

**UNITED WAY OF  
SOUTHERN KENTUCKY, INC.**

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**FINANCIAL STATEMENTS**

December 31, 2006 and 2005



**R O C K P H I L O S O P H Y**  
Passion for Excellence Integrity Leading by Example  
Lifetime Learning A Balanced Life Respect for Others

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**Holland CPAs**

Professional Service Corporation

R O C K P H I L O S O P H Y

Passion for Excellence Integrity Leading by Example  
Lifetime Learning A Balanced Life Respect for Others

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
United Way of Southern Kentucky, Inc.  
Bowling Green, Kentucky

We have audited the accompanying statements of financial position of **United Way of Southern Kentucky, Inc.** (the "Organization") as of December 31, 2006 and 2005, and the related statements of activities, 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 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 audits provide 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 Southern Kentucky, Inc.** as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Holland CPAs, PSC*

Bowling Green, Kentucky  
June 8, 2007

**UNITED WAY OF SOUTHERN KENTUCKY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
 December 31, 2006 and 2005

	2006				2005			
	ASSETS		ASSETS		ASSETS		ASSETS	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>ASSETS</b>								
Cash and cash equivalents	\$ 173,021	\$ 281,446	\$ 0	\$ 454,467	\$ 267,998	\$ 294,561	\$ 0	\$ 562,559
Investments	1,332,041	0	9,000	1,341,041	1,079,446	0	9,000	1,088,446
2006-2007 contributions receivable, less allowance for uncollectibles of \$191,375	0	1,503,499	0	1,503,499	0	0	0	0
2005-2006 contributions receivable, less allowance for uncollectibles of \$163,369 and \$183,338 for 2006 and 2005, respectively	163,648	0	0	163,648	0	1,453,729	0	1,453,729
2004-2005 contributions receivable, less allowance for uncollectibles of \$200,687 for 2005	0	0	0	0	145,488	0	0	145,488
Prepaid expenses	3,436	0	0	3,436	3,365	0	0	3,365
Rent receivable	0	0	0	0	660	0	0	660
Noncampaign receivable	8,199	0	0	8,199	2,691	0	0	2,691
Land, building and equipment, net	268,216	0	0	268,216	278,651	0	0	278,651
<b>TOTAL ASSETS</b>	<b>\$ 1,948,561</b>	<b>\$ 1,784,945</b>	<b>\$ 9,000</b>	<b>\$ 3,742,506</b>	<b>\$ 1,778,299</b>	<b>\$ 1,748,290</b>	<b>\$ 9,000</b>	<b>\$ 3,535,589</b>



**UNITED WAY OF SOUTHERN KENTUCKY, INC.**  
**STATEMENTS OF ACTIVITIES**  
For the Years Ended December 31, 2006 and 2005

	2006				2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>PUBLIC SUPPORT AND REVENUE</b>								
Gross campaign results – current year .....	\$ 208,308	\$ 0	\$ 0	\$ 208,308	\$ 98,182	\$ 0	\$ 0	\$ 98,182
Gross campaign results in prior year – released from restrictions.....	1,930,628	(1,930,628)	0	0	2,014,115	(2,014,115)	0	0
<b>Total Campaign Results – Current Year</b>	2,138,936	(1,930,628)	0	208,308	2,112,297	(2,014,115)	0	98,182
Less donor designations – net of fees .....	(272,548)	272,548	0	0	(313,835)	313,835	0	0
<b>Campaign Revenue</b>	1,866,388	(1,658,080)	0	208,308	1,798,462	(1,700,280)	0	98,182
Allowance for uncollectible pledges .....	(149,549)	149,549	0	0	(153,874)	153,874	0	0
<b>Net Campaign Revenue – Current Year</b>	1,716,839	(1,508,531)	0	208,308	1,644,588	(1,546,406)	0	98,182
Gross campaign results – next year .....	0	1,975,320	0	1,975,320	0	1,931,628	0	1,931,628
Less donor designations – net of fees .....	0	(276,322)	0	(276,322)	0	(272,548)	0	(272,548)
<b>Campaign Revenue – Next Year</b>	0	1,698,998	0	1,698,998	0	1,659,080	0	1,659,080
Allowance for uncollectible pledges .....	0	(156,738)	0	(156,738)	0	(149,549)	0	(149,549)
<b>Net Campaign Revenue – Next Year</b>	0	1,542,260	0	1,542,260	0	1,509,531	0	1,509,531
Designations from other United Ways .....	31,948	0	0	31,948	23,077	0	0	23,077
Other contributions .....	1,000	0	0	1,000	0	0	0	0
Investment return designated for current operations .....	110,547	0	0	110,547	61,548	0	0	61,548
Special events .....	26,446	0	0	26,446	47,188	0	0	47,188
Miscellaneous income .....	3,080	0	0	3,080	4,520	0	0	4,520
<b>TOTAL REVENUE</b>	1,889,860	33,729	0	1,923,589	1,790,921	(36,875)	0	1,744,046

