



Financial Statements

For the Year Ended June 30, 2019

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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, 2019, 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, 2019, 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.

## **Effects of Adopting New Accounting Standard**

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

## **Report on Summarized Comparative Information**

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 January 14, 2020, 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 Nuber P.S.*

Certified Public Accountants  
January 14, 2020

UNITED WAY OF KING COUNTY

Statement of Financial Position

June 30, 2019

(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
<b>Assets:</b>		
Cash and cash equivalents	\$ 2,170,616	\$ 4,892,249
Contributions and grants receivable, net	33,278,743	36,152,997
Other assets	353,582	403,907
Investments	6,690,577	229,989
Beneficial interest in trusts and assets held by others	12,320,718	12,270,674
Property and equipment, net	<u>8,748,587</u>	<u>10,198,786</u>
<b>Total Assets</b>	<b><u>\$ 63,562,823</u></b>	<b><u>\$ 64,148,602</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 4,393,436	\$ 6,103,683
Donor designations payable	<u>8,241,008</u>	<u>9,086,057</u>
<b>Total Liabilities</b>	<b>12,634,444</b>	<b>15,189,740</b>
<b>Net Assets:</b>		
Without donor restrictions-		
Undesignated, available for operations	6,107,129	263,876
Invested in property and equipment, net of related debt	8,748,587	10,198,786
Designated for endowments	<u>6,834,255</u>	<u>6,883,380</u>
Total net assets without donor restrictions	21,689,971	17,346,042
With donor restrictions	<u>29,238,408</u>	<u>31,612,820</u>
<b>Total Net Assets</b>	<b><u>50,928,379</u></b>	<b><u>48,958,862</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 63,562,823</u></b>	<b><u>\$ 64,148,602</u></b>

See accompanying notes.

UNITED WAY OF KING COUNTY

Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2019  
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
<b>Public Support, Revenues and Gains and Losses:</b>				
Gross campaign results	\$ 28,798,572	\$ 14,717,812	\$ 43,516,384	\$ 46,136,558
Less donor designations	(20,101,005)		(20,101,005)	(22,940,874)
Net campaign revenue	8,697,567	14,717,812	23,415,379	23,195,684
Grants	6,707,227	3,178,467	9,885,694	14,531,524
Sponsorships	1,544,176		1,544,176	1,043,240
In-kind contributions	528,254		528,254	2,196,133
Income distribution from Administrative Endowment	6,544,810		6,544,810	6,182,287
Other income	1,426,925	99,171	1,526,096	1,703,666
Net assets released from restriction	20,369,862	(20,369,862)		
<b>Total Public Support, Revenues and Gains and Losses</b>	<b>45,818,821</b>	<b>(2,374,412)</b>	<b>43,444,409</b>	<b>48,852,534</b>
<b>Expenses:</b>				
Program services-				
Gross funds awarded and designated	44,369,937		44,369,937	50,747,029
Less donor designations	(20,101,005)		(20,101,005)	(22,940,874)
Net funds awarded	24,268,932		24,268,932	27,806,155
Planning	1,993,275		1,993,275	1,741,798
Distribution	2,439,223		2,439,223	2,094,056
Community services	1,836,567		1,836,567	1,661,384
Total program services	30,537,997		30,537,997	33,303,393
Supporting services-				
Management and general	4,098,892		4,098,892	3,591,579
Fundraising	6,838,003		6,838,003	7,293,185
Total supporting services	10,936,895		10,936,895	10,884,764
<b>Total Expenses</b>	<b>41,474,892</b>		<b>41,474,892</b>	<b>44,188,157</b>
<b>Change in Net Assets</b>	<b>4,343,929</b>	<b>(2,374,412)</b>	<b>1,969,517</b>	<b>4,664,377</b>
Net assets, beginning of year	17,346,042	31,612,820	48,958,862	44,294,485
<b>Net Assets, End of Year</b>	<b>\$ 21,689,971</b>	<b>\$ 29,238,408</b>	<b>\$ 50,928,379</b>	<b>\$ 48,958,862</b>

See accompanying notes.

