



Financial Statements

For the Year Ended June 30, 2015

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Independent Auditor's Report

**Board of Directors
United Way of King County
Seattle, Washington**

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, 2015, 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.

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, 2015, 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.



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Report on Summarized Comparative Information

We have previously audited the Organization's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 9, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2015, 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 16, 2015

UNITED WAY OF KING COUNTY

Statement of Financial Position

June 30, 2015

(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
Assets		
Assets:		
Cash and cash equivalents	\$ 4,958,803	\$ 2,146,595
Investments	10,544,031	14,344,816
Contributions and grants receivable, net	25,370,667	42,254,206
Other receivables	68,571	113,025
Other assets	330,056	275,273
Beneficial interest in trusts and assets held by others	11,724,948	11,681,917
Property and equipment, net	<u>8,811,905</u>	<u>10,233,151</u>
Total Assets	<u>\$ 61,808,981</u>	<u>\$ 81,048,983</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 4,801,067	\$ 5,350,569
Donor designations payable	10,528,465	23,623,764
Long-term debt	<u>2,920,000</u>	<u>3,260,000</u>
Total Liabilities	18,249,532	32,234,333
Net Assets:		
Unrestricted-		
Undesignated, available for operations	10,018,570	9,712,057
Invested in property and equipment, net of related debt	5,891,905	6,973,151
Designated for endowments	<u>6,566,080</u>	<u>6,732,733</u>
Total unrestricted net assets	22,476,555	23,417,941
Temporarily restricted	16,184,026	20,447,525
Permanently restricted net assets	<u>4,898,868</u>	<u>4,949,184</u>
Total Net Assets	<u>43,559,449</u>	<u>48,814,650</u>
Total Liabilities and Net Assets	<u>\$ 61,808,981</u>	<u>\$ 81,048,983</u>

See accompanying notes.

UNITED WAY OF KING COUNTY

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Public Support, Revenues and Gains and Losses:					
Campaign results	\$ 95,614,230	\$ 1,206,832	\$ -	\$ 96,821,062	\$ 108,482,343
Parent-Child-Home Program contributions		4,612,941		4,612,941	4,546,221
Basics Needs contributions		819,759		819,759	921,564
Campaign to End Chronic Homelessness contributions	37,792			37,792	93,977
Total campaign results	95,652,022	6,639,532		102,291,554	114,044,105
Less donor designations	(76,610,542)			(76,610,542)	(87,693,938)
Net campaign revenue	19,041,480	6,639,532		25,681,012	26,350,167
Grants	3,254,750	4,407,703		7,662,453	6,604,860
Sponsorships	1,161,263			1,161,263	1,292,351
In-kind contributions	538,315			538,315	3,216,321
Income distribution from					
Administrative Endowment	5,799,822			5,799,822	5,725,206
Other income	1,105,429		(50,316)	1,055,113	1,549,204
Net assets released from restriction	15,310,734	(15,310,734)			
Total Public Support, Revenues and Gains and Losses	46,211,793	(4,263,499)	(50,316)	41,897,978	44,738,109
Expenses:					
Program services-					
Gross funds awarded and designated	108,470,638			108,470,638	119,214,477
Less donor designations	(76,610,542)			(76,610,542)	(87,693,938)
Net funds awarded	31,860,096			31,860,096	31,520,539
Planning	1,841,485			1,841,485	1,834,146
Distribution	1,185,784			1,185,784	962,407
Community services	1,426,876			1,426,876	1,454,398
Fiscal agent projects	8,147			8,147	8,277
Total program services	36,322,388			36,322,388	35,779,767
Supporting services-					
Management and general	3,388,030			3,388,030	3,467,275
Fundraising	7,442,761			7,442,761	7,894,725
Total supporting services	10,830,791			10,830,791	11,362,000
Total Expenses	47,153,179			47,153,179	47,141,767
Change in Net Assets	(941,386)	(4,263,499)	(50,316)	(5,255,201)	(2,403,658)
Net assets, beginning of year	23,417,941	20,447,525	4,949,184	48,814,650	51,218,308
Net Assets, End of Year	\$ 22,476,555	\$ 16,184,026	\$ 4,898,868	\$ 43,559,449	\$ 48,814,650

See accompanying notes.