EXPENSES											
<b>Program Services</b>											
Allocations.....	1,223,042	0	0	0	1,223,042	1,183,195	0	0	0	1,183,195	
Community capacity building .....	102,959	0	0	0	102,959	106,824	0	0	0	106,824	
<b>Total Program Services</b>	<b>1,326,011</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,326,011</b>	<b>1,290,019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,290,019</b>	
<b>Supporting Services</b>											
Management and general .....	197,110	0	0	0	197,110	178,140	0	0	0	178,140	
Fund raising.....	158,869	0	0	0	158,869	126,877	0	0	0	126,877	
Marketing.....	72,278	0	0	0	72,278	87,822	0	0	0	87,822	
United Way of America dues.....	20,815	0	0	0	20,815	20,170	0	0	0	20,170	
<b>Total Supporting Services</b>	<b>449,072</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>449,072</b>	<b>413,009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>413,009</b>	
<b>TOTAL EXPENSES</b>	<b>1,775,083</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,775,083</b>	<b>1,703,028</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,703,028</b>	
<b>CHANGE IN NET ASSETS</b>	<b>114,777</b>	<b>33,729</b>	<b>0</b>	<b>0</b>	<b>148,506</b>	<b>77,893</b>	<b>(36,875)</b>	<b>0</b>	<b>0</b>	<b>41,018</b>	
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,056,225</b>	<b>1,509,531</b>	<b>9,000</b>	<b>2,574,756</b>	<b>978,332</b>	<b>1,546,406</b>	<b>9,000</b>	<b>2,533,738</b>			
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,171,002</b>	<b>\$ 1,543,260</b>	<b>\$ 9,000</b>	<b>\$ 2,723,262</b>	<b>\$ 1,056,225</b>	<b>\$ 1,509,531</b>	<b>\$ 9,000</b>	<b>\$ 2,574,756</b>			

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

**UNITED WAY OF SOUTHERN KENTUCKY, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets .....	\$ 148,506	\$ 41,018
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation .....	15,323	16,387
Realized and unrealized gain on investment securities .....	(63,508)	(27,522)
Contribution of stock .....	(9,373)	(16,219)
(Increase) decrease in contributions receivable, net .....	(67,930)	92,531
Increase in prepaid expenses .....	(71)	(1,011)
Increase in other current assets .....	(4,848)	(3,131)
Decrease in accounts payable .....	(885)	(3,189)
Decrease in accrued expenses .....	(162)	(2,605)
Increase (decrease) in allocations/designations payable .....	59,458	(25,619)
<b>Net Cash Provided By Operating Activities</b>	<u>76,510</u>	<u>70,640</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets .....	(4,888)	0
Proceeds from redemption and sale of investment securities .....	315,703	447,535
Purchase of investment securities .....	(495,417)	(562,000)
<b>Net Cash Used In Investing Activities</b>	<u>(184,602)</u>	<u>(114,465)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS .....</b>	<b>(108,092)</b>	<b>(43,825)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR .....</b>	<b>562,559</b>	<b>606,384</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 454,467</u></b>	<b><u>\$ 562,559</u></b>

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



**UNITED WAY OF SOUTHERN KENTUCKY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Years Ended December 31, 2006 and 2005