UNITED WAY OF KING COUNTY

Statement of Functional Expenses  
 For the Year Ended June 30, 2019  
 (With Comparative Totals for 2018)

	Program Services			
	Net Funds Awarded	Planning	Distribution	Community Services
Net funds awarded	\$ 24,268,932	\$ -	\$ -	\$ -
Salary and wages		1,086,421	1,235,492	931,277
Payroll taxes and employee benefits		237,297	267,540	211,058
Professional fees and contract services		76,048	157,865	69,604
Supplies		139,694	187,974	106,000
United Way affiliates		31,949	31,949	31,949
In-kind				
Special events		49,615	81,884	71,522
Informational material		16,334	50,984	52,296
Equipment rental and maintenance		35,872	82,521	32,453
Local transportation and other staff expenses		72,218	80,362	39,792
Occupancy		17,118	17,095	21,939
Miscellaneous		11,866	9,150	7,130
Postage		9,481	13,752	6,189
Insurance		4,316	4,310	5,530
Conferences, staff training and development		9,105	8,961	4,751
Newsletters and publications		5,529	9,915	6,590
Telephone		8,892	16,935	5,876
Interest		70	1,305	48
	24,268,932	1,811,825	2,257,994	1,604,004
Depreciation		181,450	181,229	232,563
<b>Total Functional Expenses</b>	<b>\$ 24,268,932</b>	<b>\$ 1,993,275</b>	<b>\$ 2,439,223</b>	<b>\$ 1,836,567</b>

See accompanying notes.

Total Program Services	Supporting Services			Total Supporting Services	2019 Total Expenses	2018 Total Expenses
	Management and General	Fundraising				
\$ 24,268,932	\$ -	\$ -	\$ -	\$ 24,268,932	\$ 27,806,154	
3,253,190	1,957,697	3,824,039	5,781,736	9,034,926	8,551,811	
715,895	428,897	914,154	1,343,051	2,058,946	2,168,045	
303,517	295,984	178,393	474,377	777,894	308,193	
433,668	52,039	91,308	143,347	577,015	136,597	
95,847	370,714	84,278	454,992	550,839	554,792	
	23,930	504,324	528,254	528,254	196,133	
203,021	63,661	116,831	180,492	383,513	228,081	
119,614	72,287	154,935	227,222	346,836	328,918	
150,846	47,118	123,479	170,597	321,443	414,411	
192,372	38,488	49,855	88,343	280,715	257,923	
56,152	127,139	51,848	178,987	235,139	229,844	
28,146	17,303	121,651	138,954	167,100	170,998	
29,422	7,021	26,780	33,801	63,223	60,317	
14,156	32,053	13,071	45,124	59,280	68,254	
22,817	29,336	3,340	32,676	55,493	72,300	
22,034	9,212	19,398	28,610	50,644	56,487	
31,703	4,412	9,652	14,064	45,767	52,302	
1,423	4,946	1,694	6,640	8,063	441	
29,942,755	3,582,237	6,289,030	9,871,267	39,814,022	41,662,001	
595,242	516,655	548,973	1,065,628	1,660,870	2,526,156	
<b>\$ 30,537,997</b>	<b>\$ 4,098,892</b>	<b>\$ 6,838,003</b>	<b>\$ 10,936,895</b>	<b>\$ 41,474,892</b>	<b>\$ 44,188,157</b>	

UNITED WAY OF KING COUNTY

Statement of Cash Flows  
For the Year Ended June 30, 2019  
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 1,969,517	\$ 4,664,377
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation	1,660,870	2,526,156
Donated software		(2,000,000)
Net gains on beneficial interests	(514,868)	(1,238,446)
Investment return	(180,305)	(32,746)
Loss on disposal of property and equipment	7,527	
Changes in certain assets and liabilities:		
Contributions and grants receivable	2,874,254	(7,508,074)
Other assets	50,325	(16,720)
Accounts payable and accrued liabilities	(1,710,247)	1,896,188
Donor designations payable	(845,049)	2,609,932
<b>Net Cash Provided by Operating Activities</b>	<b>3,312,024</b>	<b>900,667</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase of investments	(36,514,993)	(20,911,895)
Proceeds from investments	30,699,534	23,030,410
Purchase of property and equipment	(218,198)	(158,202)
<b>Net Cash (Used) Provided by Investing Activities</b>	<b>(6,033,657)</b>	<b>1,960,313</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(2,721,633)</b>	<b>2,860,980</b>
Cash and cash equivalents balance, beginning of year	4,892,249	2,031,269
<b>Cash and Cash Equivalents Balance, End of Year</b>	<b><u>\$ 2,170,616</u></b>	<b><u>\$ 4,892,249</u></b>
<b>Supplementary Disclosures of Cash Flow Information:</b>		
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, 2019 (With Comparative Totals for 2018)

