

**UNITED WAY OF  
THURSTON COUNTY**

Audited Financial Statements

June 30, 2023 and 2022

**UNITED WAY OF THURSTON COUNTY**

Audited Financial Statements

June 30, 2023 and 2022

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## Independent Auditor's Report

Board of Directors  
United Way of Thurston County  
Olympia, Washington

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of United Way of Thurston County (a nonprofit organization) ("United Way"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of United Way as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

#### ***Emphasis of a Matter***

As discussed in Note 1 to the financial statements, United Way has adopted the provisions of the Financial Accounting Standards Board Accounting Standards Codification Topic 842, *Leases*, as of July 1, 2022 using the modified retrospective approach with an adjustment at the beginning of the adoption period. Our opinion is not modified with respect to the matter.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Way and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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's ability to continue as a going concern for one year after the date that the financial statements were issued.

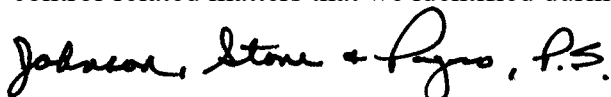
***Auditor's Responsibilities for the Audit of the Financial Statements***

Our 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 our 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 U.S. 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 U.S. GAAS, we:

- 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'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.



JOHNSON, STONE & PAGANO, P.S.

December 7, 2023

AUDITED FINANCIAL STATEMENTS

**UNITED WAY OF THURSTON COUNTY**

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 410,931	\$ 712,821
Certificates of deposit	64,027	63,352
Campaign pledges receivable		
2022/2023 campaign, net of allowance of \$32,102,		
2021/2022 campaign, net of allowance of \$45,815	146,039	184,041
Other receivables	243,699	56,417
Prepaid expenses	5,353	
Operating right-of-use asset - net	235,932	
Property and equipment - net	17,236	25,236
Community Foundation endowments	<u>315,555</u>	<u>288,865</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,438,772</u></b>	<b>\$ <u>1,330,732</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Accounts payable and accrued expenses	\$ 16,286	\$ 51,268
Due to designated agencies	55,600	66,542
Operating lease liability	<u>239,106</u>	
<b>Total Liabilities</b>	310,992	117,810
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	731,070	816,935
Board-designated reserve	<u>150,000</u>	<u>150,000</u>
<b>Total Net Assets without Donor Restrictions</b>	881,070	966,935
With donor restrictions	<u>246,710</u>	<u>245,987</u>
<b>Total Net Assets</b>	<b><u>1,127,780</u></b>	<b><u>1,212,922</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>1,438,772</u></b>	<b>\$ <u>1,330,732</u></b>

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

**UNITED WAY OF THURSTON COUNTY**

**STATEMENTS OF ACTIVITIES**

Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>			
Current campaign			
Contributions received in current period	\$ 272,996	\$ 152,129	\$ 425,125
Less donor designations	(43,035)		(43,035)
Less donor provisions for uncollectibles	<u>(25,447)</u>		<u>(25,447)</u>
<b>Net Current Campaign Revenues</b>	204,514	152,129	356,643
Prior campaign			
Contributions adjusted in current period	(1,352)		(1,352)
Contributions received in prior period (released from restrictions)	<u>216,679</u>	<u>(216,679)</u>	
<b>Net Prior Campaign Revenues</b>	215,327	(216,679)	(1,352)
Campaign revenue received for next fiscal period		<u>77,689</u>	<u>77,689</u>
<b>Total Contributions</b>	419,841	13,139	432,980
Disaster income	587,400		587,400
Grants and contracts	269,688		269,688
Other contributions	3,766		3,766
Service fees	10,759		10,759
Investment income	27,996		27,996
Sponsorships	80,000		80,000
Release of restriction on contributions	<u>12,416</u>	<u>(12,416)</u>	
<b>Total Revenues and Other Support</b>	1,411,866	723	1,412,589

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

**UNITED WAY OF THURSTON COUNTY**

STATEMENTS OF ACTIVITIES (Continued)

Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>EXPENSES</b>			
Program services			
Gross funds awarded/distributed	\$ 760,048		\$ 760,048
Less donor designations	<u>(43,035)</u>		<u>(43,035)</u>
<b>Net Funds Awarded/Distributed</b>	717,013		717,013
Community services	<u>298,772</u>		<u>298,772</u>
<b>Total Program Services</b>	1,015,785		1,015,785
Supporting services			
General and administrative	412,066		412,066
Fundraising	<u>67,439</u>		<u>67,439</u>
<b>Total Supporting Services</b>	<u>479,505</u>		<u>479,505</u>
<b>Total Expenses</b>	<u>1,495,290</u>		<u>1,495,290</u>
<b>CHANGE IN NET ASSETS</b>	(83,424)	\$ 723	(82,701)
<b>Net Assets at Beginning of Year</b>	966,935	245,987	1,212,922
<b>Effect of FASB Topic 842, Leases,     Adoption</b>	<u>(2,441)</u>		<u>(2,441)</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 881,070</u>	<u>\$ 246,710</u>	<u>\$ 1,127,780</u>

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



**UNITED WAY OF THURSTON COUNTY**

STATEMENTS OF ACTIVITIES (Continued)

Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>			
Current campaign			
Contributions received in current period	\$ 483,022	\$ 216,679	\$ 699,701
Less donor designations	(67,766)		(67,766)
Less provisions for uncollectibles	<u>(41,973)</u>		<u>(41,973)</u>
<b>Net Current Campaign Revenues</b>	373,283	216,679	589,962
Prior campaign			
Contributions received in current period	914		914
Contributions received in prior period (released from restrictions)	<u>238,857</u>	<u>(238,857)</u>	
<b>Net Prior Campaign Revenues</b>	239,771	(238,857)	914
Campaign revenue received for next fiscal period		<u>26,578</u>	<u>26,578</u>
<b>Total Contributions</b>	613,054	4,400	617,454
Disaster income	1,123,227		1,123,227
Grants and contracts	254,494		254,494
Other contributions	117,220		117,220
Service fees	16,867		16,867
Investment loss	(36,884)		(36,884)
Sponsorships	91,400		91,400
Release of restriction on contributions	<u>27,535</u>	<u>(27,535)</u>	
<b>Total Revenues and Other Support</b>	2,206,913	(23,135)	2,183,778

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

**UNITED WAY OF THURSTON COUNTY**  
**STATEMENTS OF ACTIVITIES (Continued)**  
Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>EXPENSES</b>			
Program services			
Gross funds awarded/distributed	\$ 1,235,380		\$ 1,235,380
Less donor provisions for uncollectibles	<u>(67,766)</u>		<u>(67,766)</u>
<b>Net Funds Awarded/Distributed</b>	1,167,614		1,167,614
Community services	<u>757,740</u>		<u>757,740</u>
<b>Total Program Services</b>	1,925,354		1,925,354
Supporting services			
General and administrative	326,776		326,776
Fundraising	<u>47,288</u>		<u>47,288</u>
<b>Total Supporting Services</b>	<u>374,064</u>		<u>374,064</u>
<b>Total Expenses</b>	<u>2,299,418</u>		<u>2,299,418</u>
<b>CHANGE IN NET ASSETS</b>	(92,505)	\$ (23,135)	(115,640)
<b>Net Assets at Beginning of Year</b>	<u>1,059,440</u>	<u>269,122</u>	<u>1,328,562</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 966,935</u>	<u>\$ 245,987</u>	<u>\$ 1,212,922</u>

