

UNITED WAY OF CENTRAL WASHINGTON

Financial Statements

June 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Way of Central Washington
Yakima, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Central Washington (the Organization), a nonprofit corporation, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
United Way of Central Washington
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Central Washington as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alquia & Company, P.S.

Yakima, Washington
November 10, 2016

UNITED WAY OF CENTRAL WASHINGTON

Statements of Financial Position

June 30, 2016 and 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 329,465	\$ 469,526
Certificates of deposit	147,892	147,664
Prepaid expenses	-	3,750
Pledges receivable	571,883	599,160
Less: provision for uncollectable pledges	90,000	90,000
Other receivable	7,715	-
Total current assets	<u>966,955</u>	<u>1,130,100</u>
Land, building, and equipment	392,851	403,595
Less: accumulated depreciation	295,067	290,203
Net land, building, and equipment	<u>97,784</u>	<u>113,392</u>
Total assets	<u>\$ 1,064,739</u>	<u>\$ 1,243,492</u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Allocations and designations payable	\$ 40,396	\$ 154,815
Accounts payable	3,144	7,866
Accrued expenses	9,852	14,782
Deferred revenue	-	28,500
Total current liabilities	<u>53,392</u>	<u>205,963</u>
Net assets		
Unrestricted	1,009,347	1,034,529
Temporarily restricted	2,000	3,000
Total net assets	<u>1,011,347</u>	<u>1,037,529</u>
Total liabilities and net assets	<u>\$ 1,064,739</u>	<u>\$ 1,243,492</u>

See accompanying notes to financial statements.

UNITED WAY OF CENTRAL WASHINGTON

Statements of Activities

For the year ended June 30, 2016

	Unrestricted	Temporarily restricted	Permanently restricted	Total
<u>Public Support and Revenue</u>				
Gross campaign (2015-2016)	\$ 1,578,229	\$ -	\$ -	\$ 1,578,229
Less: donor designations	(70,135)	-	-	(70,135)
Less: provision for uncollectible pledges	(90,000)	-	-	(90,000)
Net campaign revenue (2015-2016)	1,418,094	-	-	1,418,094
Gross campaign (2016-2017)	-	2,000	-	2,000
Net assets released from restrictions	3,000	(3,000)	-	-
Service fees	8,408	-	-	8,408
Grants and contracts	104,457	-	-	104,457
Special event income	4,480	-	-	4,480
Investment income	843	-	-	843
Miscellaneous income	74,957	-	-	74,957
Total revenue	<u>\$ 1,614,239</u>	<u>\$ (1,000)</u>	<u>\$ -</u>	<u>\$ 1,613,239</u>

See accompanying notes to financial statements.

UNITED WAY OF CENTRAL WASHINGTON

Statements of Activities

For the year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
<u>Public Support and Revenue</u>				
Gross campaign (2014-2015)	\$ 1,723,332	\$ -	\$ -	\$ 1,723,332
Less: donor designations	(89,392)	-	-	(89,392)
Less: provision for uncollectible pledges	(90,000)	-	-	(90,000)
Net campaign revenue (2014-2015)	<u>1,543,940</u>	-	-	<u>1,543,940</u>
Gross campaign (2015-2016)	-	3,000	-	3,000
Net assets released from restriction	4,050	(4,050)	-	-
Service fees	13,049	-	-	13,049
Grants and contracts	105,481	-	-	105,481
Special event income	9,150	-	-	9,150
Investment income	619	-	-	619
Miscellaneous income	35,412	-	-	35,412
Total revenue	<u>\$ 1,711,701</u>	<u>\$ (1,050)</u>	<u>\$ -</u>	<u>\$ 1,710,651</u>

See accompanying notes to financial statements.

UNITED WAY OF CENTRAL WASHINGTON

Statements of Activities

For the year ended June 30, 2016

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue brought forward	\$ 1,614,239	\$ (1,000)	\$ -	\$ 1,613,239
<u>Expenses</u>				
Program services				
Funds awarded/distributed	1,150,241	-	-	1,150,241
Less: donor designations	(70,135)	-	-	(70,135)
Net funds awarded/distributed	1,080,106	-	-	1,080,106
Other program services	189,744	-	-	189,744
Total program services	1,269,850	-	-	1,269,850
Supporting services				
Organizational administration	170,629	-	-	170,629
Fundraising	198,942	-	-	198,942
Total support services	369,571	-	-	369,571
Total expenses	1,639,421	-	-	1,639,421
Change in net assets	(25,182)	(1,000)	-	(26,182)
Net assets, beginning of year	1,034,529	3,000	-	1,037,529
Net assets, end of year	\$ 1,009,347	\$ 2,000	\$ -	\$ 1,011,347

See accompanying notes to financial statements.