UNITED WAY OF KING COUNTY

Statement of Functional Expenses
 For the Year Ended June 30, 2015
 (With Comparative Totals for 2014)

	Program Services			
	Net Funds Awarded	Planning	Distribution	Community Services
Net funds awarded	\$ 31,860,096	\$ -	\$ -	\$ -
Salary and wages		1,215,315	784,274	841,594
Payroll taxes and employee benefits		278,068	180,874	197,417
Special events		13,765	12,124	44,821
Local transportation and other staff expenses		19,598	11,327	36,194
Professional fees and contract services		7,072	8,212	10,849
Supplies		13,629	7,464	10,813
Telephone		2,322	2,116	2,123
Postage		4,853	7,667	9,482
Occupancy		15,112	9,486	11,307
Insurance		3,341	2,097	2,499
Equipment rental and maintenance		22,372	15,312	15,406
Informational material		4,764	2,819	33,925
Newsletters and publications		2,732	1,572	10,563
Conferences, staff training and development		6,101	3,440	3,869
Miscellaneous		1,215	5,856	1,648
Interest		214	92	147
In-kind		25,864	2,283	40,643
United Way affiliates				
	<u>31,860,096</u>	<u>1,636,337</u>	<u>1,057,015</u>	<u>1,273,300</u>
Depreciation		<u>205,148</u>	<u>128,769</u>	<u>153,576</u>
Total Functional Expenses	<u>\$ 31,860,096</u>	<u>\$ 1,841,485</u>	<u>\$ 1,185,784</u>	<u>\$ 1,426,876</u>

See accompanying notes.

UNITED WAY OF KING COUNTY

Statement of Functional Expenses
 For the Year Ended June 30, 2015
 (With Comparative Totals for 2014)

		Supporting Services					
Fiscal Agent Projects	Total Program Services	Management and General	Fundraising	Total Supporting Services	2015 Total Expenses	2014 Total Expenses	
\$ -	\$ 31,860,096	\$ -	\$ -	\$ -	\$ 31,860,096	\$ 31,520,539	
5,483	2,846,666	1,635,884	4,096,678	5,732,562	8,579,228	8,326,013	
1,309	657,668	389,163	972,466	1,361,629	2,019,297	2,008,709	
29	70,739	22,460	134,159	156,619	227,358	287,411	
	67,119	12,842	71,275	84,117	151,236	139,155	
42	26,175	154,570	94,704	249,274	275,449	337,979	
39	31,945	24,867	119,166	144,033	175,978	198,210	
4	6,565	3,638	19,607	23,245	29,810	32,006	
5	22,007	17,960	37,573	55,533	77,540	80,186	
72	35,977	75,760	68,600	144,360	180,337	182,656	
16	7,953	30,675	15,164	45,839	53,792	55,903	
136	53,226	29,560	49,564	79,124	132,350	166,641	
5	41,513	1,912	201,158	203,070	244,583	252,318	
13	14,880	2,996	97,272	100,268	115,148	115,162	
8	13,418	39,027	7,291	46,318	59,736	33,328	
6	8,725	18,932	119,535	138,467	147,192	164,353	
1	454	27,899	938	28,837	29,291	32,151	
	68,790	63,830	406,528	470,358	539,148	651,079	
		623,311		623,311	623,311	612,321	
7,168	35,833,916	3,175,286	6,511,678	9,686,964	45,520,880	45,196,120	
979	488,472	212,744	931,083	1,143,827	1,632,299	1,945,647	
\$ 8,147	\$ 36,322,388	\$ 3,388,030	\$ 7,442,761	\$ 10,830,791	\$ 47,153,179	\$ 47,141,767	