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

**UNITED WAY OF THURSTON COUNTY**

**STATEMENTS OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2023 with Comparative Totals for 2022

	Program Services			Support Services		Total	
	Distributions	Community Services	Total Program Services	General and Administrative	Fundraising	2023	2022
<b>COMPENSATION AND RELATED EXPENSES</b>							
Salaries and wages		\$ 189,267	\$ 189,267	\$ 162,561	\$ 36,649	\$ 388,477	\$ 653,861
Payroll taxes		13,930	13,930	15,809	3,827	33,566	53,963
Benefits		21,160	21,160	24,016	5,813	50,989	84,460
<b>Total Compensation and Related Expenses</b>		224,357	224,357	202,386	46,289	473,032	792,284
Professional fees				126,054	910	126,964	69,025
Meetings and events		1,037	1,037	1,177	285	2,499	17,095
Office expenses		4,416	4,416	5,012	1,213	10,641	11,788
Computer expense		4,203	4,203	4,770	1,154	10,127	23,693
Postage and printing		458	458	520	126	1,104	830
Occupancy		20,652	20,652	22,608	5,472	48,732	52,200
Insurance		1,141	1,141	1,295	313	2,749	5,170
Agreements and licensing		13,840	13,840	15,708	3,802	33,350	67,294
Miscellaneous		3,373	3,373	3,828	926	8,127	9,018
Marketing		11,067	11,067	12,561	3,040	26,668	41,206
Auto expense		239	239	272	66	577	1,190
Supplies		1,240	1,240	1,406	341	2,987	3,366
Staff and board development		1,639	1,639	1,860	450	3,949	1,511
Membership dues		6,338	6,338	7,194	1,741	15,273	22,859
Volunteers		1,452	1,452	1,647	399	3,498	6,682
Distributions, net of donor designations	\$ 717,013		717,013			717,013	1,167,614
<b>Total Functional Expenses Before Depreciation</b>	717,013	295,452	1,012,465	408,298	66,527	1,487,290	2,292,825
Depreciation		3,320	3,320	3,768	912	8,000	6,593
<b>TOTAL EXPENSES</b>	\$ 717,013	\$ 298,772	\$ 1,015,785	\$ 412,066	\$ 67,439	\$ 1,495,290	\$ 2,299,418

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

**UNITED WAY OF THURSTON COUNTY**

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

Year Ended June 30, 2022

	Program Services			Support Services		Total
	Distributions	Community Services	Total Program Services	General and Administrative	Fundraising	
<b>COMPENSATION AND RELATED EXPENSES</b>						
Salaries and wages		\$ 475,586	\$ 475,586	\$ 151,435	\$ 26,840	\$ 653,861
Payroll taxes		37,234	37,234	14,031	2,698	53,963
Benefits		58,277	58,277	21,960	4,223	84,460
<b>Total Compensation and Related Expenses</b>		571,097	571,097	187,426	33,761	792,284
Professional fees				69,025		69,025
Meetings and events		11,796	11,796	4,444	855	17,095
Office expenses		8,134	8,134	3,065	589	11,788
Computer expense		16,348	16,348	6,160	1,185	23,693
Postage and printing		573	573	215	42	830
Occupancy		36,018	36,018	13,572	2,610	52,200
Insurance		3,567	3,567	1,344	259	5,170
Agreements and licensing		46,433	46,433	17,496	3,365	67,294
Miscellaneous		6,222	6,222	2,345	451	9,018
Marketing		28,432	28,432	10,714	2,060	41,206
Auto expense		821	821	309	60	1,190
Supplies		2,323	2,323	875	168	3,366
Staff and board development		1,043	1,043	392	76	1,511
Membership dues		15,773	15,773	5,943	1,143	22,859
Volunteers		4,611	4,611	1,737	334	6,682
Distributions, net of donor designations	\$ 1,167,614		1,167,614			1,167,614
<b>Total Functional Expenses Before Depreciation</b>	1,167,614	753,191	1,920,805	325,062	46,958	2,292,825
Depreciation		4,549	4,549	1,714	330	6,593
<b>TOTAL EXPENSES</b>	\$ 1,167,614	\$ 757,740	\$ 1,925,354	\$ 326,776	\$ 47,288	\$ 2,299,418

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

**UNITED WAY OF THURSTON COUNTY**

**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from various donors for		
Annual campaign	\$ 594,017	\$ 797,884
Grants and contracts	82,407	309,823
Other contributions	3,500	7,485
Disaster income	587,400	1,123,227
Cash received from		
Investment income	631	520
Service fees	10,759	16,867
Miscellaneous	266	
Cash payment for		
Allocations and grants	(717,013)	(1,167,614)
Designated agencies	(53,977)	(62,159)
Employees and supplies	<u>(809,880)</u>	<u>(1,115,476)</u>
<b>Net Cash Used by Operating Activities</b>	(301,890)	(89,443)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>                    </u>	<u>(15,729)</u>
<b>Net Cash Used by Investing Activities</b>	<u>                    </u>	<u>(15,729)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(301,890)	(105,172)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>712,821</u>	<u>817,993</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 410,931</u>	<u>\$ 712,821</u>

