



UNITED WAY OF WHATCOM COUNTY

**Financial Statements
And Independent Auditors' Report**

June 30, 2023 and 2022

UNITED WAY OF WHATCOM COUNTY

Table of Contents

Page

INDEPENDENT AUDITORS' REPORT 1-3

FINANCIAL STATEMENTS

Statements of Financial Position 4

Statements of Activities 5-6

Statements of Functional Expenses 7

Statements of Cash Flows..... 8

Notes to Financial Statements..... 9-19

SUPPLEMENTAL INFORMATION

Schedules of Agency Grants 20



Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of Whatcom County

Opinion

We have audited the accompanying financial statements of United Way of Whatcom County (the Agency), a nonprofit organization, 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 financial statements referred to above present fairly, in all material respects, the financial position of United Way of Whatcom County 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 the Agency 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.

Emphasis of Matter – Restatement of Financial Statements

As discussed in Note 2 to the financial statements, the 2022 financial statements have been restated to correct for misstatements relating to the accounting for revenue recognition and certain other matters impacting the classification of net assets between restricted and unrestricted. Our opinion is not modified with respect to these matters.

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Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the Agency's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility

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 generally accepted auditing standards 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 generally accepted auditing standards, 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 the Agency'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 the Agency'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.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on page 20 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 the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

VSH PLLC

Bellingham, Washington
May 14, 2024

**UNITED WAY OF WHATCOM COUNTY
STATEMENTS OF FINANCIAL POSITION**

June 30, 2023 and 2022

| ASSETS | | (Restated) |
|--|--------------|--------------|
| | 2023 | 2022 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,052,978 | \$ 1,110,435 |
| Investments, at fair value | 1,063,209 | 999,197 |
| Pledges receivable, net | 431,595 | 473,219 |
| Prepaid expenses | 13,948 | 12,164 |
| Total current assets | 2,561,730 | 2,595,015 |
| PROPERTY AND EQUIPMENT, NET | 29,044 | 40,050 |
| RIGHT-OF-USE LEASE ASSET | 17,618 | - |
| TOTAL ASSETS | \$ 2,608,392 | \$ 2,635,065 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 1,779 | \$ 54,508 |
| Accrued expenses | 44,495 | 16,303 |
| Designations payable | - | 64,813 |
| Current portion of lease liability | 12,316 | - |
| Total current liabilities | 58,590 | 135,624 |
| LEASE LIABILITY, NET OF CURRENT PORTION | 5,302 | - |
| TOTAL LIABILITIES | 63,892 | 135,624 |
| NET ASSETS | | |
| Without donor restriction | 2,461,187 | 2,416,128 |
| With donor restriction | 83,313 | 83,313 |
| Total net assets | 2,544,500 | 2,499,441 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 2,608,392 | \$ 2,635,065 |

See independent auditors' report and accompanying notes to the financial statements

UNITED WAY OF WHATCOM COUNTY
STATEMENTS OF ACTIVITIES
For the years ended June 30, 2023 and 2022

| | 2023 | | | (Restated) 2022 | | |
|---|---------------------------------|------------------------------|------------------|---------------------------------|------------------------------|------------------|
| | Without Donor Restriction | With Donor Restriction | Total | Without Donor Restriction | With Donor Restriction | Total |
| SUPPORT AND REVENUE | | | | | | |
| Campaign revenues | | | | | | |
| Contributions received | \$ 1,087,167 | \$ - | \$ 1,087,167 | \$ 1,327,561 | \$ - | \$ 1,327,561 |
| Less: donor designations | - | - | - | (39,305) | - | (39,305) |
| Net recoveries (provision) for uncollectible pledges | (24,885) | - | (24,885) | (25,822) | - | (25,822) |
| Total campaign revenues | <u>1,062,282</u> | <u>-</u> | <u>1,062,282</u> | <u>1,262,434</u> | <u>-</u> | <u>1,262,434</u> |
| Other support and revenue: | | | | | | |
| Gain on extinguishment of Paycheck Protection Program loan | - | - | - | 78,933 | - | 78,933 |
| Employee Retention Tax Credit recovery | 180,658 | - | 180,658 | - | - | - |
| Other income | 65,361 | - | 65,361 | 51,768 | - | 51,768 |
| Child care grant | - | - | - | 43,600 | - | 43,600 |
| Designation recovery | - | - | - | 32,872 | - | 32,872 |
| In-kind contributions | 10,487 | - | 10,487 | 10,729 | - | 10,729 |
| Contributions received from other United Ways | 9,696 | - | 9,696 | 21,125 | - | 21,125 |
| Other grants, relief fund donations | 5,000 | - | 5,000 | 10,000 | - | 10,000 |
| D.Parton Imagination Library donation | 40,958 | - | 40,958 | 7,409 | - | 7,409 |
| Investment earnings (loss), net | 71,416 | - | 71,416 | (107,413) | - | (107,413) |
| Total other support and revenue | <u>383,576</u> | <u>-</u> | <u>383,576</u> | <u>149,023</u> | <u>-</u> | <u>149,023</u> |
| Total support and revenue | <u>1,445,858</u> | <u>-</u> | <u>1,445,858</u> | <u>1,411,457</u> | <u>-</u> | <u>1,411,457</u> |

