

United Way of Skagit County

Financial Statements with
Independent Auditor's Report

Years Ended June 30, 2022 and 2021

United Way of Skagit County

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Independent Auditor's Report

Board of Directors
United Way of Skagit County
Mount Vernon, Washington

Opinion

I have audited the accompanying financial statements of United Way of Skagit County (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Skagit County as of June 30, 2022, 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.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of United Way of Skagit County and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Matter

The June 30, 2021 financial statements of United Way of Skagit County were audited by other auditors, whose report dated November 10, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Skagit County's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 United Way of Skagit County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Skagit County's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 13 and 14 is presented for purposes of additional analysis and is not a required part of the financial statements. 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 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 GAAS. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Bellingham, Washington
November 18, 2022

United Way of Skagit County

Statements of Financial Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 100,051	\$ 183,904
Certificates of deposit	625,855	751,627
Unconditional promises to give, net	167,568	147,009
Property and equipment, net	5,109	10,258
Other assets	<u>1,000</u>	<u>-</u>
Total assets	<u>\$ 899,583</u>	<u>\$ 1,092,798</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 55,029	\$ 46,255
Donor designated allocations payable	<u>14,557</u>	<u>16,604</u>
Total liabilities	69,586	62,859
Net assets		
Without donor restrictions		
Board designated	248,382	224,563
Undesignated	<u>508,608</u>	<u>764,041</u>
Total without donor restrictions	756,990	988,604
With donor restrictions	<u>73,007</u>	<u>41,335</u>
Total net assets	<u>829,997</u>	<u>1,029,939</u>
Total liabilities and net assets	<u>\$ 899,583</u>	<u>\$ 1,092,798</u>

United Way of Skagit County

Statements of Activities

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Gross campaign results	\$ 488,525	\$ -	\$ 488,525	\$ 691,185	\$ -	\$ 691,185
Less donor designations	(63,987)	-	(63,987)	(52,060)	-	(52,060)
Gross campaign contributions	424,538	-	424,538	639,125	-	639,125
Less provision for uncollectible promises to give	(8,959)	-	(8,959)	(16,246)	-	(16,246)
Net campaign contributions	415,579	-	415,579	622,879	-	622,879
Other grants and contributions	177,335	45,141	222,476	129,066	33,165	162,231
In-kind contributions	22,239	-	22,239	12,593	-	12,593
Other income	4,147	-	4,147	6,855	-	6,855
Satisfaction of restrictions	13,469	(13,469)	-	29,175	(29,175)	-
Total support and revenue	632,769	31,672	664,441	800,568	3,990	804,558
Expenses						
Program services	609,037	-	609,037	495,187	-	495,187
Management and general	105,265	-	105,265	104,048	-	104,048
Resource Development	150,081	-	150,081	163,795	-	163,795
Total expenses	864,383	-	864,383	763,030	-	763,030
Changes in net assets	(231,614)	31,672	(199,942)	37,538	3,990	41,528
Net assets – beginning of year	988,604	41,335	1,029,939	951,066	37,345	988,411
Net assets – end of year	<u>\$ 756,990</u>	<u>\$ 73,007</u>	<u>\$ 829,997</u>	<u>\$ 988,604</u>	<u>\$ 41,335</u>	<u>\$ 1,029,939</u>

The accompanying notes are an integral part of these financial statements.

