

Attachment 2d

Additional materials on United Way

United Way Vision Councils and the Grants Process

United Way of Snohomish County invests in solutions that improve lives. Grants for programs and services that address critical needs in our community are a key strategy in our work. From childcare to housing for the homeless, disaster relief to job placement services, programs funded by United Way are making a difference every day.

Funding decisions are made by volunteers that we call Vision Councils. The three Vision Councils are comprised of 20-30 volunteers each from the community: subject experts, business leaders, ordinary citizens, agency representatives, and funding partners who assess community needs and review proposals. They base their recommendations on the priority of needs, a program's effectiveness, and its ability to show long-term benefits and measurable results.

This careful process ensures that United Way is investing through community grants will have the most impact for our kids, our families and our whole community.

Vision Council: Kids Matter

Vision Statement: We envision a Snohomish County where all infants, children and youth are nurtured and provided with the opportunity to succeed in school, develop life skills, and reach their potential.

The Community Outcome for this area is to increase the optimal development of infants, children, and youth (from birth through age 18).

Vision Council: Families Matter

Vision Statement: We envision a Snohomish County where all individuals and families have access to the basic needs of food, shelter, health care and the opportunity to live independently and self-sufficiently.

The Community Outcome for this area is to increase the ability for people in Snohomish County to live independently.

Vision Council: Community Matters

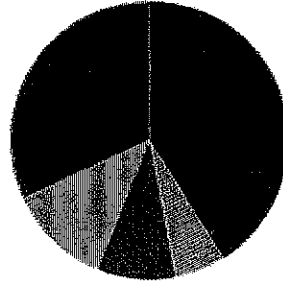
Vision Statement: We envision a Snohomish County where the strengths of neighborhoods, support systems, civic involvement, volunteerism and diversity are promoted, maximizing the well-being of all of its residents.

The Community Outcome is to improve the ways people get community support, connect with one another, and get involved.

Where the money goes

Distribution of Revenue

Community Impact Grants	41%
Donor designations	32%
Community Services and Initiatives	12%
Management	9%
Fundraising	6%



85% of United Way revenue is returned to the community, a percentage considered excellent by nonprofit standards. (The Seattle Times [Give, Don't Get Taken, December 7, 2004] recommends standards for a well-run nonprofit set by the Better Business Bureau's Wise Giving Alliance or the American Institute of Philanthropy. The Better Business Bureau Wise Giving Alliance is a national charity watchdog affiliated with the Better Business Bureau system. The Alliance and its predecessor organizations have over a century of combined experience in charity evaluation.)

Community Impact Grants

Multi-Year Program Grants

By far the greatest percentage of contributions to United Way is invested through community impact grants to local nonprofit organizations serving Snohomish County. Last year, over \$4 million went to support 114 programs in 49 organizations that cover a wide range of services for kids, families, and the entire community.

United Way volunteers spend hours carefully reviewing grant requests and determining the best way to invest to meet immediate needs and create long-lasting change. All grants are approved by the United Way Board of Directors.

United Way continues to monitor funded programs throughout the life of the grant to ensure contributions are well-spent and making a measurable difference in the community.

Outreach and Opportunity Grants

These are small, one-time grants for grassroots projects or for a compelling community opportunity that may arise mid-cycle in United Way's regular program grant process. They are new grants that will be awarded beginning in 2005.

Donor designations

The second largest percentage, \$3.2 million dollars, also goes to nonprofit—501(c)3—organizations as specified by donors. Designations are forwarded as a service to donors, and may go to any local, state, national or international agency. United Way does not monitor these agencies or track the use of donations forwarded to them.

Community Initiatives and Services

12% of total revenue funds our community initiatives and services, all of which are collaborative efforts involving many partners: WIN 2-1-1, Success By 6, Individual Development Accounts, and the Volunteer Center.

Fundraising, Management and Administration

The cost of raising funds accounts for 6% and management and administration account for 9%, well below the 20% considered a "best practice" for nonprofit organizations.

Please call United Way at 425.921.3450 for a complete set of audited financial statements.

From the United Way of Snohomish County web site www.uwsc.org.