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

**UNITED WAY OF THURSTON COUNTY**

**STATEMENTS OF CASH FLOWS (Continued)**

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (82,701)	\$ (115,640)
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Amortization of operating right-of-use assets	39,786	
Depreciation	8,000	6,593
Allowance for uncollectible accounts	(13,712)	(1,282)
Realized (gain) loss on investments	(26,690)	37,720
Forgiveness of debt		(109,735)
(Increase) decrease in operating assets		
Certificates of deposit	(675)	(316)
Pledges receivable	51,714	22,546
Other receivables	(187,282)	55,329
Prepaid expenses	(5,353)	
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(34,982)	9,735
Due to designated agencies	(10,942)	5,607
Operating lease liability	(39,053)	
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (301,890)</u>	<u>\$ (89,443)</u>

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

## UNITED WAY OF THURSTON COUNTY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

#### **NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

##### ***Nature of Activities***

United Way of Thurston County ("United Way") is a nonprofit organization organized under the laws of the State of Washington. It is an exempt organization under the Internal Revenue Code, Section 501(c)3. United Way's mission is to mobilize the caring power of our community to fight for the health, education and financial stability of every person in Thurston County. Its vision is that every child grows up with hope and the opportunity to succeed; income equity is growing, poverty is rare; all community members are thriving, healthy and safe. United Way achieves this vision through three initiatives. United Way raises and invests philanthropic dollars in helping fund nonprofit organizations that successfully address the community's most critical social issues. United Way also inspires and supports individuals, organizations and businesses that want to make a difference through volunteering. Finally, it serves as the catalyst to bring different community stakeholders together to address the long-term causes of social problems in health, education and financial stability.

A summary of United Way's significant accounting policies follows.

##### ***Basis of Presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting. United Way is required to report information regarding its financial position and activities according to two classes of net assets based on the absence or existence and nature of donor-imposed restrictions as follows:

##### ***Net Assets without Donor Restrictions***

Net assets that are not subject to donor-imposed stipulations.

##### ***Net Assets with Donor Restrictions***

Net assets subject to donor-imposed stipulations that can be fulfilled by actions of United Way pursuant to those stipulations, or that expire by the passage of time, and net assets subject to donor-imposed stipulations that are to be maintained in perpetuity by United Way. Generally, the donors of such assets permit United Way to use all, or part, of the income earned on the assets.

##### ***Cash and Cash Equivalents***

For purposes of the statements of cash flows, United Way considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consist of checking, savings and money market accounts.

##### ***Campaign Pledges and Designations***

Campaign pledges receivable consist of unconditional promises to give. An annual fundraising campaign is conducted each fall to obtain donations and pledges to fund the subsequent year's operations. Accordingly, a receivable is recorded at year-end for outstanding campaign pledges with an allowance for amounts estimated to be uncollectible. Substantially all of the pledges receivable at June 30, 2023 and 2022 are from corporations and individuals.

## UNITED WAY OF THURSTON COUNTY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

#### **NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Campaign Pledges and Designations (Continued)***

Community-wide care donations and pledges are recorded as revenues with donor restrictions in the campaign year and released into net assets without donor restrictions as time restrictions are satisfied in the subsequent year. Donor-designated pledges are accounted for as a liability until disbursed to the designated agency. Those amounts are not accounted for as revenue by United Way but are reported as part of campaign results from which the amounts are then deducted to arrive at campaign revenue.

Provision for uncollectible pledges is computed based upon a three-year historical average adjusted by management's estimates of current economic factors, applied to gross campaign revenue.

Donor-designated pledges are assessed a processing fee based on actual historical costs in accordance with United Way of America membership standards, as outlined in their publication titled *United Way of America Implementation Requirements for Membership Standard M (Cost Deduction for Designed Funds)*.

##### ***Contributions***

Contributions received are recorded as with or without donor restrictions depending on the existence or nature of any donor-imposed stipulations. Support that is restricted by the donor (other than donor-designated gifts received through the annual campaign) is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

##### ***Community Foundation Endowments***

The carrying value of the Community Foundation of South Puget Sound (the "Community Foundation") endowments is based upon the stated value of the endowments as reported to United Way by the Community Foundation, in amounts United Way reasonably expects to receive upon liquidation of the endowment investments. As such, the Community Foundation endowments are not reported at fair value.

##### ***Community Investment Grants and Donor Choice Designations***

Community investment grants to support health and human service programs are determined through a review process by United Way committees composed of board members and community volunteers. Agencies that are awarded funding are notified in the spring of each year and are required to sign a memorandum of understanding.