United Way of Skagit County

Statements of Functional Expenses

Years Ended June 30, 2022

	2022				2021			
	Program Services	Management and General	Resource Development	Total	Program Services	Management and General	Resource Development	Total
Payroll	\$ 159,201	\$ 56,026	\$ 88,212	\$ 303,439	\$ 134,416	\$ 58,498	\$ 93,838	\$ 286,752
Employee benefits	34,439	13,500	20,826	68,765	28,779	12,525	20,092	61,396
Payroll taxes	14,301	4,804	7,877	26,982	11,844	5,154	8,268	25,266
Total payroll and related	207,941	74,330	116,915	399,186	175,039	76,177	122,198	373,414
Gross funds awarded	249,616	-	-	249,616	231,559	-	-	231,559
Less donor designations	(63,987)	-	-	(63,987)	(52,059)	-	-	(52,059)
Net funds awarded	185,629	-	-	185,629	179,500	-	-	179,500
Supplies and materials	96,377	220	402	96,999	16,548	292	691	17,531
Professional and contract services	40,707	20,412	12,705	73,824	39,180	17,182	10,458	66,820
Occupancy	22,443	5,681	10,532	38,656	12,754	5,005	8,068	25,827
In-kind expenses	22,239	-	-	22,239	12,593	-	-	12,593
Membership, dues and subscriptions	9,946	2,697	4,805	17,448	9,694	3,602	4,722	18,018
Other	13,011	1,085	1,372	15,468	7,574	835	977	9,386
Events	3,769	-	2,354	6,123	9,106	-	13,739	22,845
Depreciation	3,313	840	996	5,149	2,502	955	1,692	5,149
Advertising and promotion	3,394	-	-	3,394	9,400	-	1,250	10,650
Publications and visual media	268	-	-	268	21,297	-	-	21,297
Total expenses	\$ 609,037	\$ 105,265	\$ 150,081	\$ 864,383	\$ 495,187	\$ 104,048	\$ 163,795	\$ 763,030

United Way of Skagit County

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Changes in net assets	\$ (199,942)	\$ 41,528
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation expense	5,149	5,149
Forgiveness of Paycheck Protection Program loan	-	(60,500)
Changes in assets and liabilities:		
Unconditional promises to gives	(20,559)	48,240
Other assets	(1,000)	-
Accounts payable and accrued liabilities	8,774	(14,762)
Donor designated allocations payable	<u>(2,047)</u>	<u>(4,881)</u>
Net cash provided (used) by operating activities	(209,625)	14,774
Cash flows from investing activities		
Net change in certificates of deposit	<u>125,772</u>	<u>(173,601)</u>
Net cash provided (used) by investing activities	<u>125,772</u>	<u>(173,601)</u>
Net decrease in cash and cash equivalents	(83,853)	(158,827)
Cash and cash equivalents – beginning of year	<u>183,904</u>	<u>342,731</u>
Cash and cash equivalents – end of year	<u>\$ 100,051</u>	<u>\$ 183,904</u>

Notes to Financial Statements

June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies

Nature of activities – United Way of Skagit County (the Organization) is a Washington State nonprofit corporation formed in 1963. The Organization’s mission is to unite Skagit County to build a positive and sustainable quality of life for all. The Organization is committed to creating opportunities in the community so that all children and families have the same chances to succeed in school and in life. The Organization envisions a community where all individuals and families achieve their potential and where all children receive a quality education that offers a pathway to a brighter tomorrow. Working with dozens of cross-sector partnerships, the Organization is focused primarily on early childhood development but also works with families to improve their financial stability. In addition, the Organization provides grants and works with community partners to provide basic needs of food, shelter, health and safety. Basic needs services are vital to individuals with chronic conditions and for individuals and families in crisis needing temporary support.

Effective July 1, 2021, the Organization began operating the Skagit Valley Diaper Bank as a new program. The service previously existed as a separate independent nonprofit organization with the same name, but when that organization elected to cease activities, the Organization elected to take on similar activities as its own program. This is not considered a business combination. Assets provided to the Organization upon taking over these activities totaled \$40,982 and \$8,025 and have been recognized as other grants and contributions and in-kind contributions, respectively, in the statement of activities for the year-ended June 30, 2022.

Basis of accounting – The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting. Accordingly, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation – The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Under this standard, the Organization is required to present its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restrictions.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions or time restrictions that will be met either through actions of the Organization or by passage of time, including contributions restricted by the donor to be invested in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets 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. In the period donor restrictions are met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as satisfaction of restrictions. When donor restrictions are met during the same period that the contribution is received, the contribution is recorded as net assets without donor restrictions.

Notes to Financial Statements

June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies – (Continued)

Cash and cash equivalents – The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash in bank accounts that may exceed federally insured limits at times during the year. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Certificates of deposit – The Organization holds certificates of deposit valued at cost plus accrued interest.

Unconditional promises to give – Unconditional promises to give are recognized as support in the period the unconditional promise is made. Promises to give expected to be collected in future years are recorded at the present value of estimated future cash flows using a discount rate commensurate with the risks involved. An estimated allowance for uncollectible promises to give is recorded based upon a trailing five-year average of closed receivables, adjusted by management estimates of current economic factors. The allowance for uncollectible promises to give totaled \$14,461 and \$24,233 for the years ended June 30, 2022 and 2021, respectively. In addition, all unconditional promises to give are collectible within one year.