See independent auditors' report and accompanying notes to the financial statements

UNITED WAY OF WHATCOM COUNTY
STATEMENTS OF ACTIVITIES (continued)
For the years ended June 30, 2023 and 2022

| | 2023 | | | (Restated) 2022 | | |
|--|---------------------------------|------------------------------|---------------------|---------------------------------|------------------------------|---------------------|
| | Without Donor Restriction | With Donor Restriction | Total | Without Donor Restriction | With Donor Restriction | Total |
| AGENCY GRANTS | | | | | | |
| Gross funds awarded | 684,762 | - | 684,762 | 893,329 | - | 893,329 |
| Less: donor-designated allocations | (3,949) | - | (3,949) | (14,462) | - | (14,462) |
| Total grant allocations | <u>680,813</u> | <u>-</u> | <u>680,813</u> | <u>878,867</u> | <u>-</u> | <u>878,867</u> |
| OTHER GRANTS | | | | | | |
| Relief fund | - | - | - | 41,000 | - | 41,000 |
| Other grants | - | - | - | 28,015 | - | 28,015 |
| Community agency assistance | - | - | - | 20,631 | - | 20,631 |
| Dolly Parton Imagination Library | 44,951 | - | 44,951 | 15,158 | - | 15,158 |
| Project homeless connect | - | - | - | 12,771 | - | 12,771 |
| Technical and community initiative | 1,250 | - | 1,250 | 5,858 | - | 5,858 |
| Child care grant | 13,152 | - | 13,152 | 1,060 | - | 1,060 |
| Total other grants | <u>59,353</u> | <u>-</u> | <u>59,353</u> | <u>124,493</u> | <u>-</u> | <u>124,493</u> |
| EXPENSES | | | | | | |
| Planning and allocations | 256,754 | - | 256,754 | 191,336 | - | 191,336 |
| Fundraising | 188,503 | - | 188,503 | 186,378 | - | 186,378 |
| Administration | 215,376 | - | 215,376 | 174,848 | - | 174,848 |
| Total expenses | <u>660,633</u> | <u>-</u> | <u>660,633</u> | <u>552,562</u> | <u>-</u> | <u>552,562</u> |
| INCREASE (DECREASE) IN NET ASSETS | 45,059 | - | 45,059 | (144,465) | - | (144,465) |
| NET ASSETS , beginning of year | <u>2,416,128</u> | <u>83,313</u> | <u>2,499,441</u> | <u>2,560,593</u> | <u>83,313</u> | <u>2,643,906</u> |
| NET ASSETS , end of year | <u>\$ 2,461,187</u> | <u>\$ 83,313</u> | <u>\$ 2,544,500</u> | <u>\$ 2,416,128</u> | <u>\$ 83,313</u> | <u>\$ 2,499,441</u> |

See independent auditors' report and accompanying notes to the financial statements

UNITED WAY OF WHATCOM COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended June 30, 2023 and 2022