	2006							
	Program Services		Support Services					
	Community Capacity Building	Total	Management and General	Fund Raising			Marketing	UWA Dues
<b>EXPENSES</b>								
Allocations.....	\$ 1,424,456	\$ 79,000	\$ 1,503,456	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Less donor designations – net of fees and shrinkage.....	(238,759)	0	(238,759)	0	0	0	0	0
	1,185,697	79,000	1,264,697	0	0	0	0	1,264,697
Salaries.....	24,296	14,820	39,116	99,571	85,181	41,456	0	266,324
Fringe benefits.....	6,186	3,773	9,959	25,354	21,688	10,555	0	67,556
	30,482	18,593	49,075	124,925	106,869	52,011	0	332,880
Payments to affiliates.....	572	349	921	2,342	2,005	976	0	6,244
Dues/subscriptions.....	0	0	0	621	541	300	0	1,462
Supplies.....	677	413	1,090	2,772	3,940	1,154	0	7,866
Utilities.....	1,245	760	2,005	5,105	4,366	2,125	0	13,601
Marketing materials and programs.....	0	1,187	1,187	3,298	25,824	8,256	0	37,378
Training.....	437	267	704	1,793	1,534	746	0	4,073
Insurance.....	502	307	809	2,060	1,762	857	0	4,679
Purchased services.....	0	0	0	40,134	0	0	0	40,134
Repairs and maintenance.....	773	472	1,245	3,169	2,711	1,319	0	7,199
Travel.....	1,195	729	1,924	4,899	4,190	2,039	0	11,128
Miscellaneous.....	59	36	95	241	208	101	0	550
Depreciation expense.....	1,403	856	2,259	5,751	4,919	2,394	0	13,064
United Way of America dues.....	6,863	5,376	12,239	72,185	52,000	20,267	0	144,452
	0	0	0	0	0	0	20,815	20,815
<b>TOTAL EXPENSES</b>	<b>\$ 1,223,042</b>	<b>\$ 102,969</b>	<b>\$ 1,326,011</b>	<b>\$ 197,110</b>	<b>\$ 158,869</b>	<b>\$ 72,278</b>	<b>\$ 20,815</b>	<b>\$ 449,072</b>
								<b>\$ 1,775,083</b>

	Program Services			Support Services					Total
	Community Capacity Building	Allocations	Total	Management and General	Fund Raising	Marketing	UWA Dues	Total	
Expenses:									
Less donor designations – net of fees and shrinkage:									
Allocations:	\$ 1,428,655	\$ 44,197	\$ 1,472,852	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,472,852
	(275,296)	0	(275,296)	0	0	0	0	0	(275,296)
	1,153,359	44,197	1,197,556	0	0	0	0	0	1,197,556
Salaries:	19,237	38,634	57,871	87,250	71,079	41,365	0	199,694	257,565
Fringe benefits:	5,336	10,643	15,979	24,103	19,634	11,425	0	55,162	71,141
	24,573	49,277	73,850	111,353	90,713	52,790	0	254,856	328,706
Payments to affiliates:	456	911	1,367	2,062	1,680	977	0	4,719	6,086
Dues/subscriptions:	0	0	0	645	547	367	0	1,559	1,559
Supplies:	647	1,291	1,938	2,924	5,245	1,386	0	9,555	11,493
Utilities:	926	1,848	2,774	4,183	3,408	1,983	0	9,574	12,348
Marketing materials and programs:	0	2,846	2,846	1,425	13,383	23,391	0	38,199	41,045
Training:	367	733	1,100	1,659	1,352	787	0	3,798	4,898
Insurance:	379	757	1,136	1,713	1,395	812	0	3,920	5,056
Purchased services:	0	0	0	40,938	0	0	0	40,938	40,938
Repairs and maintenance:	643	1,284	1,927	2,906	2,367	1,378	0	6,651	8,578
Travel:	577	1,150	1,727	2,604	2,121	1,235	0	5,960	7,687
Miscellaneous:	39	78	117	176	144	84	0	404	521
Depreciation expense:	1,229	2,452	3,681	5,552	4,522	2,632	0	12,706	16,387
	5,253	13,350	18,613	66,787	36,164	35,032	0	137,983	156,596
United Way of America dues:	0	0	0	0	0	0	20,170	20,170	20,170
<b>TOTAL EXPENSES</b>	<b>\$ 1,183,195</b>	<b>\$ 106,824</b>	<b>\$ 1,290,019</b>	<b>\$ 178,140</b>	<b>\$ 126,877</b>	<b>\$ 87,822</b>	<b>\$ 20,170</b>	<b>\$ 413,009</b>	<b>\$ 1,703,028</b>

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

# UNITED WAY OF SOUTHERN KENTUCKY, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

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### NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### • Nature of Activities

The *United Way of Southern Kentucky, Inc.* (the "Organization") is a non-profit organization incorporated in the State of Kentucky in 1967 and governed by a volunteer Board of Directors. The Organization is a multi-county enterprise serving Allen, Barren, Logan, Simpson and Warren Counties. The mission of the Organization is "to lead the volunteer effort in uniting, mobilizing and investing resources to efficiently serve human service needs in the community." Over the years, the Organization has evolved from that of a federated fund raiser or umbrella organization to one which identifies and addresses critical community problems. Shrinking financial resources and increased demand for human services have precipitated that change. Through a community-wide campaign, a local citizens' review process and a program of community education, the Organization acts as a catalyst to help the community identify and resolve health and human care problems.