Property and equipment – The Organization capitalizes all property and equipment acquisitions in excess of \$2,500. Property and equipment acquisitions are recorded at cost or, if acquired as a donation, at fair value at the date of donation. Additions, improvements, or expenditures which add to productive capacity or extend the life of an asset are capitalized. Expenditures for repairs and maintenance are charged to operations as incurred. Depreciation is recorded using the straight-line method over estimated useful lives of the assets, which is typically five years.

Donor designated allocations 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.

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 the Organization in workplace campaigns is considered to be significant. Amounts raised that are designated by the donor to specific nonprofit organizations other than United Way of Skagit County, are deducted from total campaign results to arrive at net campaign contributions, 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, then its designated amounts raised are not included in the Organization’s gross campaign results.

Contributions – Contribution revenue consists of contributions and grants and is recognized in the period received or when an unconditional promise to give is made, whichever is earlier. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions from one donor made up 12% of total support and revenue for the year ended June 30, 2021. There were no such donor concentrations for the year ended June 30, 2022.

Notes to Financial Statements

June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies – (Continued)

Donated goods and services – Donations of goods and services are recorded at their estimated fair values at the date of donation. Donated services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased. In addition, many volunteers have donated significant amounts of time to the Organization’s program services and fundraising campaigns. The services of these volunteers are not recorded in the accompanying financial statements as they do not meet the criteria for recognition.

Federal income taxes – The Organization is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is therefore exempt from federal income tax on income derived from activities related to its tax-exempt purposes. Accordingly, no provision for income tax is necessary.

Functional allocation of expenses – The costs of providing various programs and other activities have been summarized on the functional basis in the accompanying statements of activities and functional expenses. Costs are directly allocated where possible and certain expenses not directly related to a particular function are allocated based upon the percentage of time devoted to the benefited activities or on other appropriate methods. The Organization complies with United Way Worldwide standards established for donor designated deductions.

Use of estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassification – Certain reclassifications have been made to the prior year’s financial statements to conform to the current year’s presentation.

Subsequent events – In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 18, 2022, the date the financial statements were available to be issued.

Note 2 – Liquidity and Availability

Financial assets available for general expenditure within one year consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 100,051	\$ 183,904
Certificates of deposit	625,855	751,627
Unconditional promises to give, net	167,568	147,009
Less amounts not available for general expenditure within one year		
Donor-restricted	<u>(73,007)</u>	<u>(41,335)</u>
	<u>\$ 820,467</u>	<u>\$ 1,041,205</u>

Notes to Financial Statements

June 30, 2022 and 2021

Note 2 – Liquidity and Availability – (Continued)

The Organization has certain donor-restricted net assets limited to use (see Note 4), which are not available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been excluded in the quantitative information above. The Organization has certain other net assets limited to use for board-designated purposes (see Note 4), but which are generally considered available for expenditure in the next year.

As part of the Organization’s liquidity management plan, cash in excess of daily requirements may be invested in certificates of deposit and money market accounts.

Note 3 – Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 26,129	\$ 26,129
Software	4,750	4,750
	<u>30,879</u>	<u>30,879</u>
Less accumulated depreciation	(25,770)	(20,621)
	<u>\$ 5,109</u>	<u>\$ 10,258</u>

Depreciation expense totaled \$5,149 and \$5,149 for the years ended June 30, 2022 and 2021, respectively.

Note 4 – Net Assets

The governing board has designated, from net assets without donor restrictions, certain net assets for the following purpose at June 30:

	<u>2022</u>	<u>2021</u>
Operating reserve	\$ 248,382	\$ 224,563

The operating reserve was at least 25% of budget as of both June 30, 2022 and 2021. The operating reserve allows the Organization to manage cash flow interruptions, meet commitments, obligations or other contingencies, minimize the need for short-term borrowing for working capital, provide flexibility for organizational growth, and generate investment income.

