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United Way of Central Washington

Financial Statements and Independent Auditor's Report

June 30, 2020



United Way of Central Washington

Table of Contents

Independent Auditor's Report1

Financial Statements

 Statements of Financial Position2

 Statements of Activities and Changes in Net Assets3

 Statements of Functional Expenses.....4

 Statements of Cash Flows5

 Notes to the Financial Statements6

Independent Auditor's Report

Board of Directors
United Way of Central Washington
Yakima, Washington

Report on the Financial Statements

I have audited the accompanying financial statements of United Way of Central Washington, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, 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 to error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 to error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, I 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.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Central Washington as of June 30, 2020, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bailey CPA, LLC

March 1, 2021

United Way of Central Washington

Statement of Financial Position

June 30, 2020

Assets

Cash and cash equivalents	\$ 178,718
Pledges receivable, net of allowance	339,683
Total current assets	<u>518,401</u>
Land, building, and equipment	373,383
Less: accumulated depreciation	(296,744)
Net land, building, and equipment	<u>76,639</u>
<i>Total Assets</i>	<u>\$ 595,040</u>

Liabilities and Net Assets

Liabilities:

Accounts payable	\$ 12,272
Accrued liabilities	15,448
Allocations and designations payable	68,339
Payroll Protection Loan	64,583
<i>Total current liabilities</i>	<u>160,642</u>

Net Assets:

Without Donor Restrictions	408,814
With Donor Restrictions	25,584
<i>Total net assets</i>	<u>434,398</u>
	<u>\$ 595,040</u>

United Way of Central Washington

Statement of Activities

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Gross campaign (2019-2020)	\$ 1,092,996	\$ 25,584	\$ 1,118,580
Less: donor designations	(13,587)	-	(13,587)
Less: provision for uncollectible pledges	(89,904)	-	(89,904)
Net campaign revenue	<u>989,505</u>	<u>25,584</u>	<u>1,015,089</u>
Net assets released from restrictions	-		
Grants and contracts	118,258	-	118,258
Contributions received from United Way			
Foundation of Central Washington	42,143	-	42,143
Special event income	16,960	-	16,960
Investment income	581	-	581
Miscellaneous income	11,049	-	11,049
Total revenue	<u>1,178,496</u>	<u>25,584</u>	<u>1,204,080</u>
Expenses:			
Program services			
Funds awarded/distributed	909,111	-	909,111
Capital project distributions	33,277	-	33,277
Less: donor designations	(13,587)	-	(13,587)
Net funds awarded/distributed	<u>928,801</u>	<u>-</u>	<u>928,801</u>
Other program services	207,310	-	207,310
Total program services	<u>1,136,111</u>	<u>-</u>	<u>1,136,111</u>
Supporting Services			-
Organization administration	147,953	-	147,953
Fundraising	141,181	-	141,181
Total supporting services	<u>289,134</u>	<u>-</u>	<u>289,134</u>
Total expenses	<u>1,425,245</u>	<u>-</u>	<u>1,425,245</u>
Changes in Net Assets	(246,749)	25,584	(221,165)
Net Assets, Beginning of Year	<u>655,563</u>	<u>-</u>	<u>655,563</u>
Net Assets, End of Year	<u>\$ 408,814</u>	<u>\$ 25,584</u>	<u>\$ 434,398</u>

United Way of Central Washington
Statement of Functional Expenses
For the Year Ended June 30, 2020

