



Financial Statements

For the Year Ended June 30, 2018

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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, 2018, 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.



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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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 5 is not a required part of the financial statements and is included for the purpose of additional analysis consistent with industry practice. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2018, 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 solely 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 the effectiveness of the Organization's 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 Huber P.S.

Certified Public Accountants
November 13, 2018

UNITED WAY OF KING COUNTY

Statement of Financial Position

June 30, 2018

(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Assets:		
Cash and cash equivalents	\$ 4,892,249	\$ 2,031,269
Contributions and grants receivable, net	36,152,997	28,644,923
Other assets	403,907	387,187
Investments	229,989	1,783,760
Beneficial interest in trusts and assets held by others	12,270,674	11,564,226
Property and equipment, net	<u>10,198,786</u>	<u>10,566,740</u>
Total Assets	<u>\$ 64,148,602</u>	<u>\$ 54,978,105</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 6,103,683	\$ 4,207,495
Donor designations payable	<u>9,086,057</u>	<u>6,476,125</u>
Total Liabilities	15,189,740	10,683,620
Net Assets:		
Unrestricted-		
Undesignated, available for operations	263,876	798,081
Invested in property and equipment, net of related debt	10,198,786	10,566,740
Designated for endowments	<u>6,883,380</u>	<u>6,584,006</u>
Total unrestricted net assets	17,346,042	17,948,827
Temporarily restricted	26,225,525	21,365,438
Permanently restricted net assets	<u>5,387,295</u>	<u>4,980,220</u>
Total Net Assets	<u>48,958,862</u>	<u>44,294,485</u>
Total Liabilities and Net Assets	<u>\$ 64,148,602</u>	<u>\$ 54,978,105</u>

See accompanying notes.

UNITED WAY OF KING COUNTY

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Public Support, Revenues and Gains and Losses:					
Gross campaign results	\$ 35,503,224	\$ 5,760,091	\$ -	\$ 41,263,315	\$ 43,291,575
Reconnecting Youth		3,721,914		3,721,914	3,269,775
Parent-Child-Home Program contributions		438,745		438,745	341,717
Basics Needs contributions		712,584		712,584	485,185
Total campaign results	35,503,224	10,633,334		46,136,558	47,388,252
Less donor designations	(22,940,874)			(22,940,874)	(24,024,307)
Net campaign revenue	12,562,350	10,633,334		23,195,684	23,363,945
Grants	6,261,245	8,270,279		14,531,524	5,604,576
Sponsorships	1,043,240			1,043,240	1,147,757
In-kind contributions	2,196,133			2,196,133	371,487
Income distribution from Administrative Endowment	6,182,287			6,182,287	6,252,601
Other income	1,296,591		407,075	1,703,666	1,837,825
Net assets released from restriction	14,043,526	(14,043,526)			
Total Public Support, Revenues and Gains and Losses	43,585,372	4,860,087	407,075	48,852,534	38,578,191
Expenses:					
Program services-					
Gross funds awarded and designated	50,747,029			50,747,029	53,109,793
Less donor designations	(22,940,874)			(22,940,874)	(24,024,307)
Net funds awarded	27,806,155			27,806,155	29,085,486
Planning	1,741,798			1,741,798	1,818,990
Distribution	2,094,056			2,094,056	2,089,706
Community services	1,661,384			1,661,384	1,813,996
Total program services	33,303,393			33,303,393	34,808,178
Supporting services-					
Management and general	3,591,579			3,591,579	3,226,983
Fundraising	7,293,185			7,293,185	8,213,926
Total supporting services	10,884,764			10,884,764	11,440,909
Total Expenses	44,188,157			44,188,157	46,249,087
Change in Net Assets	(602,785)	4,860,087	407,075	4,664,377	(7,670,896)
Net assets, beginning of year	17,948,827	21,365,438	4,980,220	44,294,485	51,965,381
Net Assets, End of Year	\$ 17,346,042	\$ 26,225,525	\$ 5,387,295	\$ 48,958,862	\$ 44,294,485

See accompanying notes.