| | 2023 | | | | (Restated) 2022 | | | |
|--|--------------------------|-------------------|---------------------|-------------------|--------------------------|-------------------|---------------------|-------------------|
| | Program Services | | Supporting Services | | Program Services | | Supporting Services | |
| | Planning and Allocations | Administration | Fundraising | Total | Planning and Allocations | Administration | Fundraising | Total |
| Wages, payroll taxes and employee benefits | \$ 170,394 | \$ 121,482 | \$ 142,077 | \$ 433,953 | \$ 132,024 | \$ 109,206 | \$ 132,368 | \$ 373,598 |
| Accounting services | 31,080 | 31,080 | - | 62,160 | - | - | - | - |
| Repairs and maintenance | 10,759 | 9,104 | 7,725 | 27,588 | 11,253 | 9,523 | 8,079 | 28,855 |
| Dues paid to affiliate | 6,224 | 5,265 | 4,469 | 15,958 | 9,583 | 8,110 | 6,880 | 24,573 |
| Professional fees | 2,953 | 17,375 | 2,120 | 22,448 | 2,730 | 16,610 | 1,960 | 21,300 |
| Depreciation | 7,336 | 6,206 | 5,267 | 18,809 | 6,755 | 5,716 | 4,850 | 17,321 |
| Advertising | 5,082 | 4,300 | 3,649 | 13,031 | 5,821 | 4,926 | 4,179 | 14,926 |
| Bank service charges | 2,741 | 2,318 | 1,968 | 7,027 | 4,802 | 4,063 | 3,448 | 12,313 |
| Rent | 4,789 | 4,052 | 3,438 | 12,279 | 4,649 | 3,934 | 3,338 | 11,921 |
| In-kind contributions: | | | | | | | | |
| Rent | 4,090 | 3,461 | 2,936 | 10,487 | 3,971 | 3,360 | 2,851 | 10,182 |
| Professional services | - | - | - | - | 214 | 181 | 153 | 548 |
| Campaign events | - | - | 5,000 | 5,000 | - | - | 8,121 | 8,121 |
| Insurance | 2,677 | 2,266 | 1,922 | 6,865 | 2,783 | 2,354 | 1,998 | 7,135 |
| Occupancy | 2,230 | 1,886 | 1,601 | 5,717 | 2,381 | 2,014 | 1,709 | 6,104 |
| Campaign supplies | - | - | 1,738 | 1,738 | - | - | 3,000 | 3,000 |
| Telephone and internet | 935 | 792 | 671 | 2,398 | 878 | 743 | 631 | 2,252 |
| Travel and mileage | 1,408 | 1,192 | 1,011 | 3,611 | 869 | 735 | 624 | 2,228 |
| Miscellaneous | 79 | 67 | 57 | 203 | 848 | 718 | 609 | 2,175 |
| Office supplies | 1,134 | 960 | 814 | 2,908 | 787 | 666 | 565 | 2,018 |
| Postage | 592 | 502 | 425 | 1,519 | 501 | 423 | 360 | 1,284 |
| Membership dues | - | 1,162 | - | 1,162 | - | 1,152 | - | 1,152 |
| Staff and volunteer development | 1,572 | 1,330 | 1,128 | 4,030 | 143 | 121 | 102 | 366 |
| Volunteer training | - | - | - | - | - | - | 306 | 306 |
| Printing and publication | 105 | 89 | 75 | 269 | 223 | 190 | 160 | 573 |
| Conferences and meetings | 574 | 487 | 412 | 1,473 | 121 | 103 | 87 | 311 |
| Total functional expenses | \$ 256,754 | \$ 215,376 | \$ 188,503 | \$ 660,633 | \$ 191,336 | \$ 174,848 | \$ 186,378 | \$ 552,562 |

See independent auditors' report and accompanying notes to the financial statements

UNITED WAY OF WHATCOM COUNTY
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2023 and 2022

| | 2023 | (Restated) 2022 |
|--|--------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (decrease) in net assets | \$ 45,059 | \$ (144,465) |
| <i>Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents provided by operating activities:</i> | | |
| Depreciation expense | 18,809 | 17,320 |
| Unrealized losses (gains) on marketable securities | (58,113) | 184,896 |
| Gain on extinguishment of Paycheck Protection Program loan | - | (78,933) |
| Changes in operating assets and liabilities: | | |
| Pledges receivable | 41,624 | (227,480) |
| Prepaid expenses | (1,784) | 316 |
| Right-of-use lease asset, net | 10,088 | |
| Accounts payable | (52,729) | 37,095 |
| Accrued expenses | 28,192 | (19,985) |
| Designations payable | (64,813) | 103 |
| Deferred revenues | - | (12,771) |
| Lease liability | (10,088) | - |
| Net cash and cash equivalents from operating activities | (43,755) | (243,904) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (7,803) | (4,392) |
| Purchases and reinvesting of marketable securities, net | (5,899) | (71,067) |
| Net cash and cash equivalents from investing activities | (13,702) | (75,459) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (57,457) | (319,363) |
| CASH AND CASH EQUIVALENTS , beginning of year | 1,110,435 | 1,429,798 |
| CASH AND CASH EQUIVALENTS , end of year | \$ 1,052,978 | \$ 1,110,435 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Adoption of lease accounting standard | \$ 29,296 | \$ - |
| Extinguishment of Paycheck Protection Plan loan | \$ - | \$ 78,933 |

