

UNITED WAY OF SKAGIT COUNTY
INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS
DECEMBER 31, 2010

UNITED WAY OF SKAGIT COUNTY

TABLE OF CONTENTS

DECEMBER 31, 2010

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6-10
SUPPLEMENTARY INFORMATION:	
Schedule of United Way Agency Allocations Paid	11



PADGETT & PADGETT^{PLLC}
CERTIFIED PUBLIC ACCOUNTANTS
Ray Padgett, CPA
Steve Padgett, CPA

360-424-1109
800-844-1109
Fax 360-424-4293

1302 Cleveland Avenue
Mount Vernon, WA 98273

www.padgettcpa.com

INDEPENDENT AUDITORS' REPORT

To The Board of Directors of United Way of Skagit County:

We have audited the statements of financial position of United Way of Skagit County, as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly the financial position of United Way of Skagit County, as of December 31, 2010 and 2009, and the results of its activities and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the financial statements referred to in the first paragraph taken as a whole. The accompanying information on page 10 is presented for purposes of additional analysis and is not a required part of the above financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements referred to above and, in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Padgett & Padgett PLLC

August 3, 2011

UNITED WAY OF SKAGIT COUNTY
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2010 AND 2009

	<u>ASSETS</u>	
	<u>2010</u>	<u>2009</u>
ASSETS:		
Cash and cash equivalents	\$ 568,159	\$ 472,107
Unconditional promises to give	530,564	647,506
Property and equipment, net	<u>7,783</u>	<u>4,750</u>
TOTAL ASSETS	<u>\$ 1,106,506</u>	<u>\$ 1,124,363</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
LIABILITIES:		
Accounts payable	\$ 398	\$ 433
Accrued liabilities	20,291	26,284
Donor designated allocations payable	<u>150,424</u>	<u>135,175</u>
Total liabilities	<u>171,113</u>	<u>161,892</u>
 NET ASSETS:		
Unrestricted	930,393	962,471
Temporarily restricted	<u>5,000</u>	<u>-</u>
Total net assets	<u>935,393</u>	<u>962,471</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,106,506</u>	 <u>\$ 1,124,363</u>

See accompanying notes to financial statements.

UNITED WAY OF SKAGIT COUNTY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2010 AND 2009

UNRESTRICTED NET ASSETS:	2010	2009
Support:		
Total campaign contributions	\$ 964,807	\$ 945,905
Less provision for uncollectible pledges	(28,000)	(20,480)
Less contributions designated to agencies by donors	(159,685)	(145,945)
Net contributions	777,122	779,480
In-kind contributions:		
Rent	6,000	6,000
Advertising and other	16,264	14,476
Total in-kind contributions	22,264	20,476
Total support	799,386	799,956
Revenue:		
Service fees for designated agency contributions	6,101	3,791
Meals sold at campaign kickoff	2,535	
Interest income	2,895	5,210
Total revenue	11,531	9,001
Reclassification of funds spent for designated purposes	6,000	11,000
Total support, revenue and reclassifications	816,917	819,957
Expenses:		
Program services:		
Gross funds awarded/distributed	711,264	676,237
(Less donor designations)	(159,685)	(145,945)
Net funds awarded/distributed	551,579	530,292
Other program services	135,546	124,084
Management and general	64,284	58,380
Fund raising	97,586	89,031
Total expenses	848,995	801,787
INCREASE IN UNRESTRICTED NET ASSETS	(32,078)	18,170
TEMPORARILY RESTRICTED NET ASSETS:		
Program sponsorships	11,000	11,000
Funds reclassified when spent for designated purpose	(6,000)	(11,000)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	5,000	-
INCREASE IN TOTAL NET ASSETS	(27,078)	18,170
NET ASSETS, beginning of year	962,471	944,301
NET ASSETS, end of year	\$ 935,393	\$ 962,471

See accompanying notes to financial statements.