United Way
of Snohomish County

UNITED WAY OF SNOHOMISH COUNTY

Financial Statements With
Independent Auditors' Report

March 31, 2005

CLARK NUBER

Management's Report United Way of Snohomish County 2005 Financial Statements

The United Way of Snohomish County (UWSC) is responsible for the preparation, integrity, and fair presentation of its published financial statements. UWSC management is responsible for the reliability and objectivity of the financial statements. The statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgments of management.


The Board of Directors, operating through its Finance Committee, provides oversight of the financial reporting process and safeguarding of assets against unauthorized acquisition, use, or disposition.

The UWSC maintains a system of internal control over financial reporting and over safeguarding of assets which is designed to provide reasonable assurance to management, the Finance Committee, and the Board of Directors regarding the preparation of reliable published financial statements.

I, Carl Zapora, President, and I, Jeri Wilkes, Vice President of Finance and Administration, certify that:

1. We have reviewed these financial statements;
2. Based on our knowledge, the statements do not contain any untrue statement of a material fact, nor do they omit a material fact;
3. Based on our knowledge, the financial statements fairly present in all material respects the financial position, results of operations, changes in net assets, and cash flows of the United Way of Snohomish County;
4. We are responsible for establishing and maintaining a system of internal controls and procedures;
5. We are responsible for disclosing any significant deficiencies and material weaknesses in the internal controls over financial reporting, and any known fraud or allegations of fraud that involves management or other employees, of which we are not aware of any such conditions existing for the year ended March 31, 2005.

As of March 31, 2005, the United Way of Snohomish County believes its system of internal controls over financial reporting was effective for providing reliable financial statements.

Signed: 
Carl Zapora
President



Jeri Wilkes, CPA
Vice President of Finance and Administration

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CLARK NUBER

Certified Public Accountants
& Consultants
10900 NE 4th Street
Suite 1700
Bellevue WA 98004
T: 425.454.4919
F: 425.454.4620
800.504.8747
▶ clarknuber.com

Independent Auditors' Report

*Clark Nuber is a
Professional Services Corporation*

Board of Directors United Way of Snohomish County Everett, Washington

We have audited the accompanying statement of financial position of United Way of Snohomish County (the Organization) as of March 31, 2005, and the related statement of activities, functional expenses and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the financial statements of the Organization as of March 31, 2004. Those financial statements were audited by other auditors whose report dated July 9, 2004, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Snohomish County as of March 31, 2005, and the changes in net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Clark Nuber P.S.

Certified Public Accountants
Bellevue, Washington
August 5, 2005

United Way of Snohomish County
Statement Of Financial Position
March 31, 2005
(With Comparative Totals For 2004)

	<u>2005</u>	<i>2004</i> <i>As Restated</i> <i>(Note 12)</i>
Current Assets:		
Cash and cash equivalents	1,595,664	1,871,882
Pledges receivable, net (Note 2)	5,625,028	5,397,597
Prepaid expenses and other current assets	<u>99,308</u>	<u>41,439</u>
Total Current Assets	7,320,000	7,310,918
Investments (Note 3)	184,119	
Assets whose use is limited (Note 3)	1,819,819	1,728,328
Beneficial interest in assets held by others (Note 5)	50,000	50,000
Property and equipment, net (Note 4)	<u>97,575</u>	<u>114,293</u>
Total Assets	<u>\$ 9,471,513</u>	<u>\$ 9,203,539</u>
Current Liabilities:		
Accounts payable	51,793	41,029
Accrued expenses	47,868	42,579
Community impact grants and other grants payable	3,041,643	3,049,782
Designations payable	2,271,480	2,057,877
Assets held as fiscal agent	<u>4,702</u>	<u>14,543</u>
Total Current Liabilities	<u>5,417,486</u>	<u>5,205,810</u>
Total Liabilities	5,417,486	5,205,810
Commitments (Note 7)		
Net Assets:		
Unrestricted:		
Undesignated	1,768,705	1,949,827
Designated by the Board of Directors (Note 10)	<u>1,935,689</u>	<u>1,939,644</u>
Total unrestricted net assets	3,704,394	3,889,471
Temporarily restricted (Note 11)	<u>349,633</u>	<u>108,258</u>
Total Net Assets	<u>4,054,027</u>	<u>3,997,729</u>
Total Liabilities and Net Assets	<u>\$ 9,471,513</u>	<u>\$ 9,203,539</u>