See independent auditors' report and accompanying notes to the financial statements

**UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

NOTE 1. NATURE OF AGENCY

United Way of Whatcom County (the Agency) is organized to solicit and receive contributions and, through member agencies, provide services to the community of Whatcom County in the promotion of the health and welfare of its members. As a member of the United Way network, the Agency pays dues to the organization based on a formula approved by the membership of the organization.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the significant accounting policies of the Agency is presented to assist the reader in evaluating the Agency's financial statements. The financial statements and notes are representations of the Agency's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Restatement – During the audit of the 2023 it was determined that the following warranted restatement of the 2022 financial statements:

- Contributions received in connection with annual campaigns were recognized as restricted revenues and related net assets which were recognized as unrestricted in the following year. However, the campaign pledges do not include a restriction clause and therefore should be recognized as unrestricted revenues.
- The prior year financial statements also presented a restricted grant received but for which the restrictions had been met in the same year as a restricted revenue, rather than in unrestricted revenue as is permitted when restrictions are met in the same year.

The following summarizes the effects of the restatements on the 2022 financial statements:

| | As Previously Reported | Adjustments | As Restated |
|--|---------------------------|--------------|----------------|
| Statement of Financial Position | | | |
| Net assets without donor restriction | \$ 1,388,502 | \$ 1,027,626 | \$ 2,416,128 |
| Net assets with donor restriction | 1,110,939 | (1,027,626) | 83,313 |
| | | | |
| | As Previously Reported | Adjustments | As Restated |
| Statement of Activities | | | |
| Total support and revenue - unrestricted | \$ 1,583,140 | \$ (171,683) | \$ 1,411,457 |
| Total support and revenue - restricted | (171,683) | 171,683 | - |

Basis of presentation – The accompanying financial statements have been prepared on the accrual basis and follow the requirements of the Financial Accounting Standards Board in its Accounting Standards Codification ASC 958. Under ASC 958, the Agency is required to report information regarding its financial position and activities according to two classes of net assets:

See independent auditors' report

**UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Without donor restriction consists of net assets available for current operations and expenditures for current programs. These assets have no donor-imposed stipulations. The Board of Directors designates funds for specific purposes.

Unrestricted net assets consist of the following as of June 30:

| | 2023 | (Restated) 2022 |
|---|--------------|--------------------|
| Unrestricted - General | \$ 1,375,002 | \$ 1,326,818 |
| Contingency - Three Month operating and allocation reserve | 572,277 | 572,277 |
| Community impact - Assist agencies with new services | 147,688 | 148,688 |
| Equipment - Future purchases of capital | 146,763 | 146,763 |
| Capacity building - Fundraising; community engagement | 112,962 | 115,087 |
| Early learning - Fundraising | 100,000 | 100,000 |
| Relief - Assist agencies with unforeseen emergencies | 3,023 | 3,023 |
| Variable compensation - Employee performance bonuses | 3,472 | 3,472 |
| Total unrestricted net assets | \$ 2,461,187 | \$ 2,416,128 |

With donor restriction consists of net assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations. Donor-restricted net assets consisted of an endowment fund of \$83,313 at June 30, 2023 and 2022.

Cash and cash equivalents – With the exception of cash and money market funds held within the Agency’s investment accounts, the Agency considers all short-term, highly-liquid investments with original maturities of three months or less to be cash equivalents. The Agency maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Agency has not experienced any losses in such accounts.

Pledges receivable – Pledges receivable are stated net of allowances for uncollectible pledges. The Agency estimated the allowances based on its historical experience of the relationship between actual uncollectible pledges and net amounts pledged. The allowances for uncollectible pledges totaled \$70,915 and \$88,947 as of June 30, 2023 and 2022, respectively. The Agency expects all pledges receivable to be collected within one year of the date of the statement of financial position.

Investments – Investments are reported at their fair values. Investment income (loss) consists of realized gains and losses, unrealized appreciation (depreciation) on those investments, dividends and capital gain distributions, and interest. Investment income is reported net of investment related fees.