UNITED WAY OF KING COUNTY

Statement of Functional Expenses
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	Program Services			Community Services
	Net Funds Awarded	Planning	Distribution	
Net funds awarded	\$ 27,806,154	\$ -	\$ -	\$ -
Salary and wages		1,000,405	1,162,488	888,037
Payroll taxes and employee benefits		237,733	269,742	219,200
United Way affiliates		32,178	32,178	32,178
Equipment rental and maintenance		37,492	95,628	45,627
Informational material		15,441	47,009	47,757
Professional fees and contract services		9,850	39,325	25,886
Local transportation and other staff expenses		68,518	72,449	37,709
Occupancy		14,985	14,733	14,986
Special events		21,199	37,547	48,144
In-kind			106	156
Miscellaneous		3,207	10,077	3,784
Supplies		18,343	22,560	23,654
Insurance		7,457	7,448	9,557
Postage		13,341	9,698	6,059
Newsletters and publications		5,383	10,982	8,079
Telephone		10,674	19,477	6,901
Conferences, staff training and development		4,197	5,438	2,540
Interest		58	25	40
	27,806,154	1,500,461	1,856,910	1,420,294
Depreciation		241,337	237,146	241,090
Total Functional Expenses	\$ 27,806,154	\$ 1,741,798	\$ 2,094,056	\$ 1,661,384

See accompanying notes.

Total Program Services	Supporting Services			2018 Total Expenses	2017 Total Expenses
	Management and General	Fundraising	Total Supporting Services		
\$ 27,806,154	\$ -	\$ -	\$ -	\$ 27,806,154	\$ 29,085,486
3,050,930	1,785,970	3,714,911	5,500,881	8,551,811	8,931,657
726,675	447,453	993,917	1,441,370	2,168,045	2,254,534
96,534	373,375	84,883	458,258	554,792	607,611
178,747	69,501	166,163	235,664	414,411	229,816
110,207	65,567	153,143	218,711	328,918	413,646
75,061	131,942	101,190	233,132	308,193	403,612
178,676	27,456	51,792	79,247	257,923	264,170
44,704	97,178	87,962	185,140	229,844	196,271
106,890	42,571	78,620	121,191	228,081	456,291
262	9,086	186,785	195,871	196,133	374,091
17,068	27,622	126,308	153,930	170,998	168,697
64,557	22,628	49,411	72,040	136,597	158,249
24,462	21,232	22,560	43,792	68,254	66,008
29,098	6,141	25,078	31,219	60,317	67,044
24,444	10,445	21,598	32,043	56,487	141,022
37,052	4,859	10,391	15,250	52,302	51,109
12,175	56,152	3,973	60,125	72,300	74,048
123	66	252	318	441	4,204
32,583,819	3,199,244	5,878,937	9,078,182	41,662,001	43,947,566
719,573	392,335	1,414,248	1,806,583	2,526,156	2,301,521
\$ 33,303,392	\$ 3,591,579	\$ 7,293,185	\$ 10,884,765	\$ 44,188,157	\$ 46,249,087

UNITED WAY OF KING COUNTY

Statement of Cash Flows
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 4,664,377	\$ (7,670,896)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities-		
Depreciation	2,526,156	2,301,521
Donated software	(2,000,000)	
Net gains on beneficial interests	(1,238,446)	(1,310,629)
Investment return	(32,746)	(2,792)
Changes in certain assets and liabilities:		
Contributions and grants receivable	(7,508,074)	4,473,454
Other assets	(16,720)	(6,980)
Accounts payable and accrued liabilities	1,896,188	(629,447)
Donor designations payable	2,609,932	(2,274,793)
Net Cash Provided (Used) by Operating Activities	900,667	(5,120,562)
Cash Flows From Investing Activities:		
Purchase of investments	(20,911,895)	(10,252,610)
Proceeds from investments	23,030,410	18,936,096
Purchase of property and equipment	(158,202)	(1,437,258)
Net Cash Provided by Investing Activities	1,960,313	7,246,228
Cash Flows From Financing Activities:		
Principal payments on long-term obligations		(1,947,000)
Net Cash Used by Financing Activities		(1,947,000)
Net Change in Cash and Cash Equivalents	2,860,980	178,666
Cash and cash equivalents balance, beginning of year	2,031,269	1,852,603
Cash and Cash Equivalents Balance, End of Year	\$ 4,892,249	\$ 2,031,269
Supplementary Disclosures of Cash Flow Information:		
Cash paid for interest	\$ -	\$ 3,502
Receipt of donated software	\$ 2,000,000	\$ -

See accompanying notes.