#### • Basis of Presentation

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

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Donated assets are reported at fair market value as of the date of the gift.

**UNITED WAY OF SOUTHERN KENTUCKY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2006 and 2005

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

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the entity reports the support as unrestricted. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value.

The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of contributions.

• **Cash and Cash Equivalents**

Cash and cash equivalents include bank deposits and highly liquid debt instruments with original maturities of three months or less. The carrying amount reported in the statement of financial position approximates fair value.

• **Investment Securities**

Investments in marketable securities with readily determinable fair values and all investments in debt and equity securities are valued at their fair values based on quoted market prices in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

• **Land, Buildings and Equipment**

Land, buildings and equipment in excess of \$500 with a useful life of one year or more are capitalized and recorded at cost. Depreciation is computed by the straight-line method at rates based on the estimated useful lives. The estimated useful lives range from three to forty years.

**UNITED WAY OF SOUTHERN KENTUCKY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2006 and 2005

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

• **Allocations and Grants Payable**

Allocations and grants are recorded as expense during the year of approval.

• **Donor Designations**

Donor-designated contributions are not revenue when pledged or received or expensed when allocated. Donor designations are considered agent transactions in which the Organization is the agent through which donors make contributions to specific donees.

• **Contributed Services and Materials**

The Organization receives services donated by volunteers, as well as some materials and equipment. The donation of services is recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Management records contributed services when meeting the criteria for recognition, and materials and equipment as contributions at their estimated fair values at the date of the donation.

During the years ended December 31, 2006 and 2005, the value of contributed services meeting the requirements for recognition in the financial statements was not significant and has not been recorded.

• **Functional Expenses**

The Organization will apply expenses to functional areas based on the best information possible. Most expenses will be allocated according to the functional time sheet. Other direct expenses will be allocated to the appropriate function. The Organization uses the following categories for reporting functional expenses:

**UNITED WAY OF SOUTHERN KENTUCKY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2006 and 2005

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

**Program Services**

- ▶ **Allocations** — Includes recruitment and training of volunteers to evaluate and make recommendations as to the level of funding specific nonprofit organizations receive as well as consulting with boards of directors and staffs of community charities during the distribution of funds process. Evaluates programs to determine how the Organization's donor dollars will be invested; monitors programs to ensure accountability and measures results and outcomes; includes actual funding to non-profit organizations based on the policies and procedures mentioned above.
  
- ▶ **Community Capacity Building** — Includes research aimed at identification and resolution of community problems that impact the quality of life in the community; provides information and education to the public regarding the community's most critical human needs; analyzes and reviews human services agencies and programs to ensure they are meeting the most critical community needs. Actual funding to identified agencies is determined annually.

**Support Services**

- ▶ **Management and General** — Includes oversight board meetings, business management, executive direction and planning, personnel and office management, accounting and bookkeeping, general record keeping and file maintenance, budgeting, financing, soliciting revenue from exchange transactions and all management and administration except for direct conduct of program services or fund raising activities.
  
- ▶ **Fund Raising** — Includes publicizing and conducting fund raising campaigns, maintaining donor mailing lists, conducting special fund raising events, preparing and distributing fund raising manuals, instructions and other materials, and conducting other activities involved with soliciting contributions from individuals, foundations, governments and others. Also includes the recruitment, training and development of volunteers to solicit donations from corporations and individuals to fund operating and allocation expenses.

**UNITED WAY OF SOUTHERN KENTUCKY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2006 and 2005**

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

- ▶ **Marketing** — Includes recruitment, training, employee meetings, mailings, brochures, pledge cards, promotional materials, company visits or other activities related to educating the public about the mission, purpose and activities of the Organization.
  
- ▶ **UWA Dues** — Includes the dues charged by the national office of the United Way of America.

• **Federal Income Taxes**

The Organization qualifies for an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

• **Concentrations of Credit Risk**

The Organization has concentrations of credit risk in contributions receivable. The collection of outstanding contributions is heavily dependent upon the economic stability of local industries.

• **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

• **Reclassifications**

Amounts in the December 31, 2005 financial statements have been reclassified to be comparable with the December 31, 2006 financial statement presentation. The reclassifications had no impact on the December 31, 2005 change in net assets.