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

United Way of Snohomish County

*Statement Of Activities
For The Year Ended March 31, 2005
(With Comparative Totals For 2004)*

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>2005 Total</i>	<i>2004 As Restated (Note 12) Total</i>
Public Support, Revenues and Gains:				
Gross campaign results	9,661,049	\$	\$ 9,661,049	\$ 9,729,085
Less: donor designations	(3,138,277)		(3,138,277)	(2,995,196)
Less: provision for uncollectible	(479,230)		(479,230)	(514,320)
Net campaign revenue	6,043,542		6,043,542	6,219,569
Special events	10,109		10,109	7,659
Designations from other United Ways	213,711		213,711	292,285
Recovery from prior campaign payments	161,791		161,791	244,711
Grant and program support income	15,000		15,000	87,653
Restricted contributions		320,119	320,119	108,258
In-kind contributions	37,750		37,750	38,034
Rental income	119,854		119,854	135,785
Service fees	237,275		237,275	245,265
Miscellaneous income	8,208		8,208	6,245
Investment income (Note 3)	64,447		64,447	58,795
Unrealized gains (losses)	(33,543)		(33,543)	22,983
Net assets released from restriction	78,744	(78,744)		
Total Public Support, Revenues and Gains	6,956,888	241,375	7,198,263	7,467,242
Expenses:				
Program services				
Gross funds awarded/designated	7,384,702		7,384,702	7,319,119
Less: donor designations	(3,138,277)		(3,138,277)	(2,995,196)
Net funds awarded	4,246,425		4,246,425	4,323,923
Community building and investment	1,172,918		1,172,918	682,066
Total Community impact	5,419,343		5,419,343	5,005,989
Community initiatives	238,965		238,965	479,354
Total program services	5,658,308		5,658,308	5,485,343
Supporting services				
Resource development	594,986		594,986	678,684
Branding and communications	258,325		258,325	254,800
Organizational administration	556,219		556,219	526,915
United Way of America dues	74,127		74,127	72,688
Total supporting services	1,483,657		1,483,657	1,533,087
Total Expenses	7,141,965		7,141,965	7,018,430
Change In Net Assets	(185,077)	241,375	56,298	448,812
Beginning of year net assets	3,889,471	108,258	3,997,729	3,548,917
End Of Year Net Assets	\$ 3,704,394	\$ 349,633	\$ 4,054,027	\$ 3,997,729

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

United Way of Snohomish County

Statement Of Functional Expenses
For The Year Ended March 31, 2005
(With Comparative Totals For 2004)

	Program Services				Support Services			2004
	Community Impact	Community Initiatives	Total	Resource Development	Branding and Communications	Organizational Administration	United Way of America Dues	As Restated (Note 12) Total Expenses
Gross funds awarded/designated	\$ 7,384,702	\$	\$ 7,384,702	\$	\$	\$	\$ 7,319,119	
Less: donor designations	(3,138,277)		(3,138,277)				(2,995,196)	
Net Funds Awarded	4,246,425		4,246,425				4,323,923	
Salaries, benefits and taxes	585,201	175,185	760,386	370,902	123,614	389,862	1,751,414	
Professional fees	86,458	21,923	108,381	10,798	7,171	28,058	139,181	
Supplies	6,379	1,865	8,244	4,226	2,072	5,147	18,851	
Telephone	5,076	2,200	7,276	3,273	1,096	3,074	22,822	
Postage and shipping	8,434	318	8,752	2,284	6,504	5,234	17,605	
Occupancy	181,596	16,957	198,553	38,880	13,017	36,332	284,456	
Rental and maintenance of equipment	4,012	1,128	5,140	2,587	866	2,405	4,624	
Printing and publications	59,841	1,127	60,968	34,503	56,429	2,202	126,076	
Local travel and meetings	5,714	6,414	12,128	9,282	838	2,941	18,455	
Staff/volunteer development	8,768	3,508	12,276	2,409	2,451	5,168	33,363	
Membership dues	631	1,547	2,178	844	598	4,499	5,741	
Insurance	2,205	622	2,827	1,269	477	7,915	11,257	
Campaign executives				99,938			12,508	
In-kind expenses	3,172	421	3,593	1,599	37,750	50,561	99,938	
Miscellaneous	193,716		193,716		1,030		72,741	
Program and individual support	21,715	5,750	27,465	12,172	4,412	12,821	38,034	
Depreciation							8,136	
Sub-Total	5,419,343	238,965	5,658,308	594,986	258,325	556,219	7,067,838	
United Way of America dues						74,127	74,127	
Total Expenses	\$ 5,419,343	\$ 238,965	\$ 5,658,308	\$ 594,986	\$ 258,325	\$ 556,219	\$ 7,141,965	
							\$ 7,018,430	