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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. During the year ended June 30, 2019, the Organization had one major donor (including corporate and employee contributions) that accounted for approximately 15% and 26% of United Way of King County's net contributions and grants receivable at June 30, 2019 and 2018, respectively. During the year ended June 30, 2018, the Organization had one major donor that accounted for approximately 11% of United Way of King County's support and revenue. There was no such concentration in support and revenue during the year ended June 30, 2019.

**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:

Net Assets Without Donor Restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization or the passage of time, or net assets subject to donor-imposed stipulations that will be maintained permanently by the Organization.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor 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 net assets without donor restrictions.

**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 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, 2019  
(With Comparative Totals for 2018)**

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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 has adopted a policy 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, 2019 and 2018, 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 or other evergreen 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, 2019 (With Comparative Totals for 2018)

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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 ended June 30, 2019, the Organization recognized in-kind contribution revenue totaling \$528,254 of goods and services. During the year ending June 30, 2018, the Organization recognized in-kind contribution revenue totaling \$2,196,133, of goods and services, including donated software.

**Functional Allocation of Expenses** - The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Those expenses include insurance, occupancy, and depreciation, which are allocated based on headcount information in each department. Remaining expenses are allocated based on hours worked in each service area.

**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, 2018, from which the summarized information was derived.

**Adoption of New Accounting Standard** - For the year ended June 30, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return amongst not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

**Subsequent Events** - The Organization has evaluated subsequent events through January 14, 2020, 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, 2019  
(With Comparative Totals for 2018)

**Note 2 - Contributions and Grants Receivable**

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

	<u>2019</u>	<u>2018</u>
Within one year	\$ 17,196,560	\$ 19,593,333
Between one and five years	<u>18,008,028</u>	<u>18,413,520</u>
	35,204,588	38,006,853
Less-		
Discount to present value	(829,822)	(747,424)
Allowance for uncollectible accounts	<u>(1,096,023)</u>	<u>(1,106,432)</u>
<b>Total Contributions and Grants Receivable</b>	<b><u>\$ 33,278,743</u></b>	<b><u>\$ 36,152,997</u></b>

As of June 30, 2019, contributions and grants to be received between one and five years are discounted using a rate of 0.47% to 2.73% 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>2019</u>	<u>2018</u>
Land	\$ 2,352,000	\$ 2,352,000
Office building and improvements	7,498,550	7,434,313
Furniture, fixtures and equipment	9,219,262	9,464,449
Property and equipment not yet placed in service		<u>870</u>
	19,069,812	19,251,632
Less accumulated depreciation	<u>(10,321,225)</u>	<u>(9,052,846)</u>
<b>Total Property and Equipment, Net</b>	<b><u>\$ 8,748,587</u></b>	<b><u>\$ 10,198,786</u></b>

UNITED WAY OF KING COUNTY

Notes to Financial Statements  
For the Year Ended June 30, 2019  
(With Comparative Totals for 2018)

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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:

	2019	2018
Beneficial interest in assets held by The Seattle Foundation	\$ 6,834,255	\$ 6,883,380
Beneficial interest in perpetual trust - Egvedt Trust (19.16%)	4,654,196	4,568,365
Beneficial interest in perpetual trust - Egvedt Trust (1.50%)	832,267	818,929
	<u>\$ 12,320,718</u>	<u>\$ 12,270,674</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) and net assets designated for endowments 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, 2019 and 2018 was \$2,355,457 and \$2,407,792, respectively. The Organization has recorded a beneficial interest of \$168,121 and \$94,008 in the UWKC Endowment Fund as of June 30, 2019 and 2018, 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, 2019  
(With Comparative Totals for 2018)**