UNITED WAY OF CENTRAL WASHINGTON

Statements of Activities

For the year ended June 30, 2015

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue brought forward	\$ 1,711,701	\$ (1,050)	\$ -	\$ 1,710,651
<u>Expenses</u>				
Program services				
Funds awarded/distributed	1,095,073	-	-	1,095,073
Less: donor designations	(89,392)	-	-	(89,392)
Net funds awarded/distributed	1,005,681	-	-	1,005,681
Other program services	164,946	-	-	164,946
Total program services	1,170,627	-	-	1,170,627
Supporting services				
Organizational administration	192,884	-	-	192,884
Fundraising	215,515	-	-	215,515
Total support services	408,399	-	-	408,399
Total expenses	1,579,026	-	-	1,579,026
Change in net assets	132,675	(1,050)	-	131,625
Net assets, beginning of year	901,854	4,050	-	905,904
Net assets, end of year	\$ 1,034,529	\$ 3,000	\$ -	\$ 1,037,529

See accompanying notes to financial statements.

UNITED WAY OF CENTRAL WASHINGTON

Statements of Functional Expenses

For the year ended June 30, 2016

Expenses	Support services				Total
	Program services	Organizational administration	Fundraising	Total	
Allocations/awards	\$ 1,150,241	\$ -	\$ -	\$ -	\$ 1,150,241
Less: donor designations	(70,135)	-	-	-	(70,135)
Subtotal	1,080,106	-	-	-	1,080,106
Salaries	85,044	96,018	93,273	189,291	274,335
Employee benefits	21,343	24,092	23,404	47,496	68,839
Payroll taxes	6,774	7,648	7,429	15,077	21,851
Subtotal	113,161	127,758	124,106	251,864	365,025
Meeting and events	21,195	1,237	17,498	18,735	39,930
Contract services	20,544	7,446	6,101	13,547	34,091
Supplies	6,587	3,630	11,433	15,063	21,650
Depreciation expense	4,838	5,463	5,307	10,770	15,608
Occupancy	3,696	4,173	4,053	8,226	11,922
Telephone and networks	2,911	3,392	3,300	6,692	9,603
Dues and subscriptions	1,564	2,307	2,241	4,548	6,112
Equipment	1,815	2,050	2,142	4,192	6,007
Printing and copying	1,325	511	2,586	3,097	4,422
Insurance	1,296	1,463	1,422	2,885	4,181
Travel	1,111	899	1,296	2,195	3,306
Postage and shipping	932	1,060	1,022	2,082	3,014
Miscellaneous	3,641	3,451	10,811	14,262	17,903
Subtotal	71,455	37,082	69,212	106,294	177,749
United Way Worldwide dues	5,128	5,789	5,624	11,413	16,541
Total functional expenses	\$ 1,269,850	\$ 170,629	\$ 198,942	\$ 369,571	\$ 1,639,421

See accompanying notes to financial statements.

UNITED WAY OF CENTRAL WASHINGTON

Statement of Functional Expenses

For the year ended June 30, 2015

Expenses	Support services				Total
	Program services	Organizational administration	Fundraising	Total	
Allocations/awards	\$ 1,095,073	\$ -	\$ -	\$ -	\$ 1,095,073
Less: donor designations	(89,392)	-	-	-	(89,392)
Subtotal	<u>1,005,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,005,681</u>
Salaries	80,124	97,462	87,878	185,340	265,464
Employee benefits	20,414	23,049	22,390	45,439	65,853
Payroll taxes	6,637	7,494	7,279	14,773	21,410
Subtotal	<u>107,175</u>	<u>128,005</u>	<u>117,547</u>	<u>245,552</u>	<u>352,727</u>
Contract services	15,462	17,457	16,276	33,733	49,195
Supplies	6,744	6,589	17,275	23,864	30,608
Event expense	2,939	3,248	16,168	19,416	22,355
Depreciation expense	5,414	6,112	5,937	12,049	17,463
Equipment	3,552	4,047	3,895	7,942	11,494
Telephone and networks	3,004	3,303	3,294	6,597	9,601
Occupancy	2,858	3,247	3,173	6,420	9,278
Travel	1,871	2,011	2,603	4,614	6,485
Insurance	1,828	2,064	2,005	4,069	5,897
Postage and shipping	1,565	1,880	1,716	3,596	5,161
Printing and copying	613	2,210	1,780	3,990	4,603
Meeting expense	1,209	869	1,040	1,909	3,118
Dues and subscriptions	642	725	704	1,429	2,071
Miscellaneous	4,555	4,890	16,053	20,943	25,498
Subtotal	<u>52,256</u>	<u>58,652</u>	<u>91,919</u>	<u>150,571</u>	<u>202,827</u>
United Way Worldwide dues	5,515	6,227	6,049	12,276	17,791
Total functional expenses	<u>\$ 1,170,627</u>	<u>\$ 192,884</u>	<u>\$ 215,515</u>	<u>\$ 408,399</u>	<u>\$ 1,579,026</u>

See accompanying notes to financial statements.