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

United Way of Snohomish County

Statements Of Cash Flows
For The Year Ended March 31, 2005
(With Comparative Totals For 2004)

	<u>2005</u>	<u>2004</u> <i>As Restated</i> <i>(Note 12)</i>
Cash Flows From Operating Activities:		
Change in net assets	\$ 56,298	\$ 448,812
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	56,870	39,507
Net unrealized (gain) loss on investment	33,543	(22,983)
Contributions restricted for other long-term purposes	(106,000)	(100,608)
Changes in assets and liabilities:		
Pledges receivable	(227,431)	34,408
Prepaid expenses and other assets	(57,869)	24,981
Accounts payable and accrued expenses	16,053	(5,566)
Designations payable	213,603	(121,873)
Community impact grants and other grants payable	(8,139)	22,185
Assets held as fiscal agent	(9,841)	(49,021)
Net Cash (Used In) Provided By Operating Activities	<u>(32,913)</u>	<u>269,842</u>
Cash Flows From Investing Activities:		
Purchases of fixed assets	(40,152)	(61,773)
Purchase of investments	(397,353)	(1,283,745)
Proceeds from sale of investments	88,200	977,822
Beneficial interest in assets held by others		(50,000)
Net Cash Used In Investing Activities	<u>(349,305)</u>	<u>(417,696)</u>
Cash Flows From Financing Activities:		
Contributions restricted for other long-term purposes	106,000	100,608
Net Cash Provided By Financing Activities	<u>106,000</u>	<u>100,608</u>
Net Change In Cash	<u>(276,218)</u>	<u>(47,246)</u>
Cash balance, beginning of year	1,871,882	1,919,128
Cash Balance, End Of Year	<u><u>\$ 1,595,664</u></u>	<u><u>\$ 1,871,882</u></u>

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

United Way of Snohomish County

Notes To Financial Statements

Note 1 - Nature Of Operations And Significant Accounting Policies

Organization - United Way of Snohomish County (the Organization) is a local not-for-profit organization with a mission of leading community change to improve people's lives in Snohomish County. Dollars raised in an annual fundraising campaign are returned to the community to achieve the following outcomes in each impact area:

- Kids Matter - All infants, children, and youth are nurtured and provided with the opportunity to succeed in school, develop life skills, and reach their full potential.
- Families Matter - All individuals and families have access to basic needs of food, shelter, health care, and the opportunity to live independently and self-sufficiently.
- Community Matters - The strengths of neighborhoods, support systems, civic involvement, volunteerism, and diversity are promoted, maximizing the well-being of all its residents.

To achieve these outcomes the Organization has created a focused Community Impact agenda and Community Initiatives agenda to help kids, strengthen families, and improve the vitality of the community in the following ways:

Community Impact

The Community Impact agenda is carried out by three vision councils which are comprised of community volunteers whose efforts are supported by employees of the Organization. There is one Vision Council for each impact area. The Vision Councils award grants under funding procedures that are designed to create the most effective and successful impact in the community. Dollars are directed to programs, projects and services that demonstrate positive outcomes and are aligned with the Organization's three impact areas. Working together, Vision Council volunteers, staff and the Board of Directors employ multiple strategies to achieve United Way's mission.

Community Initiatives

The Community Initiatives agenda is a community-based collaboration which brings together a variety of partners to create systemic impact and achieve the vision of healthy children, families and community. Some of the current Community Initiatives are:

- The Individual Development Account (IDA) initiative is a collaborative partnership that encourages savings, builds financial skills, and provides incentives for people to reach their dreams.
- Success by 6™ works with parents, teachers, and childcare providers to build the social and emotional skills that kids need to succeed in school and in life, such as listening, cooperating, and problem solving.
- The Volunteer Center and its website link people with local volunteer opportunities.