## UNITED WAY OF THURSTON COUNTY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

#### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### *Community Investment Grants and Donor Choice Designations (Continued)*

Donor choice designations to other nonprofit organizations are subject to an administrative fee based on the previous year's functional expense overhead calculation. The administrative fee applied was 9% for the years ended June 30, 2023 and 2022. Donations to other United Ways in Washington and designations from major donors are processed at a reduced fee or without fee.

##### *Property and Equipment*

Property and equipment purchased in excess of \$1,000 with a useful life of two or more years are capitalized and stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Property and equipment consist of computer equipment, office equipment and furniture.

##### *Donated Property and Equipment*

Donations of property and equipment are recorded as in-kind revenue at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a significant purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as in-kind revenue or contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, United Way reports expirations of donor restrictions when the donated, or acquired, assets are placed in service as instructed by the donor. United Way reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

##### *Donated Materials*

Donated materials are reflected as in-kind revenue at their estimated values at the date of receipt. United Way did not receive donated materials for the years ended June 30, 2023 and 2022.

##### *Donated Services*

No amounts have been reflected in the financial statements for donated services. United Way generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist United Way with allocations, Day of Caring and various committee assignments. United Way receives more than 1,000 volunteer hours per year.

## UNITED WAY OF THURSTON COUNTY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

#### **NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Functional Expenses***

Expenses are charged to each program based on direct expenditures incurred. Any program expenses not directly chargeable are allocated to programs based on the annual time study method recommended by United Way of America in its publication *United Way of America Functional Expenses and Overhead Reporting Standards*. The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

##### ***Federal Income Taxes***

United Way is a nonprofit organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and is not a private foundation. There was no income tax expense for the years ended June 30, 2023 and 2022.

##### ***Use of Estimates***

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

##### ***Adoption of Accounting Standard Codification ("ASC") Topic 842***

Effective July 1, 2022, United Way adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* ("Topic 842"). United Way elected to apply the guidance as of July 1, 2022, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, ASC 840. ASC Topic 842 requires the recognition of right-of-use ("ROU") assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the statement of activities as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense; United Way exclusively has operating leases. United Way has elected practical expedients permitted in ASC Topic 842. Accordingly, United Way accounted for its existing leases as either a finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842 and (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

## UNITED WAY OF THURSTON COUNTY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

#### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### *Adoption of Accounting Standard Codification ("ASC") Topic 842 (Continued)*

As a result of the adoption of the new lease accounting guidance, United Way recognized on July 1, 2022, the beginning of the adoption period, an operating lease liability of \$278,159, an operating ROU asset of \$275,718 and a cumulative effect adjustment to net assets of \$2,441. The adoption of the new standard did not materially impact United Way's statement of activities or statements of cash flows. Additionally, United Way's lease agreements do not contain any material residual value guarantees or material restrictive covenants. See Note 6 for further disclosure of United Way's lease contracts.

##### *Subsequent Events*

United Way has evaluated for subsequent events through December 7, 2023, the date the financial statements were available to be issued.

##### *Concentration of Risk*

Accounts maintained at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2023, United Way's cash balance at one financial institution exceeded the insurance limit by approximately \$45,708. United Way has not experienced any losses related to these cash balances.

The employee payroll deduction program of the State of Washington comprises approximately 7% of annual campaign pledges for both the years ended June 30, 2023 and 2022. For the years ended June 30, 2023 and 2022, three corporate campaigns had pledges comprising approximately 28% and 27%, respectively, of total annual campaign pledges. For the year ended June 30, 2023 and 2022, two individuals had pledges comprising approximately 10% of total campaign pledges for 2023. One individual had pledges comprising of approximately 6% of total annual campaign pledges for 2022.

#### NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following at June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 410,931	\$ 712,821
Certificates of deposit	64,027	63,352
Campaign pledges receivable	146,039	184,041
Other receivables	243,699	56,417
Community Foundation endowments	<u>315,555</u>	<u>288,865</u>
Total Financial Assets	1,180,251	1,305,496

**UNITED WAY OF THURSTON COUNTY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

**NOTE 2 - LIQUIDITY AND AVAILABILITY (Continued)**

	<u>2023</u>	<u>2022</u>
Less financial assets not available for general expenditures		
Board-designated reserve	\$ (150,000)	\$ (150,000)
Net assets with donor restrictions	<u>(246,710)</u>	<u>(245,987)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ <u>783,541</u>	\$ <u>909,509</u>

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Equipment and furniture	\$ 153,224	\$ 165,449
Less accumulated depreciation	<u>135,988</u>	<u>140,213</u>
Property and Equipment, net	\$ <u>17,236</u>	\$ <u>25,236</u>

Depreciation expense totaled \$8,000 and \$6,593 for the years ended June 30, 2023 and 2022, respectively.