UNITED WAY OF KING COUNTY

Statement of Cash Flows
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (5,255,201)	\$ (2,403,658)
Adjustments to reconcile change in net assets to net cash used by operating activities-		
Depreciation	1,632,299	1,945,647
Contributed beneficial interest	(260,000)	
Net gains on beneficial interests	(282,756)	(945,129)
Donated software		(2,565,242)
Interest income on investments	(17,387)	(45,157)
Changes in certain assets and liabilities:		
Contributions and grants receivable	16,883,539	(13,724,071)
Other receivables	44,454	(69,865)
Other assets	(54,783)	24,398
Accounts payable and accrued liabilities	(549,502)	194,172
Donor designations payable	(13,095,299)	12,856,024
Net Cash Used by Operating Activities	(954,636)	(4,732,881)
Cash Flows From Investing Activities:		
Purchase of investments	(19,247,967)	(23,251,450)
Proceeds from investments	23,565,864	28,580,086
Purchase of property and equipment	(211,053)	(296,681)
Net Cash Provided by Investing Activities	4,106,844	5,031,955
Cash Flows From Financing Activities:		
Principal payments on long-term obligations	(340,000)	(340,000)
Net Cash Used by Financing Activities	(340,000)	(340,000)
Net Change in Cash and Cash Equivalents	2,812,208	(40,926)
Cash and cash equivalents balance, beginning of year	2,146,595	2,187,521
Cash and Cash Equivalents Balance, End of Year	\$ 4,958,803	\$ 2,146,595
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$ 27,656	\$ 30,646

See accompanying notes.

UNITED WAY OF KING COUNTY

Notes to Financial Statements For the Year Ended June 30, 2015 (With Comparative Totals for 2014)

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 has one major donor (including corporate and employee contributions) that accounted for approximately 31% of United Way of King County's support and revenue for the year ended June 30, 2015. The Organization had two major donors (including corporate and employee contributions) that accounted for approximately 33% of United Way of King County's support and revenue for the year ended June 30, 2014.

Basis of Presentation - Net assets, revenues, expenses, 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.

UNITED WAY OF KING COUNTY

**Notes to Financial Statements
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)**

Note 1 - Continued

Total Campaign Results - Total campaign results consist of funds raised as a result of the Organization's fundraising efforts during the normal course of its campaigns. 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. Donor designations, contributions that are designated to nonprofit organizations other than the Organization, are deducted from total campaign results to arrive at net campaign revenue. If a workplace which uses a third-party processor elects not to report its total campaign results to the Organization, its designated contributions are not included in the Organization's campaign results.

Microsoft and its employees contribute a significant percentage of the Organization's total reported campaign results each year. Microsoft engages a third-party processor for handling its and its employees' campaign donations. The Organization is actively involved in the local Microsoft campaign. Therefore, Microsoft provides campaign figures to the Organization and intends for the entire amount to be included in the Organization's total campaign results. Given the relative size of the Microsoft donations to overall campaign results, its total and designated donations are disclosed below.

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. For the year-ending June 30, 2014, the Microsoft portion of total campaign results equaled \$52,930,099, of which \$50,531,213 was designated to other non-profits.

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 may exceed federally insured limits.

Investments - Investments are comprised of certificates of deposits all having maturity periods of greater than three months 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.

UNITED WAY OF KING COUNTY

**Notes to Financial Statements
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)**

Note 1 - Continued

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.

During the year ending June 30, 2014, the Organization recognized in-kind contribution revenue totaling \$2,565,242 related to donated software with no donated software being received in 2015.

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 consolidated 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 US. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Subsequent Events - The Organization has evaluated subsequent events through October 16, 2015, the date on which the financial statements were available to be issued.

UNITED WAY OF KING COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

Note 2 - Contributions and Grants Receivable

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

	<u>2015</u>	<u>2014</u>
Within one year	\$ 17,591,213	\$ 32,320,814
Between one and five years	<u>9,112,753</u>	<u>11,718,974</u>
	26,703,966	44,039,788
Less-		
Discount to present value	(368,262)	(455,506)
Allowance for uncollectible accounts	<u>(965,037)</u>	<u>(1,330,076)</u>
Total Contributions and Grants Receivable	<u>\$ 25,370,667</u>	<u>\$ 42,254,206</u>

As of June 30, 2015, contributions and grants to be received between one and five years are discounted using a rate of 0.40% to 2.00% through the expected term of the contribution and grants receivable.