Board of Directors - The Organization is governed by an elected board of volunteers, which at any time must be comprised of no less than twenty-one members.

United Way of Snohomish County

Notes To Financial Statements

Note 1 - Continued

Basis of Presentation - Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

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

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. As of March 31, 2005 and 2004, the Organization had no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions that the donor requires to be used to acquire long-lived assets (e.g., building improvements, furniture, fixtures and equipment) are reported as temporarily restricted. When the long-lived assets are acquired, the Organization reflects the expiration of the donor-imposed restriction as a reclassification included in net assets released from restrictions.

Cash and Cash Equivalents - The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Allowance for Uncollectible Pledges - Provision for uncollectible pledges is primarily based upon a three-year historical average, applied to gross campaign revenues, including donor designations. The allowance estimate is also affected by management's evaluation of the quality, character, current trends and inherent risks associated with the receivables.

Investments - Investments are carried at market value and are presented in the financial statements as assets whose use is limited (see Note 3). Realized and unrealized gains and losses are reflected in the statement of activities.

Property and Equipment - The Organization capitalizes assets with a cost greater than \$500 and an estimated useful life of one or more years. Purchased property and equipment is carried at cost. Donated property and equipment is recorded at market value when received. Provision for depreciation of all items of property and equipment is computed using the straight-line method over the estimated useful lives of the assets: 12 years for furniture and equipment and 3 years for software.

United Way of Snohomish County

Notes To Financial Statements

Note 1 - Continued

Designations Payable - Funds are distributed to over 800 not-for-profit agencies in accordance with donor instructions. To be eligible to receive these funds, a not-for-profit organization must have been granted exemption under 501(c)(3) of the Internal Revenue Code.

Assets Held as Fiscal Agent - United Way of Snohomish County acts as a fiscal agent for community initiatives. Funds are received and disbursed according to initiative directions. United Way of Snohomish County also acts as a processor or fiscal agent for large corporate United Way campaign accounts. United Way of Snohomish County also receives and processes funds for other United Ways that are raised by other United Ways or combined campaigns. These funds are not recorded as revenue and are included in assets held as fiscal agent until disbursed. An administrative fee may be taken for these services.

Contributions - Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period received. Contributions with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

Cost Deductions - The Organization has committed to and was in compliance with the Cost Deduction Requirements for Membership Standard M, as established by the United Way of America. The standard establishes uniform rules for deducting resource development and organizational administration expenses from donor pledges.

In-kind Contributions - Donated assets and services are reflected as contributions in the accompanying statements at their estimated values at date of receipt. Contributions of services are recognized if the services received create or enhance a non-financial asset or the services require specialized skills that are provided by individuals possessing those skills.

Advertising - Advertising costs are charged to operations when incurred. Advertising costs for the years ended March 31, 2005 and 2004 totaled \$110,431 and \$86,495, respectively.

Federal Income Tax - The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3); accordingly, no provision has been made for federal income tax in the accompanying financial statements.

Financial Instruments and Credit Risk Concentration - Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and investments. The Organization maintains its cash and investments in depository institution accounts that, at times, may exceed federally insured limits. The Organization limits its risk by placing its cash and investments only with high quality financial institutions.

United Way of Snohomish County

Notes To Financial Statements

Note 1 - Continued

Combined Federal Campaign - By agreement with the Local Federal Coordinating Committee (LFCC), the Organization acts as a Principal Combined Fund Organization (PCFO) in managing the Combined Federal Campaign (CFC) for the North Puget Sound Region of Washington. Established by the federal government in 1961, the CFC is the only authorized charitable fundraising campaign for federal employees, both civilian and military. The LFCC, comprised of local federal employees and authorized by CFC regulations, organizes the CFC and appoints a PCFO to manage the campaign.

For the 2003 campaign, which ended March 31, 2005, total campaign receipts were \$420,743 with total campaign disbursements and administrative expenses being \$348,765 and \$71,977, respectively.

Concentration - The Organization raised campaign contributions from one company and its employees representing 45% and 44% of campaign revenues for the years ending March 31, 2005 and 2004, respectively.

Comparative Totals for 2004 - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended March 31, 2004, from which the summarized information was derived.