UNITED WAY OF KING COUNTY

Notes to Financial Statements For the Year Ended June 30, 2018 (With Comparative Totals for 2017)

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. During the year ended June 30, 2018, the Organization had one major donor (including corporate and employee contributions) that accounted for approximately 11% of United Way of King County's support and revenue and approximately 26% of United Way of King County's net contributions and grants receivable at June 30, 2018. The Organization had 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, 2018
(With Comparative Totals for 2017)**

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, 2018 and 2017, 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, except those held in its investment portfolio. Cash and cash equivalents include 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, 2018 (With Comparative Totals for 2017)

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 ended June 30, 2018, the Organization recognized in-kind contribution revenue totaling \$2,196,133 of goods and services, including donated software. During the year ending June 30, 2017, the Organization recognized in-kind contribution revenue totaling \$371,487, of goods and services.

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

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

Use of Estimates - Preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Totals - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Subsequent Events - The Organization has evaluated subsequent events through November 13, 2018, 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, 2018
(With Comparative Totals for 2017)

Note 2 - Contributions and Grants Receivable

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

	<u>2018</u>	<u>2017</u>
Within one year	\$ 19,593,333	\$ 15,570,868
Between one and five years	<u>18,413,520</u>	<u>14,817,323</u>
	38,006,853	30,388,191
Less-		
Discount to present value	(747,424)	(574,176)
Allowance for uncollectible accounts	<u>(1,106,432)</u>	<u>(1,169,092)</u>
Total Contributions and Grants Receivable	<u>\$ 36,152,997</u>	<u>\$ 28,644,923</u>

As of June 30, 2018, contributions and grants to be received between one and five years are discounted using a rate of 0.65% to 2.03% 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>2018</u>	<u>2017</u>
Land	\$ 2,352,000	\$ 2,352,000
Office building and improvements	7,434,313	7,242,352
Furniture, fixtures and equipment	9,464,449	6,178,945
Property and equipment not yet placed in service	<u>870</u>	<u>1,320,130</u>
	19,251,632	17,093,427
Less accumulated depreciation	<u>(9,052,846)</u>	<u>(6,526,687)</u>
Total Property and Equipment, Net	<u>\$ 10,198,786</u>	<u>\$ 10,566,740</u>

UNITED WAY OF KING COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

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>2018</u>	<u>2017</u>
Beneficial interest in assets held by The Seattle Foundation	\$ 6,883,380	\$ 6,584,006
Beneficial interest in perpetual trust - Egvedt Trust (19.16%)	4,568,365	4,221,289
Beneficial interest in perpetual trust - Egvedt Trust (1.50%)	<u>818,929</u>	<u>758,931</u>
	<u><u>\$ 12,270,674</u></u>	<u><u>\$ 11,564,226</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, 2018 and 2017 was \$2,407,792 and \$2,281,541, respectively. The Organization has recorded a beneficial interest of \$94,008 and \$158,271 in the UWKC Endowment Fund as of June 30, 2018 and 2017, 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, 2018
(With Comparative Totals for 2017)

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>2018</u>	<u>2017</u>
Beginning fair value	\$ 162,483,094	\$ 150,337,825
Contributions	14,067	113
Investment return	7,953,550	6,930,861
Unrealized gains	8,969,112	13,066,162
Distribution to Organization	(6,438,795)	(6,485,520)
Fees and expenses	<u>(1,387,097)</u>	<u>(1,366,347)</u>
Ending Fair Value	<u>\$ 171,593,931</u>	<u>\$ 162,483,094</u>

The Organization has recorded a beneficial interest of \$6,789,372 and \$6,425,735 in the Administrative Endowment as of June 30, 2018 and 2017, 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, \$1,500,303 and \$1,341,266, as of June 30, 2018 and 2017, 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 both trusts combined is \$5,387,294 and \$4,980,220 as of June 30, 2018 and 2017, 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>2018</u>	<u>2017</u>
Money market funds	\$ 15,691	\$ 770,308
Bond funds		87,742
Equity securities	214,298	190,312
FDIC - insured certificates of deposit		<u>735,398</u>
Total Investments	<u>\$ 229,989</u>	<u>\$ 1,783,760</u>

UNITED WAY OF KING COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

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>2018</u>	<u>2017</u>
Dividends and interest	\$ 17,312	\$ 47,667
Realized and unrealized gains (losses)	<u>15,434</u>	<u>(44,875)</u>
Total Investment Return	<u>\$ 32,746</u>	<u>\$ 2,792</u>

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 held by third parties. The Organization's interest in each trust is recorded at the fair value of the Organization's ownership in the respective trust. These assets are valued using the net asset value (Note 4).