**UNITED WAY OF SOUTHERN KENTUCKY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2006 and 2005**

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**NOTE 2: INVESTMENT SECURITIES**

At December 31, 2006 and 2005, investments are stated at fair value as follows:

	2006		
	Amortized Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash management funds .....	\$ 31,699	\$ 31,699	\$ 0
Mutual funds .....	488,460	565,005	76,545
Bonds.....	574,166	571,073	(3,093)
Common stock.....	4,996	5,299	303
Preferred stock .....	9,122	9,129	7
Certificates of deposit.....	158,836	158,836	0
	<b>\$ 1,267,279</b>	<b>\$ 1,341,041</b>	<b>\$ 73,762</b>

	2005		
	Amortized Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash management funds .....	\$ 18,834	\$ 18,834	\$ 0
Mutual funds .....	515,441	587,101	71,660
Bonds.....	469,422	473,511	4,089
Preferred stock .....	9,000	9,000	0
	<b>\$ 1,012,697</b>	<b>\$ 1,088,446</b>	<b>\$ 75,749</b>



**UNITED WAY OF SOUTHERN KENTUCKY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2006 and 2005**

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**NOTE 2: INVESTMENT SECURITIES (Continued)**

	<b>2006</b>	<b>2005</b>
Investment return is summarized as follows:		
Interest income .....	\$ 19,575	\$ 10,458
Dividend income .....	27,464	23,568
Net realized/unrealized gains (losses) .....	63,508	27,522
<b>Investment Return Designated for Current Operations</b>	<b>\$ 110,547</b>	<b>\$ 61,548</b>

**NOTE 3: LAND, BUILDINGS AND EQUIPMENT**

At December 31, 2006 and 2005, the costs and related accumulated depreciation of land, buildings and equipment consists of the following:

	<b>2006</b>	<b>2005</b>
Land.....	\$ 26,000	\$ 26,000
Buildings and improvements .....	303,024	300,799
Equipment .....	157,008	154,345
	486,032	481,144
Less: accumulated depreciation.....	(217,816)	(202,493)
	<b>\$ 268,216</b>	<b>\$ 278,651</b>

**UNITED WAY OF SOUTHERN KENTUCKY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2006 and 2005

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**NOTE 4: PENSION PLAN**

The Organization has established a defined contribution pension plan for the benefit of its employees. The plan is non-contributory and is administered by Mutual of America. Under the plan, 7% of the employee's salary is contributed to an account for each individual employee and accrued for their benefit. An employee must have one year of service with any **United Way** organization before they can participate in the plan and five years of **United Way** service to become fully vested under the plan. During 2006 and 2005, the Organization contributed \$21,365 and \$21,790 to the plan, respectively.

**NOTE 5: UNITED WAY MEMBER AGENCIES**

The Organization has entered into agreements with United Way Agencies in Southern Kentucky to provide funding to these approved agencies. During 2006 and 2005, the Organization made payments to these affiliated agencies of \$1,141,723 and \$1,104,500, respectively.

**NOTE 6: NET ASSETS RELEASED FROM TEMPORARY RESTRICTIONS**

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

	<u>2006</u>	<u>2005</u>
Time restrictions expired.....	\$ (1,509,531)	\$ (1,546,406)
<b>Total Restrictions Released</b>	<b><u>\$ (1,509,531)</u></b>	<b><u>\$ (1,546,406)</u></b>

**UNITED WAY OF SOUTHERN KENTUCKY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2006 and 2005**

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**NOTE 7:        ENDOWMENT FUND**

On June 13, 2006 the Organization entered into an Endowment Fund Agreement ("Agreement") with the Bowling Green-Warren Community Foundation, Inc ("Foundation") to establish the "United Way Endowment Fund." The objective of the endowment fund is to provide support for various services and programs of the Organization to be administered through the Board of Directors.

The fund was established with an initial transfer of \$10,000 from the Organization's unrestricted net assets and is intended to include any other properties that later may be transferred to the Foundation for inclusion in the Fund from either donor contributions or additional transfers of unrestricted net assets, as approved by the Board. The assets are held by the Foundation, acting in a fiduciary capacity, and all investment decisions and services are provided by the Foundation. Income and principal from the Fund will be applied to any service, program or other need of the Organization, the application and expenditure of which will be at the sole discretion of the Organization's Board. As of December 31, 2006, the Organization is pursuing other funding sources to increase the endowment fund.