UWKC Endowment Fund as of June 30, 2016 and 2015 was $2,103,607 and $2,233,059, respectively. The Organization has recorded a beneficial interest of $145,929 and $154,909 in the UWKC Endowment Fund as of June 30, 2016 and 2015, respectively, which represents funds transferred by the Organization to the UWKC Endowment Fund, with no donor obligation to do so.

Administrative Endowment - In 2000, the Bill & Melinda Gates Foundation gave a special gift of approximately $30 million to create the Administrative Endowment at The Seattle Foundation for the benefit of the Organization. The purpose of the Administrative Endowment is to assist the Organization with operational expenses. Additionally in 2000, the Bill & Melinda Gates Foundation announced a matching grant program (The Gates Challenge) for the Administrative Endowment that provided up to $55 million in matching gifts through June 30, 2010. The last payment on the match was received in November 2009. Distributions from the Administrative Endowment are recorded as income to the Organization when received.

The following summarizes the financial activities of the Administrative Endowment at the Seattle Foundation as of and for the year ended June 30:

	2016	2015
Beginning fair value	$ 159,144,632	$ 163,328,595
Contributions	622	10,076
Investment return	4,762,300	8,709,807
Unrealized losses	(6,015,551)	(5,790,499)
Distribution to Organization	(6,365,009)	(5,977,251)
Fees and expenses	(1,189,169)	(1,136,096)
Ending Fair Value	**$ 150,337,825**	**$ 159,144,632**

Note 4 - Continued

The Organization has recorded a beneficial interest of $5,981,620 and $6,411,171 in the Administrative Endowment as of June 30, 2016 and 2015, which represents funds transferred by the Organization to the Administrative Endowment, with no donor obligation to do so. Also, included in the Administrative Endowment fund fair values above is a portion of the Organization's beneficial interest in the Egtvedt Trust (19.16%), which the Organization designated to the Administrative Endowment, $1,319,210 and $1,382,396, as of June 30, 2016 and 2015, respectively.

Egtvedt Trusts - The Organization is also the beneficiary of charitable perpetual trusts (collectively, the Egtvedt Trusts) established by Clairmont L. and Evelyn S. Egtvedt in 1965 and 1977. The Organization has estimated interest of 1.50% and 19.16% in each trust, the fair value of the Organization's beneficial interest in each trust is $704,137 and $3,914,756 as of June 30, 2016, respectively. The assets of the Egtvedt Trusts are managed by Wells Fargo Bank. The Organization typically receives annual distributions from Wells Fargo Bank from the earnings of the Trusts. In accordance with U.S. GAAP, the Organization has recognized the Trusts as an asset on the Organization's statement of financial position. Net realized and unrealized gains and losses related to the Trusts are reported as changes in permanently restricted net assets.

Irrevocable Trust - During 2015, the Organization was made aware of a beneficial interest in an irrevocable trust. The fair value of the Organization's beneficial interest in the trust at June 30, 2015 was $260,000. The funds were distributed to the Organization during the year ended June 30, 2016.

Note 5 - Investments

Investments are comprised of the following for the years ended June 30:

	2016	2015
Money market funds	$ 1,328,662	$ 6,285,900
Bond funds	7,648,619	3,999,850
Equity securities	11,644	15,281
FDIC - insured certificates of deposit	982,683	243,000
Total Investments	**$ 9,971,608**	**$ 10,544,031**

Investment income is included in other income on the statement of activities and changes in net assets, and was as follows for the years ended June 30:

	2016	2015
Dividends and interest	$ 119,341	$ 17,537
Realized and unrealized gains (losses)	53,080	(150)
Total Investment Return	**$ 172,421**	**$ 17,387**

Note 6 - Fair Value Measurement

The Organization applies the U.S. GAAP authoritative guidance for *Fair Value Measurements and Disclosures,* which defines fair value, establishes a framework for measuring fair value and requires certain 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; or

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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used:

Money Market Funds and FDIC-Insured Certificates of Deposit - Funds are valued at cost plus accrued interest, which approximates fair value.

Equity Securities - Valued at quoted market prices of identical assets in active markets.

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

Beneficial Interests in Trusts - The Organization is a beneficiary of a percentage interest in two perpetual charitable trusts and an irrevocable trust held by third parties. The Organization's interest in each trust is recorded at the fair value of the Organization's ownership in the respective trust. These assets are valued using the net asset value (Note 4).

Beneficial Interest in Assets Held by Others - The beneficial interest in assets held at The Seattle Foundation has been valued, as a practical expedient, at the fair value of the Organization's share of assets held by The Seattle Foundation. This asset is valued using the net asset value (Note 4).

The underlying investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and investment contracts, and the level of uncertainty related to changes in the value of the investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the statement of financial position and the statement of activities and changes in net assets.