During fiscal year 2014, the Organization recorded as contributions receivable, the donated partial interests in real property located in Seattle, Washington. The real property was sold subsequent to year end with the contribution receivable being fully collected.

Note 3 - Property and Equipment

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

	<u>2015</u>	<u>2014</u>
Land	\$ 2,352,000	\$ 2,352,000
Office building and improvements	7,193,462	7,164,258
Furniture, fixtures and equipment	4,439,327	4,482,707
Property and equipment not yet placed in service	<u>22,411</u>	<u>9,600</u>
	14,007,200	14,008,565
Less accumulated depreciation	<u>(5,195,295)</u>	<u>(3,775,414)</u>
	<u>\$ 8,811,905</u>	<u>\$ 10,233,151</u>

UNITED WAY OF KING COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

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:

	2015	2014
Beneficial interest in assets held by The Seattle Foundation	\$ 6,566,080	\$ 6,732,733
Beneficial interest in irrevocable trust	260,000	
Beneficial interest in perpetual trust - Egvedt Trust (19.16%)	4,150,943	4,193,337
Beneficial interest in perpetual trust - Egvedt Trust (1.5%)	747,925	755,847
	<u>\$ 11,724,948</u>	<u>\$ 11,681,917</u>

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 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, 2015 and 2014 was \$2,233,059 and \$1,795,616, respectively. The Organization has recorded a beneficial interest of \$154,909 and \$159,603 in the UWKC Endowment Fund as of June 30, 2015 and 2014, 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.

UNITED WAY OF KING COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

Note 4 - Continued

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

	<u>2015</u>	<u>2014</u>
Beginning fair value	\$ 163,328,595	\$ 145,993,635
Contributions	10,076	6,021
Investment return	8,709,807	5,768,252
Unrealized (loss) gain	(5,790,499)	18,347,299
Distribution to Organization	(5,977,251)	(5,725,206)
Fees and expenses	<u>(1,136,096)</u>	<u>(1,061,406)</u>
Ending Fair Value	<u>\$ 159,144,632</u>	<u>\$ 163,328,595</u>

The Organization has recorded a beneficial interest of \$6,411,171 and \$6,573,130 in the Administrative Endowment as of June 30, 2015 and 2014, 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, \$1,382,396 and \$1,376,297, as of June 30, 2015 and 2014, 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 \$747,925 and \$4,150,943 as of June 30, 2015, 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. Distributions made during 2015 from the irrevocable trust totaled \$947,763. The fair value of the Organization's beneficial interest in the trust as of June 30, 2015 of \$260,000 was determined based on distributions received subsequent to year end.

UNITED WAY OF KING COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

Note 5 - Investments

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

	<u>2015</u>	<u>2014</u>
Money market accounts	\$ 10,301,031	\$ 4,525,809
FDIC - insured certificates of deposit	<u>243,000</u>	<u>9,819,007</u>
	<u><u>\$ 10,544,031</u></u>	<u><u>\$ 14,344,816</u></u>

Investment income totaled \$16,229 and \$45,157 for the years ended June 30, 2015 and 2014, respectively, and was included in other income.

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.

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.

At June 30, 2015 and 2014, the Organization's investments consisted of money market accounts and certificates of deposits at acquisition cost plus accrued interest which approximates fair value. As such, the investment balance is not included in the tables below.

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

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 (see 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 (see Note 4).

UNITED WAY OF KING COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

Note 6 - Continued

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.