**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>2019</u>	<u>2018</u>
Beginning fair value	\$ 171,593,931	\$ 162,483,094
Contributions	5,000	14,067
Investment return	3,681,240	16,922,662
Distribution to Organization	(6,655,499)	(6,438,795)
Fees and expenses	<u>(396,326)</u>	<u>(1,387,097)</u>
<b>Ending Fair Value</b>	<b><u>\$ 168,228,346</u></b>	<b><u>\$ 171,593,931</u></b>

The Organization has recorded a beneficial interest of \$6,666,134 and \$6,789,372 in the Administrative Endowment as of June 30, 2019 and 2018, 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, \$1,437,031 and \$1,500,303, as of June 30, 2019 and 2018, 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 \$5,486,463 and \$5,387,294 as of June 30, 2019 and 2018, 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 net assets with donor restrictions.

**Note 5 - Investments**

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

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 511,541	\$ 15,691
Equity securities	4,548,973	214,298
FDIC - insured certificates of deposit	<u>1,630,063</u>	
<b>Total Investments</b>	<b><u>\$ 6,690,577</u></b>	<b><u>\$ 229,989</u></b>

UNITED WAY OF KING COUNTY

Notes to Financial Statements  
For the Year Ended June 30, 2019  
(With Comparative Totals for 2018)

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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>2019</u>	<u>2018</u>
Dividends and interest	\$ 75,121	\$ 17,312
Realized and unrealized gains	<u>105,184</u>	<u>15,434</u>
<b>Total Investment Return</b>	<b><u>\$ 180,305</u></b>	<b><u>\$ 32,746</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.

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  
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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, 2019			
	Level 1	Level 2	Level 3	Total
Investments-				
Money market funds	\$ 511,541	\$ -	\$ -	\$ 511,541
FDIC-insured certificates of deposit	1,630,063			1,630,063
Equity securities	4,548,973			4,548,973
Total investments	6,690,577			6,690,577
Beneficial interests-				
Beneficial interest in assets held by others			6,834,255	6,834,255
Beneficial interest in trusts			5,486,463	5,486,463
Total beneficial interest in trusts and assets held by others			12,320,718	12,320,718
<b>Total Assets at Fair Value</b>	<b>\$ 6,690,577</b>	<b>\$ -</b>	<b>\$ 12,320,718</b>	<b>\$ 19,011,295</b>

	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
<b>Total Assets at Fair Value</b>	<b>\$ 229,989</b>	<b>\$ -</b>	<b>\$ 12,270,674</b>	<b>\$ 12,500,663</b>

UNITED WAY OF KING COUNTY

Notes to Financial Statements  
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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, 2019 and 2018:

	Beneficial Interest in Trusts	Beneficial Interest in Assets Held by Others
	<u>                    </u>	<u>                    </u>
Balance, June 30, 2018	\$ 5,387,294	\$ 6,883,380
Total net realized and unrealized gains	320,347	223,395
Distributions	(200,437)	(264,387)
Fees	<u>(20,741)</u>	<u>(8,133)</u>
<b>Balance, June 30, 2019</b>	<b><u>\$ 5,486,463</u></b>	<b><u>\$ 6,834,255</u></b>
	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 net realized and unrealized gains	624,843	682,941
Distributions	(197,025)	(334,973)
Fees	<u>(20,744)</u>	<u>(48,594)</u>
<b>Balance, June 30, 2018</b>	<b><u>\$ 5,387,294</u></b>	<b><u>\$ 6,883,380</u></b>

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%, which equated to 3.86% at June 30, 2019, with the principal due at February 1, 2020, the maturity date on the line of credit. There was no outstanding balance as of June 30, 2019 and 2018.

**UNITED WAY OF KING COUNTY**

**Notes to Financial Statements  
For the Year Ended June 30, 2019  
(With Comparative Totals for 2018)**

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**Note 8 - Leases**

The Organization has entered into various noncancelable lease agreements for equipment, which will expire through 2024. 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, 2019:

For the Year Ending June 30,

2020	\$	9,755
2021		9,755
2022		9,510
2023		7,859
2024		3,907
		<u>40,786</u>
	\$	<u><u>40,786</u></u>

Rent expense under leases was \$10,440 and \$16,780 for the years ended June 30, 2019 and 2018, respectively.

