

# United Way of Southern Kentucky, Inc.

Financial Statements

December 31, 2008 and 2007



# Contents

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## 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, 2008 and 2007, 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, 2008 and 2007, 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, 2009

**United Way of Southern Kentucky, Inc.**  
**Statements of Financial Position**  
December 31, 2008 and 2007

	<b>Assets</b>							
	<b>2008</b>				<b>2007</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Assets</b>								
Cash and cash equivalents.....	\$ 78,852	\$ 287,370	\$ 0	\$ 366,222	\$ 211,277	\$ 280,111	\$ 0	\$ 491,388
Investments .....	1,062,694	0	9,000	1,071,694	1,394,998	0	9,000	1,403,998
2008–2009 contributions receivable, less allowance for uncollectible of \$253,420 .....	0	1,282,494	0	1,282,494	0	0	0	0
2007–2008 contributions receivable, less allowance for uncollectible of \$208,625 and \$172,785 for 2008 and 2007, respectively .....	139,565	0	0	139,565	0	1,363,324	0	1,363,324
2006–2007 contributions receivable, less allowance for uncollectible of \$194,288 for 2007 .....	0	0	0	0	136,393	0	0	136,393
Prepaid expenses .....	5,328	0	0	5,328	3,570	0	0	3,570
Noncampaign receivable .....	4,217	0	0	4,217	4,277	0	0	4,277
Land, building and equipment, net .....	272,597	0	0	272,597	267,646	0	0	267,646
Other assets .....	6,308	0	0	6,308	4,433	0	0	4,433
<b>Total Assets</b>	<b>\$ 1,569,561</b>	<b>\$ 1,569,864</b>	<b>\$ 9,000</b>	<b>\$ 3,148,425</b>	<b>\$ 2,022,594</b>	<b>\$ 1,643,435</b>	<b>\$ 9,000</b>	<b>\$ 3,675,029</b>

### Liabilities and Net Assets

	2008				2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Liabilities</b>								
Accounts payable .....	\$ 2,390	\$ 0	\$ 0	\$ 2,390	\$ 560	\$ 0	\$ 0	\$ 560
Accrued expenses .....	10,057	0	0	10,057	6,321	0	0	6,321
2007–2008 allocations payable .....	627,025	0	0	627,025	0	0	0	0
2006–2007 allocations payable .....	0	0	0	0	642,111	0	0	642,111
Designations payable, net of allowance for uncollectibles of \$38,194 and \$28,254 for 2008 and 2007, respectively .....	83,773	166,028	0	249,801	105,131	206,514	0	311,645
<b>Total Liabilities</b>	723,245	166,028	0	889,273	754,123	206,514	0	960,637
<b>Net Assets</b>								
Unrestricted:								
Operating .....	835,425	0	0	835,425	1,256,807	0	0	1,256,807
Endowment fund – Board designated .....	10,891	0	0	10,891	11,664	0	0	11,664
Temporarily restricted .....	0	1,403,836	0	1,403,836	0	1,436,921	0	1,436,921
Permanently restricted .....	0	0	9,000	9,000	0	0	9,000	9,000
<b>Total Net Assets</b>	846,316	1,403,836	9,000	2,259,152	1,268,471	1,436,921	9,000	2,714,392
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,569,561</b>	<b>\$ 1,569,864</b>	<b>\$ 9,000</b>	<b>\$ 3,148,425</b>	<b>\$ 2,022,594</b>	<b>\$ 1,643,435</b>	<b>\$ 9,000</b>	<b>\$ 3,675,029</b>

**United Way of Southern Kentucky, Inc.**  
**Statements of Activities**  
For the Years Ended December 31, 2008 and 2007