**NOTE 4 - COMMUNITY FOUNDATION ENDOWMENTS**

United Way has established endowment funds with the Community Foundation. Under the agreement with the Community Foundation, the Community Foundation will control the invested assets. Distributions are made available to United Way for purposes of acquiring or renovating a capital asset or in the event of unexpected financial need that is not expected to recur. Distributions of investment income, when available, will be made at least annually to United Way. It is United Way's policy that all gifts with perpetual donor restrictions are to be maintained by the Community Foundation.

**UNITED WAY OF THURSTON COUNTY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

**NOTE 4 - COMMUNITY FOUNDATION ENDOWMENTS (Continued)**

The following is a schedule of endowments at June 30:

	<u>Without Donor Restrictions</u>		<u>With Donor</u>	
	<u>Unrestricted</u>	<u>Board- Designated</u>	<u>Restrictions for Perpetual Duration</u>	<u>Total</u>
<u>June 30, 2023</u>				
Pam Toal Leadership Fund	\$ 17,400		\$ 25,000	\$ 42,400
General Endowment Fund	<u>112,630</u>	<u>\$ 150,000</u>	<u>10,525</u>	<u>273,155</u>
	<u>\$ 130,030</u>	<u>\$ 150,000</u>	<u>\$ 35,525</u>	<u>\$ 315,555</u>
<u>June 30, 2022</u>				
Pam Toal Leadership Fund	\$ 13,813		\$ 25,000	\$ 38,813
General Endowment Fund	<u>89,527</u>	<u>\$ 150,000</u>	<u>10,525</u>	<u>250,052</u>
	<u>\$ 103,340</u>	<u>\$ 150,000</u>	<u>\$ 35,525</u>	<u>\$ 288,865</u>

***Interpretation of Relevant Law Applicable to Temporarily or Perpetually Restricted Funds***  
 Donor-restricted funds intended to be maintained in perpetuity are classified as net assets with donor restrictions and are subject to the Washington State Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Board of Directors has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, United Way classifies as net assets without donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the restricted endowment fund that is not classified as funds held in perpetuity would be considered restricted for time or purpose until those amounts are appropriated for expenditure by United Way in a manner consistent with the standard of prudence prescribed by UPMIFA.

**UNITED WAY OF THURSTON COUNTY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

**NOTE 4 - COMMUNITY FOUNDATION ENDOWMENTS (Continued)**

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>Board-</u>	<u>With Donor</u>	
	<u>Unrestricted</u>	<u>Designated</u>	<u>Restrictions</u>	<u>Total</u>
			<u>for Perpetual</u>	
			<u>Duration</u>	
<u>June 30, 2023</u>				
Endowment net assets at beginning of year	\$ 103,340	\$ 150,000	\$ 35,525	\$ 288,865
Investment income, net	<u>31,541</u>	_____	_____	<u>31,541</u>
Appropriation of endowment for expenses	<u>(4,851)</u>	_____	_____	<u>(4,851)</u>
Endowment Net Assets at End of Year	<u>\$ 130,030</u>	<u>\$ 150,000</u>	<u>\$ 35,525</u>	<u>\$ 315,555</u>
<u>June 30, 2022</u>				
Endowment net assets at beginning of year	\$ 141,060	\$ 150,000	\$ 35,525	\$ 326,585
Investment loss, net	<u>(32,456)</u>	_____	_____	<u>(32,456)</u>
Appropriation of endowment for expenses	<u>(5,264)</u>	_____	_____	<u>(5,264)</u>
Endowment Net Assets at End of Year	<u>\$ 103,340</u>	<u>\$ 150,000</u>	<u>\$ 35,525</u>	<u>\$ 288,865</u>

***Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires United Way to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are to be reported. There were no such amounts to report for the years ended June 30, 2023 and 2022, respectively.

# UNITED WAY OF THURSTON COUNTY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

### NOTE 4 - COMMUNITY FOUNDATION ENDOWMENTS (Continued)

#### *Return Objectives and Risk Parameters*

United Way has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that United Way must hold in perpetuity and those maintained by the Community Foundation, as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that are to be compared regularly to the performance of equity and fixed income market indices, while assuming a moderate level of investment risk. United Way expects its endowment funds, over time, to provide a reasonable rate of return.