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

UNITED WAY OF KING COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

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, 2018			
	Level 1	Level 2	Level 3	Total
Investments-				
Money market funds	\$ 15,691	\$ -	\$ -	\$ 15,691
Equity securities	214,298			214,298
Total investments	229,989			229,989
Beneficial interests-				
Beneficial interest in assets held by others			6,883,380	6,883,380
Beneficial interest in trusts			5,387,294	5,387,294
Total beneficial interest in trusts and assets held by others			12,270,674	12,270,674
Total Assets at Fair Value	\$ 229,989	\$ -	\$ 12,270,674	\$ 12,500,663

	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
Total Assets at Fair Value	\$ 1,696,018	\$ 87,742	\$ 11,564,226	\$ 13,347,986

UNITED WAY OF KING COUNTY

Notes to Financial Statements
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

Note 6 - Continued

The Organization does not have the ability to redeem its beneficial interest in trusts and assets held by others in the near term; these assets have been valued using Level 3 inputs in accordance with authoritative guidance. The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs for the years ended June 30, 2018 and 2017:

	Beneficial Interest in Trusts	Beneficial Interest in Assets Held by Others
	<u> </u>	<u> </u>
Balance, June 30, 2017	\$ 4,980,220	\$ 6,584,006
Total realized gains	358,042	324,669
Total unrealized gains	266,801	358,272
Distributions	(197,025)	(334,973)
Fees	(20,744)	(48,594)
Balance, June 30, 2018	<u>\$ 5,387,294</u>	<u>\$ 6,883,380</u>

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

Note 7 - Long-Term Debt

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 July 1, 2019, the maturity date on the line of credit. There was no outstanding balance as of June 30, 2018 and 2017.

UNITED WAY OF KING COUNTY

**Notes to Financial Statements
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)**

Note 8 - Leases

The Organization has entered into various noncancelable lease agreements for equipment, which will expire through 2023. 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, 2018:

For the Year Ending June 30,

2019	\$	10,440
2020		3,663
2021		3,663
2022		3,418
2023		1,769
		<u>1,769</u>
	\$	<u><u>22,953</u></u>

Rent expense under leases was \$16,780 and \$25,510 for the years ended June 30, 2018 and 2017, respectively.

Note 9 - Temporarily Restricted Net Assets

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

	<u>2018</u>	<u>2017</u>
Contributions and grants receivable (time restriction)	\$ 26,213,964	\$ 21,353,421
Program restriction	<u>11,561</u>	<u>12,017</u>
	<u><u>\$ 26,225,525</u></u>	<u><u>\$ 21,365,438</u></u>

Temporarily restricted net assets were released during the year ended June 30, 2018, by the passage of time and meeting of program restrictions.

Note 10 - Permanently Restricted Net Assets

At June 30, 2018 and 2017, 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, 2018
(With Comparative Totals for 2017)

Note 11 - Other Income

Other income and expenses is comprised of the following for the year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Fees for designation processing	\$ 173,352	\$ -	\$ -	\$ 173,352
Change in value in beneficial interest in trusts and assets held by others	883,478		407,075	1,290,553
Event revenue	61,854			61,854
Receipts from other fundraising organizations	177,907			177,907
Total Other Income and Expenses	\$ 1,296,591	\$ -	\$ 407,075	\$ 1,703,666

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Miscellaneous income	\$ 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	19,185			19,185
	\$ 1,476,500	\$ -	\$ 361,325	\$ 1,837,825

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 \$554,792 and \$607,611 for the years ended June 30, 2018 and 2017, respectively.

The Organization also received campaign contributions from members of its board of directors of \$2,179,206 and \$1,811,386 for the years ended June 30, 2018 and 2017, respectively. Outstanding annual campaign contributions receivable due from these board members were \$666,691 and \$487,522 as of June 30, 2018 and 2017, respectively, some of which includes multi-year gifts.

UNITED WAY OF KING COUNTY

**Notes to Financial Statements
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(With Comparative Totals for 2017)**

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 \$218,830 and \$222,144 to the 403(b) Plan for the years ended June 30, 2018 and 2017, respectively. The Organization also made a discretionary contribution of 0% of each participating employee's annual compensation to the 403(b) Plan for both the years ended June 30, 2018 and 2017. The amount of this discretionary contribution to the 403(b) Plan was \$0 for the years ended June 30, 2018 and 2017.