	2008				2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support and Revenue</b>								
Gross campaign results – current year.....	\$ 201,466	\$ 40,833	\$ 0	\$ 242,299	\$ 167,908	\$ 0	\$ 0	\$ 167,908
Gross campaign results in prior year – released from restrictions.....	1,815,220	(1,815,220)	0	0	1,975,320	(1,975,320)	0	0
<b>Total Campaign Results – Current Year</b>	2,016,686	(1,774,387)	0	242,299	2,143,228	(1,975,320)	0	167,908
Less: donor designations – net of fees.....	(234,767)	234,767	0	0	(276,322)	276,322	0	0
<b>Campaign Revenue</b>	1,781,919	(1,539,620)	0	242,299	1,866,906	(1,698,998)	0	167,908
Allowance for uncollectible pledges .....	(144,532)	144,532	0	0	(156,738)	156,738	0	0
<b>Net Campaign Revenue – Current Year</b>	1,637,387	(1,395,088)	0	242,299	1,710,168	(1,542,260)	0	167,908
Gross campaign results – next year.....	0	1,781,451	0	1,781,451	0	1,815,220	0	1,815,220
Less: donor designations – net of fees.....	0	(203,436)	0	(203,436)	0	(234,767)	0	(234,767)
<b>Campaign Revenue – Next Year</b>	0	1,578,015	0	1,578,015	0	1,580,453	0	1,580,453
Allowance for uncollectible pledges .....	0	(216,012)	0	(216,012)	0	(144,532)	0	(144,532)
<b>Net Campaign Revenue – Next Year</b>	0	1,362,003	0	1,362,003	0	1,435,921	0	1,435,921
Balloons, Tunes & BBQ revenue.....	210,799	0	0	210,799	226,738	0	0	226,738
Less: costs of Balloons, Tunes & BBQ.....	(182,951)	0	0	(182,951)	(211,507)	0	0	(211,507)
Other special events .....	14,930	0	0	14,930	20,373	0	0	20,373
<b>Net Revenue From Special Events</b>	42,778	0	0	42,778	35,604	0	0	35,604

Designations from other United Ways .....	22,749	0	0	22,749	25,465	0	0	25,465
Investment return designated for current operations .....	(271,691)	0	0	(271,691)	132,695	0	0	132,695
Miscellaneous income .....	1,344	0	0	1,344	1,560	0	0	1,560
<b>Total Revenue</b>	<b>1,432,567</b>	<b>(33,085)</b>	<b>0</b>	<b>1,399,482</b>	<b>1,905,492</b>	<b>(106,339)</b>	<b>0</b>	<b>1,799,153</b>
<b>Expenses</b>								
<b>Program Services</b>								
Allocations .....	1,271,386	0	0	1,271,386	1,270,289	0	0	1,270,289
Community capacity building .....	113,400	0	0	113,400	88,747	0	0	88,747
<b>Total Program Services</b>	<b>1,384,786</b>	<b>0</b>	<b>0</b>	<b>1,384,786</b>	<b>1,359,036</b>	<b>0</b>	<b>0</b>	<b>1,359,036</b>
<b>Supporting Services</b>								
Management and general .....	221,437	0	0	221,437	189,058	0	0	189,058
Fund raising .....	163,215	0	0	163,215	199,457	0	0	199,457
Marketing .....	64,622	0	0	64,622	40,155	0	0	40,155
United Way of America dues .....	20,662	0	0	20,662	20,317	0	0	20,317
<b>Total Supporting Services</b>	<b>469,936</b>	<b>0</b>	<b>0</b>	<b>469,936</b>	<b>448,987</b>	<b>0</b>	<b>0</b>	<b>448,987</b>
<b>Total Expenses</b>	<b>1,854,722</b>	<b>0</b>	<b>0</b>	<b>1,854,722</b>	<b>1,808,023</b>	<b>0</b>	<b>0</b>	<b>1,808,023</b>
<b>Change in Net Assets</b> .....	<b>(422,155)</b>	<b>(33,085)</b>	<b>0</b>	<b>(455,240)</b>	<b>97,469</b>	<b>(106,339)</b>	<b>0</b>	<b>(8,870)</b>
<b>Net Assets, Beginning of Year</b> .....	<b>1,268,471</b>	<b>1,436,921</b>	<b>9,000</b>	<b>2,714,392</b>	<b>1,171,002</b>	<b>1,543,260</b>	<b>9,000</b>	<b>2,723,262</b>
<b>Net Assets, End of Year</b>	<b>\$ 846,316</b>	<b>\$ 1,403,836</b>	<b>\$ 9,000</b>	<b>\$ 2,259,152</b>	<b>\$ 1,268,471</b>	<b>\$ 1,436,921</b>	<b>\$ 9,000</b>	<b>\$ 2,714,392</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets .....	\$ (455,240)	\$ (8,870)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation .....	18,904	14,365
Loss on disposal of fixed asset .....	384	0
Realized and unrealized gain on investment securities .....	328,706	(74,661)
Contribution of stock.....	(5,998)	(12,661)
Decrease in contributions receivable, net .....	77,658	167,430
Increase in prepaid expenses .....	(1,758)	(134)
Increase in other current assets.....	(1,815)	(511)
Increase (decrease) in accounts payable .....	1,830	(4,844)
Increase in accrued expenses .....	3,736	3,533
Decrease in allocations/designations payable .....	(76,930)	(57,295)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>(110,523)</u>	<u>26,352</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of fixed assets .....	(24,239)	(13,795)
Proceeds from redemption and sale of investment securities.....	237,333	248,534
Purchase of investment securities .....	(227,737)	(224,170)
<b>Net Cash Provided By (Used In) Investing Activities</b>	<u>(14,643)</u>	<u>10,569</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents .....</b>	(125,166)	36,921
<b>Cash and Cash Equivalents – Beginning of Year.....</b>	<u>491,388</u>	<u>454,467</u>
<b>Cash and Cash Equivalents – End of Year</b>	<u><u>\$ 366,222</u></u>	<u><u>\$ 491,388</u></u>