See independent auditors’ report

UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risks associated with certain investments, it is at least reasonably possible that the changes in the values of investments will occur in the near term, and such change could materially affect the amounts reported in the financial statements. Cash and money market funds held in investment accounts may not have coverage or full coverage by FDIC insurance.

The Agency has entered into an investment management agreement whereby it has granted trading authority to the investment advisor. The trading authority granted is discretionary but the Agency has established policy guidelines that prohibit certain types of investments considered to present heightened risk.

Property and equipment – Property and equipment are capitalized at cost. Donations of property and equipment are recorded at their estimated fair value. Furniture and equipment are depreciated using the straight-line method over their estimated useful lives ranging from three to five years. Leasehold improvements are depreciated over the shorter of the estimated useful life of the asset or the remainder of the lease term which was originally 10 years. The Agency's policy is to capitalize property and equipment with a cost of \$500 or greater.

Leasing – The Agency has entered into certain leases. Effective July 1, 2022, the Agency adopted the provisions of the FASB ASC 842, Leases ("ASC 842"). The standard allows the Agency to adopt several practical expedients in relation to their leases.

The following practical expedients have been adopted effective July 1, 2022:

- The Agency does not reassess lease classifications for any expired or existing leases,
- The Agency does not reassess initial direct costs for existing leases,
- The Agency uses the risk-free rate corresponding to the unexpired lease term.

As part of the adoption, the Agency has recorded amounts related to its operating lease obligations on its balance sheet. The leases are included in right-of-use assets and right-of-use lease liabilities on the balance sheet. The right-of-use lease asset represents the right to use the space for the lease term, and right of use lease liabilities represent the Agency's obligation to make lease payments. The right-of-use lease asset and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the contractual lease term. As of the adoption of ASC 842, the assets and liabilities were calculated based on the remaining contractual lease terms. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Contributions – Contributions are recognized at fair value on the earlier of receipt of cash or when the donor makes a promise to give to the Agency that is, in substance, unconditional. All contributions are considered available for the Agency's general programs unless specifically restricted by the donor. Contributions that were restricted by a donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in restricted net assets. When a restriction is met or otherwise expires, the restricted net assets are reclassified to unrestricted net assets. Effective for the year ended June 30, 2023, the Agency recognized in current revenues amounts received and related disbursements of funds that were part of annual campaigns but which had been directed to a specific recipient. Prior to change effective June 30, 2023, the Agency deferred the recognition until the following year.

See independent auditors' report

UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Contributed goods and services – Contributed goods services are recorded as contributions in-kind in the accompanying statements of activities at their estimated fair values at date of receipt. Accounting standards provide that services contributed by professionals and craftsmen that require specialized skills should be recognized as in-kind income and expense. Contributed services that do not require specialized skills are not recognized. The Agency receives many hours of volunteer services each year which do not meet the criteria for being recorded as contribution revenue.

Advertising – Advertising costs are expensed in the period incurred and totaled \$13,031 and \$14,926 for the years ended June 30, 2023 and 2022, respectively.

Allocation of expenses – Costs of providing programs and activities are summarized by functional category in the statements of activities and functional expenses. Costs are directly allocated where possible. Certain expenses not directly related to a particular function are allocated. Allocations are determined based on management evaluation of factors, including historical allocation, the percentage of time devoted to the functions benefited, and on allocation percentages recommended by United Way Worldwide.

Federal income taxes – The Agency is a not-for-profit organization that is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) on income related to its organizational purpose. The Agency evaluates its income tax positions on a regular basis and believes it has taken no significant uncertain tax positions. The Agency has not recognized any interest or penalties associated with uncertain tax positions.

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. Such estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and may affect the reported amounts of support, revenue, and expenses during the reporting period. Actual results could differ from those estimates.

Going concern – The Agency adheres to the provisions of the Financial Accounting Standards Board Accounting Standards Codification 205, subtopic 40, which extends the responsibility for performing the going concern evaluation to management based on relevant conditions and events that are known and reasonably knowable at the time the financial statements are available to be issued. Management has assessed the Agency's ability to continue as a going concern for the period of one year from the auditors' report date on these financial statements, and does not believe any existing conditions or events raise substantial doubt about the Agency's ability to continue as a going concern.

Reclassifications – Certain reclassifications have been made to the prior year's financial statements to conform to the current year's financial statement presentation.

