



Financial Statements

For the Year Ended June 30, 2017

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## 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, 2017, 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.



T: 425-454-4919  
T: 800-504-8747  
F: 425-454-4620

10900 NE 4th St  
Suite 1400  
Bellevue WA  
98004

[clarknuber.com](http://clarknuber.com)

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, 2017, 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.

## **Report on Summarized Comparative Information**

We have previously audited the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 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.

**OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017, 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 27, 2017

UNITED WAY OF KING COUNTY

Statement of Financial Position

June 30, 2017

(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
<b>Assets:</b>		
Cash and cash equivalents	\$ 2,031,269	\$ 1,852,603
Contributions and grants receivable, net	28,644,923	33,118,377
Other assets	387,187	380,207
Investments	1,783,760	9,971,608
Beneficial interest in trusts and assets held by others	11,564,226	10,746,443
Property and equipment, net	<u>10,566,740</u>	<u>11,431,003</u>
<b>Total Assets</b>	<b><u>\$ 54,978,105</u></b>	<b><u>\$ 67,500,241</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 4,207,495	\$ 4,836,942
Donor designations payable	6,476,125	8,750,918
Long-term debt		<u>1,947,000</u>
<b>Total Liabilities</b>	<b>10,683,620</b>	<b>15,534,860</b>
<b>Net Assets:</b>		
Unrestricted-		
Undesignated, available for operations	798,081	5,481,735
Invested in property and equipment, net of related debt	10,566,740	9,484,003
Designated for endowments	<u>6,584,006</u>	<u>6,127,550</u>
Total unrestricted net assets	17,948,827	21,093,288
Temporarily restricted	21,365,438	26,253,198
Permanently restricted net assets	<u>4,980,220</u>	<u>4,618,895</u>
<b>Total Net Assets</b>	<b><u>44,294,485</u></b>	<b><u>51,965,381</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 54,978,105</u></b>	<b><u>\$ 67,500,241</u></b>

See accompanying notes.

UNITED WAY OF KING COUNTY

Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2017  
(With Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
<b>Public Support, Revenues and Gains and Losses:</b>					
Gross campaign results	\$ 37,177,856	\$ 6,113,719	\$ -	\$ 43,291,575	\$ 43,085,774
Reconnecting Youth		3,269,775		3,269,775	3,709,563
Parent-Child-Home Program contributions		341,717		341,717	605,178
Basics Needs contributions		485,185		485,185	537,468
Total campaign results	37,177,856	10,210,396		47,388,252	47,937,983
Less donor designations	(24,024,307)			(24,024,307)	(22,159,309)
Net campaign revenue	13,153,549	10,210,396		23,363,945	25,778,674
Grants	3,902,230	1,702,346		5,604,576	18,069,546
Sponsorships	1,147,757			1,147,757	906,842
In-kind contributions	371,487			371,487	4,439,378
Income distribution from Administrative Endowment	6,252,601			6,252,601	6,272,292
Other income	1,476,500		361,325	1,837,825	827,842
Net assets released from restriction	16,800,502	(16,800,502)			
<b>Total Public Support, Revenues and Gains and Losses</b>	<b>43,104,626</b>	<b>(4,887,760)</b>	<b>361,325</b>	<b>38,578,191</b>	<b>56,294,574</b>
<b>Expenses:</b>					
Program services-					
Gross funds awarded and designated	53,109,793			53,109,793	54,042,674
Less donor designations	(24,024,307)			(24,024,307)	(22,159,309)
Net funds awarded	29,085,486			29,085,486	31,883,365
Planning	1,818,990			1,818,990	1,607,090
Distribution	2,089,706			2,089,706	1,751,370
Community services	1,813,996			1,813,996	1,565,874
Total program services	34,808,178			34,808,178	36,807,699
Supporting services-					
Management and general	3,226,983			3,226,983	2,933,926
Fundraising	8,213,926			8,213,926	8,147,017
Total supporting services	11,440,909			11,440,909	11,080,943
<b>Total Expenses</b>	<b>46,249,087</b>			<b>46,249,087</b>	<b>47,888,642</b>
<b>Change in Net Assets</b>	<b>(3,144,461)</b>	<b>(4,887,760)</b>	<b>361,325</b>	<b>(7,670,896)</b>	<b>8,405,932</b>
Net assets, beginning of year	21,093,288	26,253,198	4,618,895	51,965,381	43,559,449
<b>Net Assets, End of Year</b>	<b>\$ 17,948,827</b>	<b>\$ 21,365,438</b>	<b>\$ 4,980,220</b>	<b>\$ 44,294,485</b>	<b>\$ 51,965,381</b>

See accompanying notes.