*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, 2008 and 2007

	2008									
	Program Services			Support Services						
	Allocations	Community Capacity Building	Total	Management and General	Fund Raising	Marketing	UWA Dues	Total	Total	
<b>Expenses</b>										
Allocations .....	\$ 1,445,056	\$ 13,100	\$ 1,458,156	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,458,156	
Less donor designations – net of fees and shrinkage.....	(206,514)	0	(206,514)	0	0	0	0	0	(206,514)	
	<u>1,238,542</u>	<u>13,100</u>	<u>1,251,642</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,251,642</u>	
Salaries.....	20,836	61,110	81,946	110,066	90,229	36,777	0	237,072	319,018	
Fringe benefits.....	5,749	16,863	22,612	30,371	24,898	10,147	0	65,416	88,028	
	<u>26,585</u>	<u>77,973</u>	<u>104,558</u>	<u>140,437</u>	<u>115,127</u>	<u>46,924</u>	<u>0</u>	<u>302,488</u>	<u>407,046</u>	
Payments to affiliates.....	405	1,187	1,592	2,139	1,753	715	0	4,607	6,199	
Dues/subscriptions.....	0	0	0	512	438	239	0	1,189	1,189	
Supplies.....	354	1,039	1,393	1,871	5,413	625	0	7,909	9,302	
Utilities.....	975	2,860	3,835	5,151	4,222	1,721	0	11,094	14,929	
Marketing materials and programs.....	0	3,969	3,969	2,852	16,665	6,412	0	25,929	29,898	
Training.....	1,038	3,044	4,082	5,484	4,495	1,832	0	11,811	15,893	
Insurance.....	400	1,173	1,573	2,114	1,733	706	0	4,553	6,126	
Purchased services.....	0	0	0	44,570	0	0	0	44,570	44,570	
Repairs and maintenance.....	678	1,990	2,668	3,584	2,938	1,197	0	7,719	10,387	
Travel.....	1,061	3,112	4,173	5,604	4,594	1,873	0	12,071	16,244	
Miscellaneous.....	113	332	445	597	490	199	0	1,286	1,731	
Depreciation expense.....	1,235	3,621	4,856	6,522	5,347	2,179	0	14,048	18,904	
	<u>6,259</u>	<u>22,327</u>	<u>28,586</u>	<u>81,000</u>	<u>48,088</u>	<u>17,698</u>	<u>0</u>	<u>146,786</u>	<u>175,372</u>	
United Way of America dues.....	0	0	0	0	0	0	20,662	20,662	20,662	
<b>Total Expenses</b>	<b>\$ 1,271,386</b>	<b>\$ 113,400</b>	<b>\$ 1,384,786</b>	<b>\$ 221,437</b>	<b>\$ 163,215</b>	<b>\$ 64,622</b>	<b>\$ 20,662</b>	<b>\$ 469,936</b>	<b>\$ 1,854,722</b>	