UNITED WAY OF CENTRAL WASHINGTON

Statements of Cash Flows

For the years ended June 30, 2016 and 2015

Cash Flows from Operating Activities	
2016	2015
Change in net assets	\$ 131,625
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	15,608
Change in assets and liabilities:	
Pledges receivable, net	27,277
Other receivable	(7,715)
Prepaid expenses	3,750
Accounts payable	(4,722)
Deferred revenue	28,500
Accrued expenses	(4,930)
Allocations and designations payable	(114,419)
Net cash from operating activities	272,312
Cash Flows from Investing Activities	
Certificates of deposit	(228)
Net cash from investing activities	107,896
Net change in cash and cash equivalents	(140,061)
Cash and cash equivalents, beginning of year	469,526
Cash and cash equivalents, end of year	\$ 329,465

See accompanying notes to financial statements.

UNITED WAY OF CENTRAL WASHINGTON

Notes to Financial Statements

June 30, 2016 and 2015

(1) **Nature of Activities and Summary of Significant Accounting Policies**

Nature of Activities

United Way of Central Washington (the Organization), a nonprofit corporation, is engaged primarily in fundraising activities for the benefit of a number of area health and welfare organizations. A significant part of the Organization's annual fundraising is concentrated in a campaign conducted from September through December. Funds received are distributed to selected organizations in the area. The Organization's principal office is located in Yakima, Washington. The Organization was incorporated on April 12, 1978.

The Organization's mission is to gather people, ideas, and resources together to strengthen communities and improve lives.

Distributions of funds to recipient organizations, agencies, or projects are the results of annual recommendations by an allocation committee that are approved by the Board of Directors. The Board of Directors is comprised of volunteers.

Accounting Method

The accompanying financial statements are presented on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs based upon quoted prices in active markets for identical assets.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 Inputs that are unobserved for the asset.

The following is a description of the valuation methodologies used by plan management for assets measured at fair value. There have been no changes in the valuation methodologies used at June 30, 2016 and 2015.

Certificates of Deposit - the fair value of certificates of deposit is based on the amortized cost plus accrued interest receivable.

UNITED WAY OF CENTRAL WASHINGTON

Notes to Financial Statements

June 30, 2016 and 2015

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value.

Investments at Fair Value as of June 30, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 147,892	\$ -	\$ 147,892
Total assets at fair value	<u>\$ -</u>	<u>\$ 147,892</u>	<u>\$ -</u>	<u>\$ 147,892</u>

Investments at Fair Value as of June 30, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 147,664	\$ -	\$ 147,664
Total assets at fair value	<u>\$ -</u>	<u>\$ 147,664</u>	<u>\$ -</u>	<u>\$ 147,664</u>

Cash and Cash Equivalents

For the purpose of presenting the statement of cash flows, cash and cash equivalents include cash on hand and deposits at financial institutions with an original maturity of three months or less.

Certificates of Deposit

The Organization considers financial instruments with an original maturity of three months or longer to be temporary investments. The Organization invests in certificates of deposit which are valued at amortized cost plus accrued interest receivable, which approximates fair value.

Pledges Receivable

Pledges receivable consists of pledges due in one year or less. Unconditional pledges to give are recorded in the period received.

Provision for Uncollectible Pledges

Provision for uncollectible pledges is computed based upon management estimates of current economic factors applied to the gross campaign results.

Land, Building, and Equipment

Purchased land, building, and equipment are recorded at cost. Donated assets are recorded at fair market value at the date of contribution. Land, building, and equipment with a purchase price of \$2,500 or more are generally capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to forty years.

UNITED WAY OF CENTRAL WASHINGTON

Notes to Financial Statements

June 30, 2016 and 2015

Contributions

Contributions received are recorded as revenue in the period received as unrestricted, temporarily restricted, or permanently restricted contributions depending on the existence and/or nature of any donor restrictions. Restricted contributions received, where the restriction is satisfied during the same fiscal period as the contribution is received, are shown as unrestricted contributions and corresponding increases to unrestricted net assets.