UNITED WAY OF KING COUNTY

Statement of Functional Expenses  
 For the Year Ended June 30, 2017  
 (With Comparative Totals for 2016)

	Program Services			
	Net Funds Awarded	Planning	Distribution	Community Services
Net funds awarded	\$ 29,085,486	\$ -	\$ -	\$ -
Salary and wages		1,008,208	1,124,840	930,287
Payroll taxes and employee benefits		243,159	262,168	232,529
Special events		41,414	77,444	82,827
Local transportation and other staff expenses		68,348	63,004	37,323
Professional fees and contract services		12,829	44,042	38,594
Supplies		16,031	25,144	22,262
Telephone		9,550	17,842	6,250
Postage		4,820	7,015	6,218
Occupancy		12,796	12,581	12,797
Insurance		7,211	7,203	9,243
Equipment rental and maintenance		28,797	55,232	24,392
Informational material		30,412	39,622	57,482
Newsletters and publications		3,468	19,140	23,752
Conferences, staff training and development		4,324	5,315	2,474
Miscellaneous		6,227	13,416	6,586
Interest		442	40	414
In-kind			277	405
United Way affiliates		101,078	99,323	100,509
	29,085,486	1,599,114	1,873,648	1,594,344
Depreciation		219,876	216,058	219,652
<b>Total Functional Expenses</b>	<b>\$ 29,085,486</b>	<b>\$ 1,818,990</b>	<b>\$ 2,089,706</b>	<b>\$ 1,813,996</b>

See accompanying notes.

Supporting Services						
Total Program Services	Management and General	Fundraising	Total Supporting Services	2017 Total Expenses	2016 Total Expenses	
\$ 29,085,486	\$ -	\$ -	\$ -	\$ 29,085,486	\$ 31,883,365	
3,063,335	1,748,681	4,119,641	5,868,322	8,931,657	8,616,137	
737,856	457,101	1,059,577	1,516,678	2,254,534	2,199,140	
201,685	86,459	168,147	254,606	456,291	301,917	
168,675	26,057	69,438	95,495	264,170	209,370	
95,465	165,790	142,357	308,147	403,612	497,092	
63,437	31,472	63,340	94,812	158,249	138,363	
33,642	4,674	12,793	17,467	51,109	42,651	
18,053	11,208	37,783	48,991	67,044	51,005	
38,174	82,983	75,114	158,097	196,271	210,496	
23,657	20,533	21,818	42,351	66,008	55,917	
108,421	35,014	86,381	121,395	229,816	181,089	
127,516	5,903	280,227	286,130	413,646	354,907	
46,360	31,659	63,003	94,662	141,022	125,762	
12,113	56,867	5,068	61,935	74,048	54,410	
26,229	26,903	115,565	142,468	168,697	157,235	
896	2,556	752	3,308	4,204	40,738	
682	17,471	355,938	373,409	374,091	514,403	
300,910	58,205	248,496	306,701	607,611	636,862	
34,152,592	2,869,536	6,925,438	9,794,974	43,947,566	46,270,859	
655,586	357,447	1,288,488	1,645,935	2,301,521	1,617,783	
<b>\$ 34,808,178</b>	<b>\$ 3,226,983</b>	<b>\$ 8,213,926</b>	<b>\$ 11,440,909</b>	<b>\$ 46,249,087</b>	<b>\$ 47,888,642</b>	