Subsequent events – Subsequent events have been evaluated through May 14, 2024, which is the date the financial statements were available to be issued.

UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

| | 2023 | (Restated) 2022 |
|-------------------------------|------------|--------------------|
| Leasehold improvements | \$ 121,983 | \$ 118,434 |
| Equipment and furniture | 69,474 | 65,219 |
| Total property and equipment | 191,457 | 183,653 |
| Less accumulated depreciation | (162,413) | (143,603) |
| Property and equipment, net | \$ 29,044 | \$ 40,050 |

Depreciation expense during the years ended June 30, 2023 and 2022 was \$18,809 and \$17,320, respectively.

NOTE 4. INVESTMENTS

Investments consist of the following at June 30, 2023:

| | Cost | Fair Value | Unrealized Gain (Loss) |
|--|--------------|---------------|---------------------------|
| Money market funds | \$ 10,394 | \$ 10,394 | \$ - |
| Mutual funds and exchange traded funds | 1,071,869 | 1,052,815 | (19,054) |
| Total | \$ 1,082,263 | \$ 1,063,209 | \$ (19,054) |

Investments consist of the following at June 30, 2022:

| | Cost | Fair Value | Unrealized Gain (Loss) |
|--|--------------|---------------|---------------------------|
| Money market funds | \$ 7,334 | \$ 7,334 | \$ - |
| Mutual funds and exchange traded funds | 1,069,229 | 992,062 | (77,167) |
| Total | \$ 1,076,563 | \$ 999,396 | \$ (77,167) |

**UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

NOTE 4. INVESTMENTS, (continued)

Investment income (loss) consists of the following for the years ended June 30:

| | 2023 | 2022 |
|--|-----------|--------------|
| Dividends and interest | \$ 32,329 | \$ 36,473 |
| Unrealized gains (losses), net | 58,113 | (184,896) |
| Realized gains (losses) and other, net | (19,026) | 41,010 |
| Total | \$ 71,416 | \$ (107,413) |

NOTE 5. FAIR VALUE MEASUREMENTS

ASC Subtopic 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under ASC Subtopic 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.

- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets
 - Quoted prices for identical or similar assets or liabilities in inactive markets
 - Inputs other than quoted prices that are observable for the asset or liability
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for the Agency’s assets measured at fair value. There have been no changes in the methodology used at June 30, 2023 and 2022:

- Valued at outstanding balance:
 - Cash and money market funds held within investment accounts
- Valued based on quoted market prices in active markets:
 - Mutual funds and exchange traded funds

The following table sets forth by level, within the fair value hierarchy, the Agency’s marketable securities at cost and fair value as of June 30, 2023:

See independent auditors’ report

**UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

NOTE 5. FAIR VALUE MEASUREMENTS (continued)

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|---------------------|----------------|----------------|---------------------|
| Cash and money market funds | \$ 10,394 | \$ - | \$ - | \$ 10,394 |
| Mutual funds and exchange traded funds | <u>1,052,815</u> | <u>-</u> | <u>-</u> | <u>1,052,815</u> |
| Total | <u>\$ 1,063,209</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,063,209</u> |

The following tables set forth by level, within the fair value hierarchy, the Agency's marketable securities at cost and fair value as of June 30, 2022:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|-------------------|----------------|----------------|-------------------|
| Cash and money market funds | \$ 7,334 | \$ - | \$ - | \$ 7,334 |
| Mutual funds and exchange traded funds | <u>992,062</u> | <u>-</u> | <u>-</u> | <u>992,062</u> |
| Total | <u>\$ 999,396</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 999,396</u> |

NOTE 6. ENDOWMENT

An endowment allows donors to make contributions whereby the principal remains invested, while the income is distributed in support of community services or the operations of the Agency. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Agency follows its own governing documents and its interpretation of the State of Washington enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Agency to appropriate for expenditure or accumulate so much of an endowment fund as the Agency determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees.

The remaining portion of the fund, which consists of earnings and gains/losses from the investment of such funds net of expenditures, is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Agency considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the endowment fund
- 2) The purposes of the Agency and the endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation or deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policy of the Foundation

See independent auditors' report

**UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

NOTE 6. ENDOWMENT (continued)

The following are significant parameters utilized by the Foundation in its application of the UPMIFA:

Investment policy – The philosophy governing the investments of the Agency is one of prudent growth of principal with the understanding that values will fluctuate within the capital markets over shorter time periods. Within this philosophical framework, the investment policy seeks to preserve the original capital and provide a competitive return consistent with historical capital market conditions. The Agency’s finance committee reviews the endowment quarterly reports and oversees investment practice.