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, 2015			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by others	\$ -	\$ -	\$ 6,566,080	\$ 6,566,080
Beneficial interest in trusts			5,158,868	5,158,868
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,724,948</u>	<u>\$ 11,724,948</u>

	Fair Value Measurements as of June 30, 2014			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by others	\$ -	\$ -	\$ 6,732,733	\$ 6,732,733
Beneficial interest in trusts			4,949,184	4,949,184
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,681,917</u>	<u>\$ 11,681,917</u>

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, 2015 and 2014:

	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	<u>\$ 5,158,868</u>	<u>\$ 6,566,080</u>

UNITED WAY OF KING COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

Note 6 - Continued

	Beneficial Interest In Trusts	Beneficial Interest in Assets Held By Others
	<u> </u>	<u> </u>
Balance, June 30, 2013	\$ 4,518,488	\$ 6,454,598
Total realized gains	20,443	250,644
Total unrealized gains	610,245	300,262
Distributions	(180,907)	(239,246)
Fees	(19,085)	(33,525)
	<u> </u>	<u> </u>
Balance, June 30, 2014	<u>\$ 4,949,184</u>	<u>\$ 6,732,733</u>

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 0.70% (0.82% at June 30, 2015 and 0.80% at June 30, 2014). Principal is payable in three installments of \$340,000 on March 1st of 2013, 2014, and 2015, plus a final payment equal to all unpaid principal on December 17, 2015, 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, 2015 and 2014, the Organization was in compliance with these covenants.

As of June 30, 2015 and 2014, the balance of the Organization's long-term obligations outstanding is \$2,920,000 and \$3,260,000, respectively.

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, 2015, the maturity date on the line of credit. There was no outstanding balance as of June 30, 2015 and 2014.

UNITED WAY OF KING COUNTY

**Notes to Financial Statements
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)**

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, 2015:

For the Year Ending June 30,

2016	\$	26,000
2017		26,000
2018		15,000
2019		7,000
2020		4,000
		<u>4,000</u>
	\$	<u><u>78,000</u></u>

Rent expense under leases was \$20,513 and \$17,935 for the years ended June 30, 2015 and 2014, respectively.

Note 9 - Temporarily Restricted Net Assets

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

	<u>2015</u>	<u>2014</u>
Contributions and grants receivable (time restriction)	\$ 16,175,500	\$ 20,416,023
Program restriction	<u>8,526</u>	<u>31,502</u>
	<u><u>\$ 16,184,026</u></u>	<u><u>\$ 20,447,525</u></u>

Temporarily restricted net assets were released during the year ended June 30, 2015 by the passage of time and meeting of program restrictions.

Note 10 - Permanently Restricted Net Assets

At June 30, 2015 and 2014, 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.

UNITED WAY OF KING COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

Note 11 - Other Income

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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
Total	<u>\$ 1,105,429</u>	<u>\$ -</u>	<u>\$ (50,316)</u>	<u>\$ 1,055,113</u>

Other income is comprised of the following for the year ended June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Miscellaneous income and contributions	\$ 73,526	\$ 900	\$ -	\$ 74,426
Fees for designation processing	304,133			304,133
Change in value in beneficial interest in trusts and assets held by others	428,279		430,696	858,975
Event revenue	17,975			17,975
Receipts from other fundraising organizations	231,054			231,054
Interest income	62,641			62,641
Total	<u>\$ 1,117,608</u>	<u>\$ 900</u>	<u>\$ 430,696</u>	<u>\$ 1,549,204</u>

UNITED WAY OF KING COUNTY

**Notes to Financial Statements
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)**

Note 12 - Related Party Transactions

The Organization paid dues to the national and regional organizations, United Way Worldwide and United Ways of Washington, of \$623,311 and \$612,321 for the years ended June 30, 2015 and 2014, respectively.

The Organization also received campaign contributions from members of its board of directors of \$2,487,299 and \$9,322,349 for the years ended June 30, 2015 and 2014, respectively. Outstanding annual campaign contributions receivable due from these board members were \$1,307,164 and \$8,081,285 as of June 30, 2015 and 2014, respectively, some of which includes multi-year gifts.

Note 13 - 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 \$224,120 and \$203,525 to the 403(b) Plan for the years ended June 30, 2015 and 2014, respectively. The Organization also made a discretionary contribution of 1.00% and 1.50% of each participating employee's annual compensation to the 403(b) Plan for the years ended June 30, 2015 and 2014, respectively. The amount of this discretionary contribution to the 403(b) Plan was \$54,057 and \$142,599 for the years ended June 30, 2015 and 2014, respectively.