UNITED WAY OF SKAGIT COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010
WITH COMPARATIVE TOTALS FOR 2009

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fund-</u> <u>Raising</u>	<u>2010 Totals</u>	<u>2009 Totals</u>
Salaries	77,209	36,807	25,300	\$ 139,316	\$ 132,232
Payroll taxes	8,073	3,848	2,645	14,566	12,231
Employee benefits	20,397	9,724	6,684	36,805	28,739
Sub-total	<u>105,679</u>	<u>50,379</u>	<u>34,629</u>	<u>190,687</u>	<u>173,202</u>
Gross funds awarded	711,264			711,264	676,237
Less designations	(159,685)			(159,685)	(145,945)
Dues and subscriptions	7,128	3,398	2,335	12,861	11,984
Professional services	3,879	1,849	7,272	13,000	13,000
Rent - inkind	3,325	1,585	1,090	6,000	6,000
Office	2,312	1,102	758	4,172	3,399
Meetings & development	2,255	1,075	738	4,068	
Telephone	1,997	952	655	3,604	3,500
Miscellaneous	1,795	523	358	2,676	5,470
Maintenance and services	1,745	832	572	3,149	4,373
Depreciation	1,257	600	412	2,269	1,368
Insurance	1,087	518	356	1,961	2,021
Postage	847	404	277	1,528	1,617
Small equipment	840	400	275	1,515	363
Campaign expenses	551	263	31,975	32,789	27,122
Advertising/other- inkind	365	174	15,725	16,264	14,476
Website management	277	132	91	500	-
Travel	207	98	68	373	3,600
TOTAL EXPENSES	<u>\$ 687,125</u>	<u>\$ 64,284</u>	<u>\$ 97,586</u>	<u>\$ 848,995</u>	<u>\$ 801,787</u>

See accompanying notes to financial statements

UNITED WAY OF SKAGIT COUNTY
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Increase (Decrease) In Cash and Cash Equivalents		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (27,078)	\$ 18,171
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,269	1,368
Changes in operating assets and liabilities		
Unconditional promises to give	116,942	(48,560)
Accounts payable and accrued liabilities	(6,028)	1,123
Donor designated allocations payable	15,249	37,831
Net cash from operating activities	101,354	9,933
CASH FLOWS FROM INVESTING ACTIVITIES:		
Collections on short-term note receivable	-	3,600
Purchase of property and equipment	(5,302)	(2,976)
Net cash from investing activities	(5,302)	624
CHANGE IN CASH AND CASH EQUIVALENTS	96,052	10,557
CASH AND CASH EQUIVALENTS, beginning of year	472,107	461,550
CASH AND CASH EQUIVALENTS, end of year	\$ 568,159	\$ 472,107

See accompanying notes to financial statements.

UNITED WAY OF SKAGIT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – United Way of Skagit County (the Organization) is a Washington Not-for-Profit Corporation, incorporated August 20, 1964, and governed by a volunteer board of directors. The mission statement is “The United Way of Skagit County focuses community investment to create sustainable, positive change in people’s lives..” The Organization solicits and receives contributions and through funding to qualified agencies, it provides services to people in Skagit County, Washington. The Organization is designed to cope with human needs and to promote a cooperative and supportive spirit throughout the community. United Way contributors may designate the agencies to which their contributions are to be distributed.

Basis of accounting - The accompanying financial statements have been prepared on the accrual basis and follow the recommendations of the Financial Accounting Standards Board in its ASC 958, formerly Statement of Financial Accounting Standards No. 117 “Financial Statements of Not-For-Profit Organizations.” Under ASC 958 the organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. This category of net assets includes amounts designated by the Board for long-term investment.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the principal be maintained permanently by the Organization. The Organization is permitted to use the income earned on the related investments for general or specified operating purposes. The Organization did not have any permanently restricted net assets as of December 31, 2010 or 2009.

Recognition of Donor Restrictions - Support that is restricted by the donor is reported as an increase in unrestricted net assets 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 temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

UNITED WAY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Cash and Cash Equivalents - Cash and cash equivalents consist of cash held in checking, savings, money market accounts and cash on hand. For purposes of the statement of cash flows, the Organization considers all highly liquid unrestricted investments with an initial maturity of less than three months to be cash equivalents.

Property and Equipment – Property and equipment are recorded at cost or, if acquired as a donation, at fair market value at the date of donation. Assets with a useful life greater than one year and cost over \$1,000 are capitalized. Depreciation is computed using the straight-line method, over the estimated useful lives of the assets (from five to ten years).

Federal Income Tax - The Organization is a non-profit organization, which is exempt from federal income taxation under Section 501 (c) (3) of the Internal Revenue Code and is classified as an organization that is not a private foundation under Section 509 (a) (20) of the Internal Revenue Code.

Donated Services - Donated services are recognized at their fair values only if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In addition to donated services recognized, a substantial number of volunteers have donated significant amounts of their time in the Organization’s program services and its fund raising campaigns.

Advertising - The Organization’s policy is to expense advertising costs as incurred. Advertising expense paid was minimal for the years ended December 31, 2010 and 2009, because a significant portion of advertising is received as an in-kind donation.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

UNITED WAY OF SKAGIT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Promises to Give – Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based upon prior years' experience and management's analysis of specific promises made.

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

NOTE 2. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

	2010	2009
Pledges receivable	\$ 552,828	\$ 669,770
Allowance for uncollectible promises	(22,264)	(22,264)
Total unconditional promises to give	<u>\$ 530,564</u>	<u>\$ 647,506</u>

The Organization expects all promises to give to be received within one year.