Spending policy – Appropriations are to be determined by the Board. The spending policy is implemented with the intent to not only provide funds for immediate aims but to also preserve and grow assets to meet future spending needs. The Agency’s donors have provided that all earnings may be utilized for current purposes and have not placed restrictions on the use of the investment income or net appreciation earned from donor restricted endowment funds. Therefore, the Agency has maintained the donor-restricted endowment at its original value and treated investment earnings as having been appropriated, regardless of whether the funds are withdrawn from the account. The balances held in the investment account utilized for the endowment funds, which includes both the endowment assets and appropriated amounts totaled \$187,479 and \$176,128 at June 30, 2023 and 2022, respectively.

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

| | 2023 | (Restated) 2022 |
|---|-----------|--------------------|
| Endowment net assets, beginning of year | \$ 83,313 | \$ 83,313 |
| Endowment investment return, net | 11,351 | (20,045) |
| Effective (appropriations) restorations | (11,351) | 20,045 |
| Endowment net assets, end of year | \$ 83,313 | \$ 83,313 |

Until it was closed effective March 24, 2022, the Agency also maintained a quasi-endowment fund. This was an endowment program whereby all unrestricted legacies and memorial gifts were accounted for as endowment gifts by the Agency as Board designated quasi-endowments. Upon its closure during 2022, the quasi-endowment net assets totaling \$165,699 were transferred to undesignated unrestricted funds.

UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 7. IN-KIND CONTRIBUTIONS

Donated professional fees are recorded at their estimated fair market value when received. In-kind contributions are included in other income on the statements of activities and consisted of the following as of June 30:

| | 2023 | (Restated) 2022 |
|-------------------------------|-----------|--------------------|
| In-kind rent | \$ 10,487 | \$ 10,181 |
| In-kind professional services | - | 548 |
| Total in-kind contributions | \$ 10,487 | \$ 10,729 |

NOTE 8. OPERATING LEASE

The Agency leases office space from Washington Federal under an agreement which includes two other co-tenants which are also not-for-profit organizations. The lease provides for a specified gross base rental amount less a specified amount recognized as a donation to the lessees to determine the net base amount which must be paid by the lessees. The in-kind donation to the lessees is 45% of the gross base rental amount.

The co-tenants have entered into a Joint Occupancy Agreement related to their space, which includes the Agency recognizing a cost allocation 37% of the total rent which must be paid by the lessees. As a co-tenant, the Agency could be held liable for the entire amount due under the lease should co-tenants fail to meet their commitments under the lease and the Joint Occupancy Agreement.

The Agency's share of the net lease obligation during this reporting period ranged from \$1,007 to \$1,067 monthly and the in-kind rental ranged from \$857 to \$882 monthly. The lease expires in November 2024.

In adopting ASC 842, the Agency has utilized its allocation of the net cash payable for the rent, excluding in-kind rent. The following summarizes the amounts recorded in the statement of financial position as of June 30, 2023:

| | 2023 |
|------------------------------------|-----------|
| Right-of-use assets, net | \$ 17,618 |
| Current portion of lease liability | \$ 12,316 |
| Lease liability | 5,302 |
| Total lease liabilities | \$ 17,618 |

UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 8. OPERATING LEASE (continued)

The lease term and discount rate were as follows for the year ended June 30, 2023:

| | |
|---|-------|
| Weighted average remaining lease term (years) | 1.42 |
| Weighted average discount rate | 2.84% |

Rent expense was as follows for the years ended June 30, 2023 and 2022, respectively.

| | 2023 | 2022 |
|----------------------|-----------|-----------|
| Rent expense paid | \$ 12,279 | \$ 11,921 |
| In-kind rent expense | 10,487 | 10,181 |
| Total | \$ 22,766 | \$ 22,102 |

The future maturities of lease obligations for years ending June 30 are expected to be as follows:

| | Rent Payable | In-Kind Rent |
|---|--------------|--------------|
| 2024 | \$ 12,658 | \$ 10,774 |
| 2025 | 5,339 | 4,544 |
| Total | 17,997 | \$ 15,318 |
| Less imputed interest | (379) | |
| Present value of minimum lease payments | 17,618 | |
| Less current portion | (12,316) | |
| Lease liabilities, net of current portion | \$ 5,302 | |

NOTE 9. RETIREMENT PLAN

The Agency maintains an SEP IRA plan covering all employees who satisfy certain requirements. The Agency made contributions totaling \$24,594 and \$15,421 for the years ended June 30, 2023 and 2022, respectively.