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. These affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Reclassifications of Prior Year Balances - Certain reclassifications have been made to prior year accounts to conform with the presentation in the current year financial statements. The reclassifications have no effect on the previously reported change in net assets or net asset balances.

Note 2 - Pledges Receivable

Pledges receivable at March 31 are as follows:

	<u>2005</u>	<u>2004</u>
Receivable in less than one year	\$ 6,104,258	\$ 5,911,917
Allowance for uncollectible pledges	<u>(479,230)</u>	<u>(514,320)</u>
Total Pledges Receivable, net	<u>\$ 5,625,028</u>	<u>\$ 5,397,597</u>

United Way of Snohomish County

Notes To Financial Statements

Note 3 - Assets Whose Use Is Limited And Investments

Assets whose use is limited consist of investments. The majority of the Organization's investments are designated or restricted for the following non-current uses (also see Note 10):

	<u>2005</u>	<u>2004</u>
Board designated:		
Reserve fund	\$ 1,036,288	\$ 1,037,014
Evergreen endowment fund	590,759	569,984
Individual development accounts	<u>23,484</u>	<u>20,722</u>
Total board designated for non-current uses	1,650,531	1,677,720
Individual development accounts	<u>169,288</u>	<u>100,608</u>
Total Assets Whose Use Is Limited	\$ 1,819,819	\$ 1,728,328
Investments, undesignated and unrestricted	<u>184,119</u>	<u> </u>
Total	<u>\$ 2,003,938</u>	<u>\$ 1,728,328</u>

The investments noted above are composed of the following at March 31:

	<u>2005</u>	<u>2004</u>
Cash and cash equivalents	\$ 250,613	\$ 190,109
Mutual funds	302,053	201,476
Fixed income investments	698,113	633,801
Equity investments	<u>753,159</u>	<u>702,942</u>
Total Investments	<u>\$ 2,003,938</u>	<u>\$ 1,728,328</u>

Investment return for the years ended March 31 was as follows:

	<u>2005</u>	<u>2004</u>
Dividends and interest	\$ 61,337	\$ 42,876
Realized gains	14,526	20,543
Less: investment fees	<u>(11,416)</u>	<u>(4,624)</u>
	64,447	58,795
Unrealized (losses) gains	<u>(33,543)</u>	<u>22,983</u>
Total Investment Return	<u>\$ 30,904</u>	<u>\$ 81,778</u>

United Way of Snohomish County

Notes To Financial Statements

Note 4 - Property And Equipment

A summary of property and equipment is as follows:

	<u>2005</u>	<u>2004</u>
Software and computer equipment	\$ 470,957	\$ 446,119
Furniture and fixtures	<u>154,305</u>	<u>154,305</u>
	625,262	600,424
Less accumulated depreciation	<u>(527,687)</u>	<u>(486,131)</u>
Total Property and Equipment, net	<u>\$ 97,575</u>	<u>\$ 114,293</u>

Note 5 - Beneficial Interest In Assets Held By Others

In 2004, the Organization transferred \$100,000 to the Greater Everett Community Foundation (the Foundation) to establish the "Human Services Endowment in Honor of Bob Drewel" endowment fund. Under the terms of the agreement, distributions from the fund's earnings shall be made at mutually agreed-upon times, but at least annually, in accordance with the Foundation's resolutions, policies and procedures. Earnings in excess of the amount dictated by the application of the Foundation's spending policy are to be distributed to the Organization in any year as determined by the Foundation's Board of Directors, provided one of the following conditions is met: (1) the distribution is for the purpose of enabling the Organization to acquire or renovate a capital asset; (2) the Organization is faced with unexpected financial needs that are not likely to recur, and the distribution will enable the Organization to meet those needs, or (3) a change in economic conditions requires a distribution to provide for the funding of community impact grants by the Organization.

The Foundation's spending policy dictates that the Foundation, in any period, will not expend greater than fifty percent of the annual earnings of the fund. As the Organization retains beneficial interest in the excess earnings of the assets transferred, the Organization has recorded a beneficial interest equal to fifty percent of the assets transferred.