	2007									
	Program Services			Support Services						Total
	Allocations	Community Capacity Building	Total	Management and General	Fund Raising	Marketing	UWA Dues	Total		
<b>Expenses</b>										
Allocations .....	\$ 1,475,545	\$ 55,079	\$ 1,530,624	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,530,624
Less donor designations – net of fees and shrinkage.....	(241,685)	0	(241,685)	0	0	0	0	0	0	(241,685)
	<u>1,233,860</u>	<u>55,079</u>	<u>1,288,939</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,288,939</u>
Salaries.....	23,711	21,819	45,530	94,511	114,967	23,294	0	232,772		278,302
Fringe benefits.....	6,786	6,245	13,031	27,050	32,905	6,667	0	66,622		79,653
	<u>30,497</u>	<u>28,064</u>	<u>58,561</u>	<u>121,561</u>	<u>147,872</u>	<u>29,961</u>	<u>0</u>	<u>299,394</u>		<u>357,955</u>
Payments to affiliates.....	520	478	998	2,069	2,518	509	0	5,096		6,094
Dues/subscriptions.....	0	0	0	620	736	218	0	1,574		1,574
Supplies.....	424	390	814	1,690	6,507	417	0	8,614		9,428
Utilities.....	1,178	1,084	2,262	4,696	5,712	1,157	0	11,565		13,827
Marketing materials and programs.....	0	146	146	1,491	17,636	4,149	0	23,276		23,422
Training.....	294	270	564	1,171	1,425	289	0	2,885		3,449
Insurance.....	478	440	918	1,906	2,319	470	0	4,695		5,613
Purchased services.....	0	0	0	41,742	0	0	0	41,742		41,742
Repairs and maintenance .....	709	653	1,362	2,827	3,439	697	0	6,963		8,325
Travel .....	1,042	959	2,001	4,155	5,054	1,024	0	10,233		12,234
Miscellaneous .....	63	58	121	251	305	62	0	618		739
Depreciation expense .....	1,224	1,126	2,350	4,879	5,934	1,202	0	12,015		14,365
	<u>5,932</u>	<u>5,604</u>	<u>11,536</u>	<u>67,497</u>	<u>51,585</u>	<u>10,194</u>	<u>0</u>	<u>129,276</u>		<u>140,812</u>
United Way of America dues.....	0	0	0	0	0	0	20,317	20,317		20,317
<b>Total Expenses</b>	<b>\$ 1,270,289</b>	<b>\$ 88,747</b>	<b>\$ 1,359,036</b>	<b>\$ 189,058</b>	<b>\$ 199,457</b>	<b>\$ 40,155</b>	<b>\$ 20,317</b>	<b>\$ 448,987</b>		<b>\$ 1,808,023</b>

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

**United Way of Southern Kentucky, Inc.**  
**Notes To Financial Statements**  
**December 31, 2008 and 2007**

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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, 2008 and 2007

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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.

Contributions receivable are expected to be collected within a one year period. 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, 2008 and 2007

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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, 2008 and 2007, for the annual campaign, 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, 2008 and 2007

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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, 2008 and 2007

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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.

▶ *Allowance for Uncollectible Contributions Receivable*

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for uncollectible contributions receivable.

**United Way of Southern Kentucky, Inc.**  
**Notes to Financial Statements (Continued)**  
December 31, 2008 and 2007

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**Note 2: Investment Securities**

At December 31, 2008 and 2007, investments are stated at fair value as follows:

	<b>2008</b>		
	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Unrealized Appreciation (Depreciation)</b>
Cash management funds .....	\$ 66,266	\$ 66,266	\$ 0
Mutual funds .....	439,579	336,857	(102,722)
Bonds.....	742,346	596,845	(145,501)
Common stock.....	3,771	3,221	(550)
Preferred stock .....	9,547	9,468	(79)
Certificates of deposit .....	59,037	59,037	0
	<b>\$ 1,320,546</b>	<b>\$ 1,071,694</b>	<b>\$ (248,852)</b>

  

	<b>2007</b>		
	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Unrealized Appreciation (Depreciation)</b>
Cash management funds .....	\$ 79,413	\$ 79,413	\$ 0
Mutual funds .....	389,279	482,835	93,556
Bonds.....	708,565	716,144	7,579
Common stock.....	4,475	4,865	390
Preferred stock .....	9,089	9,096	7
Certificates of deposit .....	111,645	111,645	0
	<b>\$ 1,302,466</b>	<b>\$ 1,403,998</b>	<b>\$ 101,532</b>



**United Way of Southern Kentucky, Inc.**  
**Notes to Financial Statements (Continued)**  
December 31, 2008 and 2007

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**Note 2: Investment Securities (Continued)**

	<b>2008</b>	<b>2007</b>
Investment return is summarized as follows:		
Interest income .....	\$ 10,064	\$ 24,892
Dividend income .....	46,951	33,142
Net realized/unrealized gains .....	(328,706)	74,661
<b>Investment Return Designated for Current Operations</b>	<b>\$ (271,691)</b>	<b>\$ 132,695</b>

**Note 3: Land, Buildings and Equipment**

At December 31, 2008 and 2007, the costs and related accumulated depreciation of land, buildings and equipment consists of the following:

	<b>2008</b>	<b>2007</b>
Land.....	\$ 26,000	\$ 26,000
Buildings and improvements .....	305,064	303,024
Equipment .....	192,402	170,804
	523,466	499,828
Less: accumulated depreciation.....	(250,869)	(232,182)
	<b>\$ 272,597</b>	<b>\$ 267,646</b>

**United Way of Southern Kentucky, Inc.**  
**Notes to Financial Statements (Continued)**  
December 31, 2008 and 2007

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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 2008 and 2007, the Organization contributed \$25,571 and \$24,581 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 2008 and 2007, the Organization made payments to these affiliated agencies of \$1,193,542 and \$1,183,287, 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.