United Way of Skagit County

Notes to Financial Statements

June 30, 2022 and 2021

Note 4 – Net Assets – (Continued)

Net assets with donor restrictions consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Financial People Project	\$ 35,729	\$ 10,376
Welcome Baby program	11,928	15,000
Diaper Bank	9,412	-
Born Learning Trails program	8,170	8,170
Other programs and events	7,768	7,789
	<u>\$ 73,007</u>	<u>\$ 41,335</u>

Note 5 – Retirement Plan

The Organization contributes to the union pension fund for member employees under the provisions of the contract formula and a Simple IRA for non-union employees. The Organization's contributions totaled \$15,405 and \$12,950 for the years ended June 30, 2022 and 2021, respectively.

Note 6 – Leases

The Organization entered into a long-term, non-cancellable operating lease for office space commencing June 1, 2016. The lease agreement was for five years and expired July 31, 2021. Upon expiration of this lease, the Organization entered into a new long-term operating lease for office space commencing August 1, 2021. The lease agreement is for four years and expires December 31, 2025. The office space lease requires monthly payments totaling \$1,284 and is subject to annual 3% increases. In addition, the Organization rents small equipment as needed on a month-to-month basis. Rent expense totaled \$21,650 and \$19,080 for the years ended June 30, 2022 and 2021, respectively. Future minimum lease payments under this operating lease are as follows for the years ending June 30:

2023	\$ 16,188
2024	16,673
2025	17,173
2026	8,758
	<u>\$ 58,792</u>

Note 7 – Related Party Transactions

The Organization paid dues to the national and regional organizations, United Way Worldwide and United Way of the Pacific Northwest, totaling \$13,616 and \$14,695 for the years ended June 30, 2022 and 2021, respectively.

Notes to Financial Statements

June 30, 2022 and 2021

Note 8 – Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, Leases. This guidance, as amended by subsequent ASU's on the topic, requires lessees to recognize a right-to-use asset and a lease obligation for all leases. Lessees are permitted to make an accounting policy election to not recognize an asset and liability for leases with a term of twelve months or less. Additional qualitative and quantitative disclosures, including significant judgments made by management, are required. Application is required for annual periods beginning after December 15, 2021. The Organization expects to adopt this standard on July 1, 2022. While the Organization is still evaluating impact of the new accounting guidance on its financial statements, based on management's preliminary assessment, the Organization will record assets and liabilities for long-term operating leases currently included in Note 6.

Supplementary Information

United Way of Skagit County

Supplementary Schedule of Gross Funds Awarded

Year Ended June 30, 2022

<u>Agency</u>	<u>Funds Awarded</u>	<u>Designations</u>	<u>Total</u>
Foundation of Dist. #304	\$ 45,000	\$ -	\$ 45,000
Brigid Collins-Skagit Valley Family Support	27,000	332	27,332
Youthnet	25,000	-	25,000
Community Action of Skagit County	20,000	-	20,000
Foundation for Academic Endeavors	15,000	102	15,102
Skagit Domestic Violence & Sexual Assault Services	10,000	1,020	11,020
Skagit Preschool & Resource Center	10,000	561	10,561
Anacortes Family Center	10,000	-	10,000
Skagit Valley Family YMCA	8,000	-	8,000
Reach Out and Read	5,000	-	5,000
Sea Mar Community Centers	5,000	-	5,000
Helping Hands Food Bank	3,629	-	3,629
Skagit County Health Department	2,000	-	2,000
Third-party processed direct paid designations	-	22,386	22,386
United Way of Skagit County processed other agency designations	-	39,586	39,586
	<u>\$ 185,629</u>	<u>\$ 63,987</u>	<u>\$ 249,616</u>

United Way of Skagit County

Supplementary Schedule of Gross Funds Awarded

Year Ended June 30, 2021

Agency	Funds Awarded	Designations	Total
Foundation of Dist. #304	\$ 45,000	\$ 120	\$ 45,120
Brigid Collins-Skagit Valley Family Support	31,000	390	31,390
Youthnet	20,000	1,180	21,180
Foundation for Academic Endeavors	20,000	-	20,000
Community Action of Skagit County	19,500	120	19,620
Skagit Preschool & Resource Center	17,000	-	17,000
Skagit Valley Family YMCA	15,000	-	15,000
Skagit Domestic Violence & Sexual Assault Services	10,000	1,380	11,380
Skagit County Health Department	2,000	-	2,000
Third-party processed direct paid designations	-	32,715	32,715
United Way of Skagit County processed other agency designations	-	16,154	16,154
	<u>\$ 179,500</u>	<u>\$ 52,059</u>	<u>\$ 231,559</u>