UNITED WAY OF SKAGIT COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 21,291	\$ 17,602
Computer software	4,750	4,750
Leasehold improvements	<u>6,037</u>	<u>6,037</u>
 Total property and equipment	 32,078	 28,389
Less accumulated depreciation	<u>24,295</u>	<u>23,639</u>
 Net property and equipment	 <u>\$ 7,783</u>	 <u>\$ 4,750</u>

NOTE 4. UNRESTRICTED, BOARD-DESIGNATED NET ASSETS

Unrestricted, board-designated net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
New venture grants	\$ 3,500	\$ -
Emergency grants	626	35,000
Community disaster grants	11,000	11,000
Operating reserves	<u>162,821</u>	<u>160,619</u>
Total	<u>\$ 177,947</u>	<u>\$ 206,619</u>

NOTE 5. RETIREMENT PLAN

The Organization contributes to the union pension fund for member employees under the provisions of the contract formula. Organization contributions totaled \$6,720 in 2010 and \$6,518 in 2009.

NOTE 6. CONCENTRATION OF CREDIT RISK

The Organization had cash balances on deposit at local banks in excess of FDIC insured limits at December 31, 2010 and 2009. Subsequently the Organization took action to open new accounts to ensure all cash balances on deposit are insured.

UNITED WAY OF SKAGIT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 7. NOTE RECEIVABLE

In 2008, the Organization made an advance on allocations to a member organization. The promissory note provided that the total amount be repaid from member allocations during the following year, and the advance was collected accordingly in 2009.

NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Donors designated the following temporarily restricted net assets, which were used for its designated purpose during 2010.

Loaned executive	\$6,000
------------------	---------

Unspent temporarily restricted net assets at December 31, 2010 consist of \$5,000 to be used for the campaign celebration.

There were no unspent temporarily restricted net assets at December 31, 2009:

NOTE 9. SUBSEQUENT EVENTS

Management of the Organization has evaluated events and transactions occurring after December 31, 2010 through August 3, 2011, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. The Organization entered into a long-term, non-cancellable operating lease for office space commencing June 1, 2011. The lease agreement is for five years, expiring May 31, 2016 and provides for minimum monthly rentals as follows:

Year 1	\$1,072.50
Year 2	\$1,072.50
Year 3	\$1,179.75
Year 4	\$1,394.25
Year 5	\$1,608.75

UNITED WAY OF SKAGIT COUNTY

SUPPLEMENTARY SCHEDULE OF GROSS FUNDS AWARDED

YEAR ENDED DECEMBER 31, 2010

Partner Agency	Base Allocation	Designations	Grants	Total
American Red Cross - Islands Chapter	\$ 8,713	\$ 13	\$ -	\$ 8,726
American Red Cross - Mt Baker	33,092	3,343	-	36,435
Anacortes Community Shelter Project	8,180	1,550	1,000	10,730
Boy Scouts of America - Mt Baker Council	16,747	1,648	-	18,395
Bread of Life Food Bank	9,580	540	-	10,120
Camp Fire USA - Samish Council	15,100	4,470	-	19,570
Catholic Community Services, WW-NW	14,256	6,132	2,400	22,788
Chinook Enterprises	18,210	2,414	-	20,624
Compass Health - Skagit	8,580	1,740	-	10,320
Concrete Food Bank	8,300	1,104	-	9,404
Girl Scouts of Western Washington	13,245	536	-	13,781
Ideas for Living Program	11,500	-	-	11,500
Mount Vernon Community Wellness Council	7,000	-	3,000	10,000
North Cascade Health Council	5,133	221	-	5,354
Northwest Youth Services	13,870	193	2,000	16,063
Reverie Outreach-Christian Ministries Network	-	5,675	5,374	11,049
Sea Mar Community Health Center	12,120	1,080	2,000	15,200
Secret Harbor	14,250	1,340	-	15,590
Skagit Adult Day Services	8,220	120	5,000	13,340
Skagit Council on Aging - Meals on Wheels/RSVP	37,542	9,873	12,000	59,415
Skagit County Community Action Agency	66,247	33,085	34,500	133,832
Skagit Domestic Violence & Sexual Assault	24,180	6,952	3,500	34,632
Skagit Habitat for Humanity	8,200	1,540	-	9,740
SPARC	23,007	740	-	23,747
Skagit Valley Family Support Center	7,270	1,368	-	8,638
Skagit Valley Family YMCA	37,390	1,400	9,500	48,290
The Landing	8,836	2,950	-	11,786
Visiting Nurse Home Care	1,110	385	-	1,495
Volunteers of America - 211	12,944	460	-	13,404
Youthnet	18,483	2,559	-	21,042
Various non-partner agencies	-	66,254	-	66,254
Total	\$ 471,305	\$ 159,685	\$ 80,274	\$ 711,264