Note 6 - Continued

The following tables present the assets that are measured at fair value on a recurring basis as of June 30 and are categorized using the three levels of the fair value hierarchy:

	Fair Value Measurements as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Investments-				
Money market funds	$ 1,328,662	$ -	$ -	$ 1,328,662
FDIC-insured certificates of deposit	982,683			982,683
Equity securities	11,644			11,644
Bond funds		7,648,619		7,648,619
Total investments	2,322,989	7,648,619		9,971,608
Beneficial interests-				
Beneficial interest in assets held by others			6,127,550	6,127,550
Beneficial interest in trusts			4,618,893	4,618,893
Total beneficial interest in trusts and assets held by others			10,746,443	10,746,443
Total Assets at Fair Value	**$ 2,322,989**	**$ 7,648,619**	**$ 10,746,443**	**$ 20,718,051**

	Fair Value Measurements as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Investments-				
Money market funds	$ 6,285,900	$ -	$ -	$ 6,285,900
FDIC-insured certificates of deposit	243,000			243,000
Equity securities	15,281			15,281
Bond funds		3,999,850		3,999,850
Total investments	6,544,181	3,999,850		10,544,031
Beneficial interests-				
Beneficial interest in assets held by others			6,566,080	6,566,080
Beneficial interest in trusts			5,158,868	5,158,868
Total beneficial interest in trusts and assets held by others			11,724,948	11,724,948
Total Assets at Fair Value	**$ 6,544,181**	**$ 3,999,850**	**$ 11,724,948**	**$ 22,268,979**

Note 6 - Continued

The Organization does not have the ability to redeem its beneficial interest in trusts and assets held by others in the near term; these assets have been valued using Level 3 inputs in accordance with authoritative guidance. The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs for the years ended June 30, 2016 and 2015:

	Beneficial Interest in Trusts	Beneficial Interest in Assets Held by Others
Balance, June 30, 2015	$ 5,158,868	$ 6,566,080
Total realized gains	260,282	195,701
Total unrealized losses	(344,610)	(246,639)
Distributions	(436,866)	(346,991)
Fees	(18,781)	(40,601)
Balance, June 30, 2016	**$ 4,618,893**	**$ 6,127,550**

	Beneficial Interest in Trusts	Beneficial Interest in Assets Held by Others
Balance, June 30, 2014	$ 4,949,184	$ 6,732,733
Contributed beneficial interests	260,000	
Total realized gains	260,969	369,499
Total unrealized losses	(105,792)	(241,920)
Distributions	(185,725)	(253,332)
Fees	(19,768)	(40,900)
Balance, June 30, 2015	**$ 5,158,868**	**$ 6,566,080**

Note 7 - Long-Term Debt

Long-term debt consists of a $3,940,000 variable rate term loan from U.S. Bank. Monthly interest is payable at a variable interest rate of LIBOR plus 1.77%. Principal is payable in annual installments of $340,000, plus a final payment equal to all unpaid principal on December 17, 2018, the maturity date of the loan.

The Organization is required to comply with various restrictive covenants contained in the loan financing agreements. Among other matters, these covenants require the Organization to maintain a liquidity coverage ratio of at least 0.50 to 1, measured quarterly. The liquidity coverage ratio is calculated by dividing the Organization's unrestricted, unencumbered cash, cash equivalents and marketable securities by the Organization's total funded debt. As of June 30, 2016 and 2015, the Organization was in compliance with these covenants.

As of June 30, 2016 and 2015, the balance of the Organization's long-term obligations outstanding was $1,947,000 and $2,920,000, respectively. The principal balance was paid in full on July 29, 2016.

The Organization has an unsecured revolving line of credit with a borrowing limit of $3,000,000. Interest is payable monthly at LIBOR plus 2.50%, with the principal due at December 31, 2016, the maturity date on the line of credit. There was no outstanding balance as of June 30, 2016 and 2015.

Note 8 - Leases

The Organization has entered into various noncancelable lease agreements for equipment, which will expire through 2020. Future minimum rental payments required under leases that have initial or remaining noncancelable lease terms in excess of one year were as follows at June 30, 2016:

For the Year Ending June 30,	
2017	$ 25,500
2018	14,900
2019	7,150
2020	754
	$ 48,304

Rent expense under leases was $25,629 and $20,513 for the years ended June 30, 2016 and 2015, respectively.

Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2016	2015
Contributions and grants receivable (time restriction)	$ 26,243,125	$ 16,175,500
Program restriction	10,073	8,526
	$ 26,253,198	**$ 16,184,026**

Temporarily restricted net assets were released during the year ended June 30, 2016, by the passage of time and meeting of program restrictions.