	2008	2007
Time restrictions expired .....	\$ (1,395,088)	\$ (1,542,260)
<b>Total Restrictions Released</b>	<b>\$ (1,395,088)</b>	<b>\$ (1,542,260)</b>

**United Way of Southern Kentucky, Inc.**  
**Notes to Financial Statements (Continued)**  
December 31, 2008 and 2007

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**Note 7: Endowment Fund**

The Organization has 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 Organization 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 Organization 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 Organization 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, 2008 and 2007, the Organization is pursuing other funding sources to increase the endowment fund. The fair market value of the endowment fund at December 31, 2008 was \$10,891.

In the year 2008, the Organization had the following Board designated endowment related activities:

	<b>2008</b>
Investment return:	
Investment income .....	\$ 422
Net depreciation .....	(1,195)
Total investment return .....	(773)
Contributions to endowment.....	0
Amounts appropriated for expenditure .....	0
<b>Total Change in Endowment Funds</b>	<b>\$ (773)</b>

**United Way of Southern Kentucky, Inc.**  
**Notes to Financial Statements (Continued)**  
December 31, 2008 and 2007

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**Note 8: Fair Value Disclosures**

Effective January 1, 2008 the Organization adopted Statement of Financial Accounting Standards (SFAS) No. 157 Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 applies whenever other standards require or permit assets or liabilities to be measured at fair value, but does not require any new fair value measurements. The Organization applied SFAS No. 157 prospectively as of the beginning of the year.

SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access at the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Following is a description of the valuation method used for instruments measured at fair value on a recurring basis. For this disclosure, the Organization only has investment securities that meet the requirement.

- *Investment Securities*

Valued primarily by independent third party pricing services under the market valuation approach that include, but not limited to, the following inputs:

- ▶ Marketable equity securities and mutual funds are priced utilizing real-time data feeds from active market exchanges for identical securities.

**United Way of Southern Kentucky, Inc.**  
**Notes to Financial Statements (Continued)**  
December 31, 2008 and 2007

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**Note 8: Fair Value Disclosures (Continued)**

- ▶ Government-sponsored agency debt securities, obligations of states and political subdivisions, corporate bonds, and other similar investment securities are priced with available market information through processes using benchmark yields, matrix pricing, prepayment speeds, cash flows, live trading data, and market spreads sourced from new issues, dealer quotes, and trade prices, among others sources.

Investment securities are the Organization’s only balance sheet item that meets the disclosure requirements for instruments measured at fair value on a recurring basis. Disclosures are as follows in the table below.

Description	Fair Value Measurements at December 31, 2008 Using			
	Fair Value December 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities .....	\$ 1,071,694	\$ 930,387	\$ 132,307	\$ 9,000

**Note 9: Uncertain Tax Positions**

In June 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation [FIN] No. 48, *Accounting for Uncertainty in Income Taxes*. FIN 48 interprets the guidance in FASB Statement of Financial Accounting Standards [SFAS] No. 109, *Accounting for Income Taxes*. When FIN 48 is implemented, reporting entities utilize different recognition thresholds and measurement requirements when compared to prior technical literature. On December 30, 2008, the FASB Staff issued FASB Staff Position [FSP] Fin 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. As deferred by the guidance in FSP FIN 48-3, the Organization is not required to implement the provisions of FIN 48 until fiscal years beginning after December 15, 2008. As such, the Organization has not implemented those provisions in the 2008 financial statements.

**United Way of Southern Kentucky, Inc.**  
**Notes to Financial Statements (Continued)**  
December 31, 2008 and 2007

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**Note 9:           Uncertain Tax Positions (Continued)**

Since the provisions of FIN 48 have not been implemented in accounting for uncertain tax positions, the Organization continues to utilize its prior policy of accounting for these positions, following the guidance in SFAS No. 5, *Accounting for Contingencies*. Disclosure is not required of a loss contingency involving an unasserted claim or assessment when there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. Using that guidance, as of December 31, 2008, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.