Federal Income Taxes

The Organization is a tax-exempt organization under the provisions of the Internal Revenue Service Code Section 501(c)(3) and is not a private foundation.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken uncertain positions that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to audits by taxing authorities, however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to U.S. federal, state, and local income tax examinations by taxing authorities for tax years ending prior to June 30, 2013. Interest and penalties related to taxes are reported in operating expenses.

Net Assets

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The classes of net assets are based on the existence or absence of donor-imposed restrictions. There were no permanently restricted assets as of June 30, 2016 and 2015.

Functional Expenses

Functional expenses of the Organization have been divided into categories based on the nature of the activity for which the expenditure was made.

The categories are as follows:

Program Services - Includes costs of review and analysis of agencies' budgets and costs of distribution of funds, as well as continuing evaluation of the area's needs and how the programs provided by the agencies are suited to deal with such needs. The category also includes costs of planning and evaluating the benefit of allocations to the community and the activities of the volunteer and resource center.

Organizational Administration - Includes costs of the management and general operations of the Organization.

Fundraising - Includes costs of organizing and conducting the annual fundraising campaign.

UNITED WAY OF CENTRAL WASHINGTON

Notes to Financial Statements

June 30, 2016 and 2015

Costs that can be identified by function are charged directly to that functional area. The Organization allocates indirect costs based upon the time sheet method. Employees allocate their time spent on each area of the Organization. Based on the ratio of time spent on fundraising, management and general, and program services, indirect expenses are allocated to each functional area.

Cost Deduction Standards

The Organization has committed to comply with United Way Worldwide Cost Deduction Standards.

Advertising Costs

Advertising costs are expensed as incurred and are included in contract services on the Statement of Functional Expenses.

(2) Land, Building, and Equipment

A summary of major classifications of land, building, and equipment is as follows at June 30:

	2016	2015
Land	\$ 53,332	\$ 53,332
Building	238,038	238,038
Equipment	101,481	112,225
Total land, building, and equipment	392,851	403,595
Less: accumulated depreciation	295,067	290,203
Net land, building, and equipment	\$ 97,784	\$ 113,392

(3) Concentrations of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, cash equivalents, and certificates of deposits in financial institutions which at times may be in excess of federally insured limits. The Organization had no cash balances that were in excess of applicable insurance limits at June 30, 2016 and 2015.

Pledges receivable are due from organizations and individuals located primarily in Yakima and Kittitas Counties. Management believes there is no concentration of credit risk due to the large number of industries and diverse demographics of the individuals.

(4) Pension Plan

The Organization sponsors a defined contribution pension plan (the Plan) covering all employees who are at least twenty-one years of age and work at least 1,000 hours per year. Contributions to the Plan are based on a percentage of the employee's gross annual salary. The amount of pension expense for the years ended June 30, 2016 and 2015 was \$16,781 and \$23,922, respectively.

UNITED WAY OF CENTRAL WASHINGTON

Notes to Financial Statements

June 30, 2016 and 2015

(5) Distribution of Funds

In July 2016 and 2015, the Organization agreed to distribute funds of approximately \$1,008,800 and \$1,000,800, respectively, to various health and welfare agencies in Yakima and Kittitas counties.

(6) Combined Federal Campaign

Revenues and expenses related to the Combined Federal Campaign are included in the financial statements to comply with the *Implementation Requirements for Membership Standard "H"*, issued by United Way Worldwide. Revenue for the year ended June 30, 2016 was \$7,890 and included \$7,715 of reimbursement for administrative expenses recorded as an other receivable, and \$175 of contributions to United Way of Central Washington from federal employees. Expenses for year ended June 30, 2016, included in program services on the statement of activities were \$7,715. Revenues for the year ended June 30, 2015 was \$12,649 and comprise \$7,865 of reimbursement for administrative expenses and \$4,784 of contributions to United Way of Central Washington from federal employees. Expenses for year ended June 30, 2015, included in program services on the statement of activities were \$7,865. United Way of Central Washington is honoring designations made to each member organization.

(7) Donor Designations

The Organization recognizes assets and related liabilities for contributions received where the donor specifically designates the beneficiary agency. These donor designations are also reported in the gross campaign results and removed in computing net campaign revenue. A summary of donor designations is as follows:

	<u>2016</u>	<u>2015</u>
Combined Federal Campaign	\$ 32,941	\$ 46,263
Agencies supported by United Way	29,872	36,629
Other qualified agencies	7,322	6,500
Total donor designations	<u>\$ 70,135</u>	<u>\$ 89,392</u>

(8) Subsequent Events

The Organization has evaluated subsequent events through November 10, 2016, which is the date the financial statements were available to be issued.