Expenses	Program services	Support services		
		Organizational administration	Fundraising	Total
Allocations/awards	\$ 909,111	\$ -	\$ -	\$ -
Capital project distributions	33,277	-	-	-
Less: donor designations	(13,587)	-	-	-
Subtotal	928,801	-	-	-
Salaries	98,164	80,546	72,995	153,541
Employee benefits	12,402	10,217	9,240	19,457
Payroll taxes	8,711	7,148	6,478	13,626
Subtotal	119,277	97,911	88,713	186,624
Contract services	11,449	6,400	5,800	12,200
Meeting and events	29,107	1,470	13,585	15,055
Equipment	6,220	7,140	-	7,140
Occupancy	4,241	5,699	4,680	10,379
Depreciation expense	1,944	2,194	2,132	4,326
Supplies	6,216	5,024	4,698	9,722
Telephone and networks	8,089	2,314	2,249	4,563
Dues and subscriptions	(2,231)	2,230	2,021	4,251
Marketing and recognition	7,158	5,392	5,029	10,421
Printing and copying	2,264	2,109	1,451	3,560
Travel	2,876	1,951	3,450	5,401
Insurance	1,952	1,601	1,451	3,052
Postage and shipping	716	587	532	1,119
Miscellaneous	1,192	318	304	622
Subtotal	81,193	44,429	47,382	91,811
Payments to UW Worldwide	6,840	5,613	5,086	10,699
Total functional expenses	\$ 1,136,111	\$ 147,953	\$ 141,181	\$ 289,134

United Way of Central Washington

Statement of Cash Flows

For the Year Ended June 30, 2020

Increase (Decrease) in Cash:

Cash Flows from Operating Activities:

Change in net assets \$ (221,165)

Adjustments to reconcile change in net assets to net cash

provided by operating activities:

Depreciation expense 6,270

Change in assets and liabilities:

Prepaid expenses 5,500

Pledges receivable, net 75,072

Allocations and designations payable 68,339

Accounts payable 10,844

Accrued expenses (5,648)

Deferred revenue (32,233)

Net cash from operating activities (93,021)

Cash Flows from Financing Activities:

Proceeds from payroll protection program loan 64,583

64,583

Net Change in Cash and Cash Equivalents

(28,438)

Cash Beginning of Year

207,156

Cash, End of year

\$ 178,718

United Way of Central Washington

Notes to the Financial Statements

June 30, 2020

Note 1 – Organization and Summary of Significant Accounting Policies:

Organization

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

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

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

Accounting Method

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

Use of Estimates

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

Cash and Cash Equivalents

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

Pledges Receivable

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

All pledges are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions and increase that net asset class. However, if a restriction is fulfilled in the same time period in which the pledge is received, the Organization reports the support as net assets without restrictions.

Provision for Uncollectible Pledges

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

Land, Building, and Equipment

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

United Way of Central Washington

Notes to the Financial Statements

June 30, 2020

Note 1 – Organization and Summary of Significant Accounting Policies (continued):

Contributions

Contributions received are recorded as revenue in the period received as net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions received, where the restriction is satisfied during the same fiscal period as the contribution is received, are shown as net assets without donor restrictions.

Federal Income Taxes

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

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken uncertain positions that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to audits by taxing authorities, however, there are currently no audits for any tax periods in progress. Interest and penalties related to taxes are reported in operating expenses when incurred.

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The classes of net assets are based on the existence or absence of donor-imposed restrictions.

Liquidity and Availability of Financial Assets

The Organization has approximately \$493,000 of financial assets available for general expenditures as of June 30, 2020; consisting of cash of approximately \$179,000 and pledges receivable of approximately \$340,000. Approximately \$26,000 of the financial assets are subject to donor designation restrictions that make them unavailable for general expenditure.

The Organization has available funds from United Way Foundation of Central Washington (the Foundation), as described in Note (7). The Foundation's Fund No. 3, of approximately \$119,352, is available to the Organization for reimbursements of operating expense. Board approval is required by both the Organization and Foundation boards.

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet ninety days of normal operating expenses. As of June 30, 2020 the operating reserve was \$352,281.

United Way of Central Washington

Notes to the Financial Statements

June 30, 2020

Note 1 – Organization and Summary of Significant Accounting Policies (continued):

Functional Expenses

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

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

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

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

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

Cost Deduction Standards

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

Advertising Costs

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

Subsequent Events

The Organization has evaluated subsequent events through March 1, 2021, which is the date the financial statements were available to be issued.

Note 2 – Land, Building, and Equipment:

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

Land	\$ 53,332
Building	238,038
Equipment	82,013
Total land, building, and equipment	<u>373,383</u>
Less: accumulated depreciation	(296,744)
Net land, building, and equipment	<u>\$ 76,639</u>

United Way of Central Washington

Notes to the Financial Statements

June 30, 2020

Note 3 – Payroll Protection Loan

The Organization received a loan from Banner Bank in the amount of \$64,583 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the “PPP Loan”). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (April 29) and is due over twenty-four months, deferred for six months.