Note 6 - Line Of Credit

The Organization has available an unsecured line of credit with a borrowing maximum of \$500,000. The line accrues interest at the bank's prime rate plus .25% and renews on October 1, 2005. The Organization made no borrowings on the line of credit during 2005 and had a balance of \$0 as of March 31, 2005 and 2004.

United Way of Snohomish County

Notes To Financial Statements

Note 7 - Commitments

Operating Leases - The Organization leases office space under a lease agreement expiring June 30, 2007. The lease calls for payments of \$20,800 per month over the non-cancelable portion of the lease, which ends June 30, 2006. For the remaining lease term, either party may terminate the agreement upon proper notice.

Future minimum rentals as of March 31 under the non-cancelable portion of the operating lease is as follows:

<i>Years Ending March 31,</i>	
2006	\$ 249,600
2007	<u>62,400</u>
Total minimum rental payments	<u>\$ 312,000</u>

Rent expense for operating leases totaled \$244,581 for each of the years ended March 31, 2005 and 2004.

The Organization subleases a portion of its office space to a not-for-profit agency under a non-cancelable lease agreement.

Future minimum rental income to be received by the Organization under the lease is as follows:

<i>Years Ending March 31,</i>	
2006	\$ 123,192
2007	<u>30,798</u>
Total minimum rental payments to be received	<u>\$ 153,990</u>

Note 8 - Self Insurance

During the years ended March 31, 2005 and 2004, the Organization was a member of the Northwest Agency Trust (NWAT). NWAT facilitates the utilization by member agencies of the Reimbursement Financing Method of meeting obligations under State unemployment insurance statutes. As of March 31, 2005, the Organization had deposits with NWAT of \$35,620 and estimated incurred but not reported claims of \$6,435, which are reported in the statement of financial position as prepaid expenses and accrued expenses, respectively.

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Note 9 - Retirement Plan

The Organization sponsors a defined contribution plan that covers substantially all of its employees. Contributions to the defined contribution plan are determined as a percentage of each covered employee's salary. The Organization also offers a 403(b) thrift plan to employees who have completed one year of service and have attained age 21. Contributions to the 403(b) thrift plan are provided as a percentage match of a participant's salary up to a maximum of six percent. Pension expense for the years ended March 31, 2005 and 2004 under these plans was \$207,469 and \$230,064, respectively.

Note 10 - Designated By Board Of Directors

The Board of Directors of the Organization designated net assets for the following purposes at March 31:

	<u>2005</u>	<u>2004</u>
Outreach, opportunity and strategic alliance grants	\$ 285,158	\$ 311,924
Reserve fund	1,036,288	1,037,014
Evergreen endowment	590,759	569,984
Individual development accounts	<u>23,484</u>	<u>20,722</u>
	<u>\$ 1,935,689</u>	<u>\$ 1,939,644</u>

Note 11 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at March 31:

	<u>2005</u>	<u>2004</u>
Program services	\$ 349,633	\$ 108,258

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2005</u>	<u>2004</u>
Program services	\$ 78,744	\$

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Notes To Financial Statements

Note 12 - Prior Period Adjustments

During 2005, management determined the board designated grant funds were incorrectly accrued as a liability as of March 31, 2004. The effect of this prior period adjustment was a decrease to community impact grants payable of \$384,424, a decrease to gross funds awarded of \$311,924, an increase to beginning net assets of \$72,500 for the year ended March 31, 2004 and an overall increase to ending net assets at March 31, 2004 of \$384,424.

During 2005, management determined the allowance for uncollectible pledges had been overestimated as of March 31, 2004. The effect of this prior period adjustment was an increase in pledges receivable and beginning and ending net assets of \$120,680 as of and for the year ended March 31, 2004.

Management determined during 2005 that the beneficial interest in assets held by others had been overstated as of March 31, 2004. Management decided to change its method for calculating the estimate and to restate the prior years accordingly. The effect of this prior period adjustment was a decrease to beneficial interest in assets and gross funds awarded of \$50,000 as of March 31, 2004. This adjustment had the effect of decreasing net assets by \$50,000 as of March 31, 2004.

Management also determined the expected amounts not received under its fiscal agency agreements were recorded as both a receivable and related payable as of March 31, 2004. The effect of removing the receivable and payable were reductions of both the pledges receivable and assets held as fiscal agent by \$55,932 as of March 31, 2004.