Note 10 - Permanently Restricted Net Assets

At June 30, 2016 and 2015, the Organization's permanently restricted net assets consisted of beneficial interests in two trusts (the Trusts) administered by an unrelated third party. Distributions of income can be used for programs and operations in accordance with the Trust agreements.

Note 11 - Change in Microsoft Workplace Giving Model

The Organization is actively involved in the local Microsoft campaign, which is processed by a third-party. Amounts raised from Microsoft and its employees accounted for a significant percentage of the Organization's total reported campaign results for the year ended June 30, 2015. During that year, Microsoft provided local campaign figures to the Organization and allowed the entire amount to be included in the Organization's total campaign results. For the year-ending June 30, 2015, the Microsoft portion of total campaign results equaled $52,969,077, of which $50,331,999 was designated to other non-profits organizations.

As of July 1, 2015, Microsoft changed its employee philanthropy program from an annual pledge model to a year-round giving model. The new model, often referred to as an evergreen program, allows employees to begin, change or discontinue their donations at any time as opposed to making an annual unconditional promise to give during the workplace campaign. United Way of King County is awaiting guidance from United Way Worldwide on an industry standard for determining what portion, if any, of designated evergreen program gifts is attributable to the Organization's fundraising efforts. Therefore, for the year ended June 30, 2016, gross campaign results, gross funds awarded and designated, and donor designations in the statement of activities and changes in net assets do not include Microsoft workplace giving that is processed by third-parties and designated by the donor to other non-profit organizations.

However, for illustrative purposes only, if the evergreen program had been in place in the prior year, the Organization's gross campaign results, gross funds awarded and designated, and donor designations would have been approximately as follows for the year ended June 30, 2015.

Note 11 - Continued

	2016	2015 Approximate Pro Forma for Model Change	2015 Per Previously Issued Financial Statements
Total campaign results	$ 47,937,983	$ 51,960,000	$ 102,291,554
Donor designations	(22,159,309)	(26,279,000)	(76,610,542)
Net Revenue	**25,778,674**	**25,681,000**	**25,681,012**
Gross funds awarded and designated	54,042,674	58,139,000	108,470,638
Donor designations	(22,159,309)	(26,279,000)	(76,610,542)
Net Funds Awarded	**$ 31,883,365**	**$ 31,860,000**	**$ 31,860,096**

Note 12 - Other Income and Expenses

Other income and expenses is comprised of the following for the year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Miscellaneous income and (expenses)	$ (66,873)	$ 2,100	$ -	$ (64,773)
Income from sale of transferable development rights	629,534			629,534
Fees for designation processing	208,929			208,929
Change in value in beneficial interest in trusts and assets held by others	59,091		(279,973)	(220,882)
Event revenue	16,480			16,480
Receipts from other fundraising organizations	138,782			138,782
Interest income	119,772			119,772
Total Other Income and Expenses	**$ 1,105,715**	**$ 2,100**	**$ (279,973)**	**$ 827,842**

Note 12 - Continued

Other income is comprised of the following for the year ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Miscellaneous income and contributions	$ 39,251	$ -	$ -	$ 39,251
Contributed beneficial interests	260,000			260,000
Fees for designation processing	283,060			283,060
Change in value in beneficial interest in trusts and assets held by others	268,904		(50,316)	218,588
Event revenue	67,387			67,387
Receipts from other fundraising organizations	144,772			144,772
Interest income	42,055			42,055
	$ 1,105,429	**$ -**	**$ (50,316)**	**$ 1,055,113**

Note 13 - Related Party Transactions

The Organization paid dues to the national and regional organizations, United Way Worldwide and United Ways of Washington, of $636,862 and $623,311 for the years ended June 30, 2016 and 2015, respectively.

The Organization also received campaign contributions from members of its board of directors of $3,832,337 and $2,487,299 for the years ended June 30, 2016 and 2015, respectively. Outstanding annual campaign contributions receivable due from these board members were $2,758,668 and $1,307,164 as of June 30, 2016 and 2015, respectively, some of which includes multi-year gifts.

Note 14 - Employee Benefit Plans

On January 1, 1994, the Organization established the 403(b) Plan, a defined contribution plan that covers substantially all of the Organization's employees. Participating employees contribute to the 403(b) Plan via salary reduction agreements. Effective January 1, 2008, the Organization matches 50% of each employee contribution up to 8% of the employee's compensation. The Organization made matching contributions of $232,458 and $224,120 to the 403(b) Plan for the years ended June 30, 2016 and 2015, respectively. The Organization also made a discretionary contribution of 1.00% of each participating employee's annual compensation to the 403(b) Plan for both the years ended June 30, 2016 and 2015, respectively. The amount of this discretionary contribution to the 403(b) Plan was $74,394 and $54,057 for the years ended June 30, 2016 and 2015, respectively.