**Note 9 - Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
<b>Subject to the Passage of Time or Expenditure for Specified Purpose:</b>		
Contributions and grants receivable (time restriction)	\$ 19,298,188	\$ 25,257,688
Program restrictions-		
Financial stability	361,734	
Ending Homelessness	3,629,025	
Early learning	462,998	
Reconnecting youth		<u>967,838</u>
Total program restrictions	<u>4,453,757</u>	<u>967,838</u>
<b>Total Subject to the Passage of Time or Expenditure for Specified Purpose</b>	<b>23,751,945</b>	<b>26,225,526</b>
<b>Beneficial Interests:</b>		
Beneficial interest in perpetual trust	<u>5,486,463</u>	<u>5,387,294</u>
<b>Total Beneficial Interests</b>	<u><u>5,486,463</u></u>	<u><u>5,387,294</u></u>
<b>Total Net Assets With Donor Restrictions</b>	<u><u>\$ 29,238,408</u></u>	<u><u>\$ 31,612,820</u></u>

Donor restricted net assets were released during the year ended June 30, 2019, by the passage of time and meeting of program restrictions.

**UNITED WAY OF KING COUNTY**

**Notes to Financial Statements  
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(With Comparative Totals for 2018)**

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**Note 9 - Continued**

Purpose restricted programs at June 30, 2019, including programs within the Financial Stability and Ending Homelessness programs, primarily began during the year. All other programs with purpose restricted contributions had offsetting expenditures during the year ended June 30, 2019 and previously.

**Note 10 - Endowment Funds**

At June 30, 2019 and 2018, the Organization's endowment fund 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 is comprised of the following for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Fees for designation processing	\$ 150,252	\$ -	\$ 150,252
Change in value in beneficial interest in trusts and assets held by others	494,262	99,171	593,433
Event revenue	29,635		29,635
Receipts from other fundraising organizations	83,915		83,915
Other investment income			
Miscellaneous income	668,861		668,861
<b>Total Other Income and Expenses</b>	<b>\$ 1,426,925</b>	<b>\$ 99,171</b>	<b>\$ 1,526,096</b>

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

	Without Donor Restrictions	With Donor Restrictions	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
<b>Total Other Income and Expenses</b>	<b>\$ 1,296,591</b>	<b>\$ 407,075</b>	<b>\$ 1,703,666</b>

## UNITED WAY OF KING COUNTY

### Notes to Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

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#### 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 \$550,839 and \$554,792 for the years ended June 30, 2019 and 2018, respectively.

The Organization also received campaign contributions from members of its board of directors of \$694,469 and \$2,179,206 for the years ended June 30, 2019 and 2018, respectively. Outstanding annual campaign contributions receivable due from these board members were \$446,442 and \$666,691 as of June 30, 2019 and 2018, 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. Effective October 1, 2018, the Organization matches 50% of each employee contribution up to 10% of the employee's compensation. The Organization made matching contributions of \$244,609 and \$218,830 to the 403(b) Plan for the years ended June 30, 2019 and 2018, respectively. The Organization does not make discretionary contributions.

#### Note 14 - Liquidity and Availability of Financial Assets

The Organization structures its financial assets for availability as its general expenditures and liabilities come due. To achieve this, the Organization forecasts its future cash flows and regularly monitors its liquidity. The Organization invests cash in excess of monthly requirements in short-term investments in accordance with its investment policy. To support any unanticipated liquidity needs, the Organization maintains a committed line of credit of \$2,000,000 on which it could draw.

The Organization's Administrative and UWKC Endowment Fund also provide annual cash distributions to support the Organization's administrative costs. For the year ending June 30, 2020, \$6,800,686 of distributions will be available for general expenditure in the next 12 months.

The Organization's financial assets available within one year of the statement of financial position date for general expenditure were as follows at June 30:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,170,616	\$ 4,892,249
Contributions and grants receivable, net	33,278,743	36,152,997
Trust distribution receivable	99,268	
Investments	6,690,577	229,989
Less long-term portion of contributions and grants receivable	(18,008,028)	(18,413,520)
Less donor designations payable	(8,241,008)	(9,086,057)
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b><u>\$ 15,990,168</u></b>	<b><u>\$ 13,775,658</u></b>