UNITED WAY OF KING COUNTY

Statement of Cash Flows  
For the Year Ended June 30, 2017  
(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (7,670,896)	\$ 8,405,932
Adjustments to reconcile change in net assets to net cash used by operating activities-		
Depreciation	2,301,521	1,617,783
Donated software		(3,924,498)
Net gains on beneficial interests	(1,310,629)	135,267
Investment return	(2,792)	(172,421)
Changes in certain assets and liabilities:		
Contributions and grants receivable	4,473,454	(7,747,710)
Other assets	(6,980)	18,420
Accounts payable and accrued liabilities	(629,447)	35,875
Donor designations payable	<u>(2,274,793)</u>	<u>(1,777,547)</u>
<b>Net Cash Used by Operating Activities</b>	<b>(5,120,562)</b>	<b>(3,408,899)</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase of investments	(10,252,610)	(24,556,119)
Proceeds from investments	18,936,096	26,144,201
Purchase of property and equipment	<u>(1,437,258)</u>	<u>(312,383)</u>
<b>Net Cash Provided by Investing Activities</b>	<b>7,246,228</b>	<b>1,275,699</b>
<b>Cash Flows From Financing Activities:</b>		
Principal payments on long-term obligations	<u>(1,947,000)</u>	<u>(973,000)</u>
<b>Net Cash Used by Financing Activities</b>	<b>(1,947,000)</b>	<b>(973,000)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>178,666</b>	<b>(3,106,200)</b>
Cash and cash equivalents balance, beginning of year	<u>1,852,603</u>	<u>4,958,803</u>
<b>Cash and Cash Equivalents Balance, End of Year</b>	<b><u>\$ 2,031,269</u></b>	<b><u>\$ 1,852,603</u></b>
<b>Supplementary Disclosures of Cash Flow Information:</b>		
Cash paid for interest	\$ 3,502	\$ 39,604

See accompanying notes.

## UNITED WAY OF KING COUNTY

### Notes to Financial Statements For the Year Ended June 30, 2017 (With Comparative Totals for 2016)

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#### 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. There are no concentrations of contributions from donors during the year ended June 30, 2017.

**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. Donor-imposed restrictions that are met in the same reporting period are classified as increases in unrestricted 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, 2017  
(With Comparative Totals for 2016)**

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**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. The Evergreen giving model 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 years ended June 30, 2017 and 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 nonprofit organizations.

**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 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 certificates of deposits and money market funds are recorded at cost plus accrued interest, which approximates fair value. Bonds and equity securities are recorded at 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, 2017 (With Comparative Totals for 2016)

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#### 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, 2017, the Organization recognized in-kind contribution revenue totaling \$371,487 of good and services. During the year ending June 30, 2016, the Organization recognized in-kind contribution revenue totaling \$4,439,378, of goods and services, including donated software.

**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, 2016, 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 changes in net assets or net asset balances.

**Subsequent Events** - The Organization has evaluated subsequent events through October 27, 2017, 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, 2017  
(With Comparative Totals for 2016)

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**Note 2 - Contributions and Grants Receivable**

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

	<u>2017</u>	<u>2016</u>
Within one year	\$ 20,152,886	\$ 25,145,875
Between one and five years	<u>10,235,305</u>	<u>9,848,171</u>
	30,388,191	34,994,046
Less-		
Discount to present value	(574,176)	(675,894)
Allowance for uncollectible accounts	<u>(1,169,092)</u>	<u>(1,199,775)</u>
<b>Total Contributions and Grants Receivable</b>	<b><u>\$ 28,644,923</u></b>	<b><u>\$ 33,118,377</u></b>

As of June 30, 2017, 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.