#### *Strategies Employed for Achieving Objective*

To satisfy its long-term rate-of-return objectives, United Way relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). United Way targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Net assets with purpose or time restrictions		
Next fiscal year campaign receivable	\$ 17,503	\$ 1,854
Current year campaign receivable	128,536	182,187
Next fiscal year campaign cash received	<u>65,146</u>	<u>26,421</u>
	211,185	210,462
Net assets restricted in perpetuity held in		
Community Foundation endowments		
Pam Toal Leadership Fund	25,000	25,000
General Endowment Fund	<u>10,525</u>	<u>10,525</u>
	<u>35,525</u>	<u>35,525</u>
Total Net Assets with Donor Restrictions	\$ <u>246,710</u>	\$ <u>245,987</u>

## UNITED WAY OF THURSTON COUNTY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

#### NOTE 6 - OPERATING LEASES

ROU assets represent United Way's right to use an underlying asset for the lease term and lease liabilities represent United Way's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, United Way uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The weighted-average discount rate is based on either the implicit rate, if available, or the incremental borrowing rates. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

United Way leases an office facility and equipment for various terms under long-term, non-cancelable operating lease agreements. The office facility lease expires in 2028 and the equipment leases expire at various dates through 2025. The leased office facility has an option to renew, which United Way exercised during 2023 and is included in the ROU asset and lease liability. Subsequent to renewal, the leased office facility provided for an increase in future minimum annual rental payments, based on a fixed rate defined in the lease agreement. The lease agreements generally require United Way to pay insurance and repairs, with the equipment lease agreements additionally requiring United Way to pay applicable taxes.

Total lease costs for the year ended June 30, 2023 were as follows:

Operating lease costs	\$ 51,568
Variable lease costs	<u>1,309</u>
Total Lease Costs	\$ <u>52,877</u>

Total lease expense under noncancelable leases was \$56,063 for the year June 30, 2022.

The following table summarizes the supplemental cash flow information for the year ended June 30, 2022:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ <u>51,568</u>
Right-of-use assets obtained in exchange for lease liabilities	
Operating leases	\$ <u>275,718</u>



**UNITED WAY OF THURSTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

**NOTE 6 - OPERATING LEASES (Continued)**

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

Weighted-average remaining lease term	
Operating leases	5.34 years
Weighted-average discount rate	
Operating leases	4.54 %

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of June 30, 2023:

	<u>Operating</u>
2024	\$ 51,503
2025	50,958
2026	49,028
2027	49,028
2028	49,028
Thereafter	<u>20,429</u>
Total Lease Payments	269,974
Less amounts representing interest	<u>(30,868)</u>
Present Value of Lease Liabilities	239,106
Less current portion of operating lease liability	<u>(41,490)</u>
Long-term Portion of Operating Lease Liability	\$ <u>197,616</u>

Minimum future lease payments on the operating leases as of June 30, 2022 were as follows:

2023	\$ 50,835
2024	34,806
2025	<u>1,930</u>
	\$ <u>87,568</u>

## **UNITED WAY OF THURSTON COUNTY**

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

#### **NOTE 7 – BENEFIT PLAN**

United Way has established a SIMPLE IRA on January 1, 2023, providing up to a 3% match of employee contributions, available to all permanent employees when certain eligibility requirements are met. United Way's contribution to the plan totaled \$4,908 for the year ended June 30, 2023. United Way did not make any contributions to the plan for the year ended June 30, 2022.

#### **NOTE 8 - SPECIAL EVENTS**

United Way sponsors events and projects, including value-added services to the community, fundraising and award/recognition events. Management's intention is to have costs incurred covered by the contributions specifically solicited for each event or project. During 2023 and 2022, most special events were cancelled or postponed due to the COVID-19 pandemic. There were no special event revenues or expenses for the years ended June 30, 2023 and 2022.

#### **NOTE 9 - FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll taxes, benefits, meetings and events, office expenses, computer expenses, postage and printing, occupancy, insurance, agreements and licensing, miscellaneous, contracted services, marketing, auto expense, supplies, staff and board development, travel, membership dues and volunteers, which are allocated on the basis of management's estimates of time and effort.