The PPP Loan bears interest at a fixed 9.00 rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date.

These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in March, 2021 principal and interest payments will be required through the maturity date in April, 2022.

The Organization intends to apply for forgiveness, and anticipates that the entire amount will be forgiven. If forgiveness were not to be obtained, principal payments of \$10,400 would be due during the year ended June 30, 2021, with the balance remaining due during the year ended June 30, 2022.

Note 4 – Concentrations of Credit Risk:

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, cash equivalents, and certificates of deposits in financial institutions, which, at times, may be in excess of federally insured limits. The Organization had no cash balances that were in excess of applicable insurance limits at June 30, 2020.

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

Note 5 – Pension Plan:

The Organization sponsors a defined contribution pension plan (the Plan) covering all employees who are at least twenty-one years of age and work at least 1,000 hours per year. Contributions to the Plan are based on a percentage of the employee's gross annual salary. The amount of pension expense for the year ended June 30, 2020 was \$4,817.

Note 6 – Distribution of Funds:

In July 2020, the Organization agreed to distribute funds of approximately \$875,000 to various health and welfare agencies in Yakima and Kittitas counties.

United Way of Central Washington

Notes to the Financial Statements

June 30, 2020

Note 7 – Related Party Transactions:

United Way Worldwide

The Organization is a member of United Way Worldwide (UWW). The membership allows the Organization to use the name and service marks owned by UWW. As a member, the Organization is subject to financial and membership association standards established by UWW.

United Way Foundation of Central Washington

In October 1996, the Organization created a separate non-profit organization named United Way Foundation of Central Washington (the Foundation). The Foundation operates as a supporting organization, organized and operated exclusively for the benefit of the Organization. The Foundation has its own Board of Directors who make all decisions related to the Foundation.

The Boards of the Organization and the Foundation agreed to establish three separate funds (Funds 1,2,3) within the Foundation. The funds created within the Foundation are as follows:

- Fund No. 1 - Campaign Fund
- Fund No. 2 - Capital Grants Fund
- Fund No. 3 - Operations Fund

Fund 1 requires annual distributions of 5% of the value of Fund 1 at December 31 of each year. This annual distribution is to be used towards the Organization's annual capital campaign. As of June 30, 2020, the Organization received funds of \$-0- from this Fund.

Funds 2 and 3 allow the Organization to request funds for specific capital expenditures and/or reimbursement of operating expenses. These requests must be voted and approved by the Boards of the Organization and the Foundation. As of June 30, 2020, the Organization received funds of \$42,143 from these Funds.

The ending balance for each fund is as follows:

Fund No. 1 - Campaign Fund	64,550
Fund No. 2 - Capital Grants Fund	1,216,448
Fund No. 3 - Operations Fund	119,352
	<u>\$ 1,400,350</u>

Additionally, the Organization provides administrative services to the Foundation and receives reimbursements for expenses. For the year ended June 30, 2020 the Organization did not perform any reimbursable services, and received \$-0- from the Foundation.

Note 8 – Donor Designations:

The Organization recognizes assets and related liabilities for contributions received where the donor specifically designates the beneficiary agency. These donor designations are also reported in the gross campaign results and removed in computing net campaign revenue. Donor imposed restrictions to agencies supported by United Way were \$13,587 at June 30, 2020.

United Way of Central Washington

Notes to the Financial Statements

June 30, 2020

Note 9 – Subsequent Events:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 16, 2020, the Governor of Washington State ordered the closure of the physical location of every “non-essential” business. The Governor’s orders have been modified several times, and subsequent to year-end many “non-essential” businesses are still operating under a partial suspension of operations. The ongoing closures have impacted the Organization’s ability to pursue fundraising within businesses, and resulted in the closure of our physical location to the public, with the majority of employees working remotely. Future potential impacts may include continued disruptions or restrictions on our employees’ ability to work and impairment of the Organization’s ability to proceed with our typical fundraising. The future effects of these issues subsequent to year-end are unknown.