**Note 3 - Property and Equipment**

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

	<u>2017</u>	<u>2016</u>
Land	\$ 2,352,000	\$ 2,352,000
Office building and improvements	7,242,352	7,229,738
Furniture, fixtures and equipment	6,178,945	2,447,697
Property and equipment not yet placed in service	<u>1,320,130</u>	<u>3,626,736</u>
	17,093,427	15,656,171
Less accumulated depreciation	<u>(6,526,687)</u>	<u>(4,225,168)</u>
<b>Total Property and Equipment, Net</b>	<b><u>\$ 10,566,740</u></b>	<b><u>\$ 11,431,003</u></b>

## UNITED WAY OF KING COUNTY

### Notes to Financial Statements For the Year Ended June 30, 2017 (With Comparative Totals for 2016)

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#### 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:

	<u>2017</u>	<u>2016</u>
Beneficial interest in assets held by The Seattle Foundation	\$ 6,584,006	\$ 6,127,550
Beneficial interest in perpetual trust - Egvedt Trust (19.16%)	4,221,289	3,914,756
Beneficial interest in perpetual trust - Egvedt Trust (1.50%)	<u>758,931</u>	<u>704,137</u>
	<u><u>\$ 11,564,226</u></u>	<u><u>\$ 10,746,443</u></u>

**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, 2017 and 2016 was \$2,281,541 and \$2,103,607, respectively. The Organization has recorded a beneficial interest of \$158,271 and \$145,929 in the UWKC Endowment Fund as of June 30, 2017 and 2016, 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, 2017  
(With Comparative Totals for 2016)

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>2017</u>	<u>2016</u>
Beginning fair value	\$ 150,337,825	\$ 159,144,632
Contributions	113	622
Investment return	6,930,861	4,762,300
Unrealized gains (losses)	13,066,162	(6,015,551)
Distribution to Organization	(6,485,520)	(6,365,009)
Fees and expenses	<u>(1,366,347)</u>	<u>(1,189,169)</u>
<b>Ending Fair Value</b>	<b><u>\$ 162,483,094</u></b>	<b><u>\$ 150,337,825</u></b>

The Organization has recorded a beneficial interest of \$6,425,735 and \$5,981,620 in the Administrative Endowment as of June 30, 2017 and 2016, 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, \$1,341,266 and \$1,319,210, as of June 30, 2017 and 2016, 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 \$758,931 and \$4,221,289 as of June 30, 2017 and 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.

Note 5 - Investments

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

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 770,308	\$ 1,328,662
Bond funds	87,742	7,648,619
Equity securities	190,312	11,644
FDIC - insured certificates of deposit	<u>735,398</u>	<u>982,683</u>
<b>Total Investments</b>	<b><u>\$ 1,783,760</u></b>	<b><u>\$ 9,971,608</u></b>

UNITED WAY OF KING COUNTY

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**Note 5 - Continued**

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:

	<u>2017</u>	<u>2016</u>
Dividends and interest	\$ 47,667	\$ 119,341
Realized and unrealized (losses) gains	<u>(44,875)</u>	<u>53,080</u>
<b>Total Investment Return</b>	<b><u>\$ 2,792</u></b>	<b><u>\$ 172,421</u></b>

**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 based on using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability 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).

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Note 6 - Continued

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.

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, 2017			
	Level 1	Level 2	Level 3	Total
Investments-				
Money market funds	\$ 770,308	\$ -	\$ -	\$ 770,308
FDIC-insured certificates of deposit	735,398			735,398
Equity securities	190,312			190,312
Bond funds		87,742		87,742
Total investments	1,696,018	87,742		1,783,760
Beneficial interests-				
Beneficial interest in assets held by others			6,584,006	6,584,006
Beneficial interest in trusts			4,980,220	4,980,220
Total beneficial interest in trusts and assets held by others			11,564,226	11,564,226
<b>Total Assets at Fair Value</b>	<b>\$ 1,696,018</b>	<b>\$ 87,742</b>	<b>\$ 11,564,226</b>	<b>\$ 13,347,986</b>

UNITED WAY OF KING COUNTY

Notes to Financial Statements  
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Note 6 - Continued

	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
<b>Total Assets at Fair Value</b>	<b>\$ 2,322,989</b>	<b>\$ 7,648,619</b>	<b>\$ 10,746,443</b>	<b>\$ 20,718,051</b>

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, 2017 and 2016:

	Beneficial Interest in Trusts	Beneficial Interest in Assets Held by Others
Balance, June 30, 2016	\$ 4,618,893	\$ 6,127,550
Total realized gains	274,583	282,784
Total unrealized gains	288,348	531,575
Distributions	(182,552)	(310,294)
Fees	(19,052)	(47,609)
<b>Balance, June 30, 2017</b>	<b>\$ 4,980,220</b>	<b>\$ 6,584,006</b>

**UNITED WAY OF KING COUNTY**

**Notes to Financial Statements  
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**Note 6 - Continued**

	Beneficial Interest in Trusts	Beneficial Interest in Assets Held by Others
	<u>                    </u>	<u>                    </u>
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	<u>(18,781)</u>	<u>(40,601)</u>
<b>Balance, June 30, 2016</b>	<b><u>\$ 4,618,893</u></b>	<b><u>\$ 6,127,550</u></b>

**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 principal balance was paid in full on July 29, 2016.

As of June 30, 2017 and 2016, the balance of the Organization's long-term obligations outstanding was \$0 and \$1,947,000, respectively.

The Organization has an unsecured revolving line of credit with a borrowing limit of \$2,000,000. Interest is payable monthly at LIBOR plus 1.50%, with the principal due at April 1, 2018, the maturity date on the line of credit. There was no outstanding balance as of June 30, 2017 and 2016.

**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, 2017:

For the Year Ending June 30,

2018	\$ 14,884
2019	7,154
2020	<u>754</u>
	<b><u>\$ 22,792</u></b>

UNITED WAY OF KING COUNTY

Notes to Financial Statements  
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**Note 8 - Continued**

Rent expense under leases was \$25,510 and \$25,629 for the years ended June 30, 2017 and 2016, respectively.

**Note 9 - Temporarily Restricted Net Assets**

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

	<u>2017</u>	<u>2016</u>
Contributions and grants receivable (time restriction)	\$ 21,353,421	\$ 26,243,125
Program restriction	<u>12,017</u>	<u>10,073</u>
	<u><u>\$ 21,365,438</u></u>	<u><u>\$ 26,253,198</u></u>

Temporarily restricted net assets were released during the year ended June 30, 2017, by the passage of time and meeting of program restrictions.

**Note 10 - Permanently Restricted Net Assets**

At June 30, 2017 and 2016, 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 - Other Income**

Other income and expenses is comprised of the following for the year ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Miscellaneous income and (expenses)	\$ 125,622	\$ -	\$ -	\$ 125,622
Income from sale of transferable development rights	101,135			101,135
Fees for designation processing	217,460			217,460
Change in value in beneficial interest in trusts and assets held by others	997,011		361,325	1,358,336
Event revenue	16,087			16,087
Receipts from other fundraising organizations	<u>19,185</u>			<u>19,185</u>
<b>Total Other Income and Expenses</b>	<u><u>\$ 1,476,500</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 361,325</u></u>	<u><u>\$ 1,837,825</u></u>

**UNITED WAY OF KING COUNTY**

**Notes to Financial Statements  
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**Note 11 - Continued**

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Miscellaneous income	\$ (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
	<u>\$ 1,105,715</u>	<u>\$ 2,100</u>	<u>\$ (279,973)</u>	<u>\$ 827,842</u>

**Note 12 - Related Party Transactions**

The Organization paid dues to the national and regional organizations, United Way Worldwide and United Ways of the Pacific Northwest, of \$607,611 and \$636,862 for the years ended June 30, 2017 and 2016, respectively.

The Organization also received campaign contributions from members of its board of directors of \$1,811,386 and \$3,832,337 for the years ended June 30, 2017 and 2016, respectively. Outstanding annual campaign contributions receivable due from these board members were \$487,522 and \$2,758,668 as of June 30, 2017 and 2016, 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 \$222,144 and \$232,458 to the 403(b) Plan for the years ended June 30, 2017 and 2016, respectively. The Organization also made a discretionary contribution of 0% and 1.00% of each participating employee's annual compensation to the 403(b) Plan for both the years ended June 30, 2017 and 2016, respectively. The amount of this discretionary contribution to the 403(b) Plan was \$0 and \$74,394 for the years ended June 30, 2017 and 2016, respectively.