NOTE 10. ECONOMIC DEPENDENCY

The Agency relied upon its ability to obtain donations and grants to fund its operations for the years ended June 30, 2023 and 2022.

UNITED WAY OF WHATCOM COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Board of Directors designates a minimum of a three month reserve for operational and allocation requirements in a contingency fund. Financial assets available for general expenditure, that is, without donor restrictions limiting their use within one year of the statements of financial position dates consist of the following as of June 30:

| | 2023 | (Restated) 2022 |
|--|------------------|--------------------|
| Cash and cash equivalents | \$ 1,052,978 | \$ 1,110,435 |
| Pledges receivable, net | 431,595 | 473,219 |
| Investments | 1,063,209 | 999,197 |
| Total financial assets | 2,547,782 | 2,582,851 |
| Less: Endowment fund | (83,313) | (83,313) |
| Financial assets available in the next 12 months | \$ 2,464,469 | \$ 2,499,538 |

SUPPLEMENTAL INFORMATION

**UNITED WAY OF WHATCOM COUNTY
SCHEDULE OF AGENCY GRANTS**
For the years ended June 30, 2023 and 2022

| | 2023 | | | 2022 | | |
|--|----------------------|--------------------------|-------------------|----------------------|--------------------------|-------------------|
| | Donor Designation | United Way Allocation | Total | Donor Designation | United Way Allocation | Total |
| Bellingham Childcare and Learning Center | \$ 194 | \$ 40,000 | \$ 40,194 | \$ 165 | \$ 40,000 | \$ 40,165 |
| Bellingham Food Bank | 296 | 35,000 | 35,296 | 1,411 | 50,000 | 51,411 |
| Bellingham Public School Foundation | - | 25,000 | 25,000 | - | 34,000 | 34,000 |
| Brigid Collins | 402 | 50,000 | 50,402 | 1,075 | 60,000 | 61,075 |
| Communities in Schools | - | 20,000 | 20,000 | - | 20,000 | 20,000 |
| Compass Health | - | - | - | - | 40,367 | 40,367 |
| Domestic Violence and Sexual Assault Services of Whatcom County | 96 | 25,000 | 25,096 | 1,162 | 70,000 | 71,162 |
| Evergreen Goodwill | - | 25,000 | 25,000 | - | - | - |
| Futures Northwest | - | 25,000 | 25,000 | - | 25,000 | 25,000 |
| Interfaith Coalition | 1,009 | 24,000 | 25,009 | 2,413 | 24,000 | 26,413 |
| Lydia Place | - | 40,000 | 40,000 | 1,612 | 60,000 | 61,612 |
| Max Higbee Community Recreation Center | 415 | 25,000 | 25,415 | 1,049 | 25,000 | 26,049 |
| Mercy Housing Northwest | - | 25,000 | 25,000 | - | 25,000 | 25,000 |
| Northwest Youth Services | 966 | 34,500 | 35,466 | 3,366 | 63,500 | 66,866 |
| Opportunity Council | 255 | 63,000 | 63,255 | 840 | 67,000 | 67,840 |
| Seattle Goodwill Industries | - | - | - | - | 25,000 | 25,000 |
| Sun Community Services | - | 31,000 | 31,000 | - | 36,000 | 36,000 |
| The ARC of Whatcom County | - | 12,000 | 12,000 | 261 | 20,000 | 20,261 |
| Whatcom Center for Early Learning | 141 | 44,313 | 44,454 | 223 | 50,000 | 50,223 |
| Whatcom Council on Aging | 150 | 35,000 | 35,150 | 252 | 40,000 | 40,252 |
| Whatcom Family YMCA | - | 50,000 | 50,000 | 15 | 50,000 | 50,015 |
| Whatcom Literacy Council | 25 | 27,000 | 27,025 | 521 | 30,000 | 30,521 |
| Work Opportunities | - | 25,000 | 25,000 | 97 | 24,000 | 24,097 |
| Total agency grants | \$ 3,949 | \$ 680,813 | \$ 684,762 | \$ 14,462 | \$ 878,867 | \$ 893,329 |

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