

United Way of
Southern Kentucky, Inc.

Financial Statements

December 31, 2009 and 2008



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

Contents

Independent Auditors' Report.....	1
Statements of Financial Position.....	2
Statements of Activities.....	4
Statements of Cash Flows.....	6
Statements of Functional Expenses.....	7
Notes to Financial Statements.....	9



ROCK PHILOSOPHY
Passion for Excellence Integrity Leading by Example
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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, 2009 and 2008, 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, 2009 and 2008, 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 21, 2010

United Way of Southern Kentucky, Inc.
Statements of Financial Position
December 31, 2009 and 2008

Assets

	2009			2008				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets								
Cash and cash equivalents	\$ 60,185	\$ 359,379	\$ -	\$ 419,564	\$ 78,852	\$ 287,370	\$ -	\$ 366,222
Investments	1,305,941	-	9,000	1,314,941	1,062,694	-	9,000	1,071,694
2009-2010 contributions receivable, less allowance for uncollectibles of \$248,871	-	1,165,242	-	1,165,242	-	-	-	-
2008-2009 contributions receivable, less allowance for uncollectibles of \$177,837	134,913	-	-	134,913	-	1,282,494	-	1,282,494
2007-2008 contributions receivable, less allowance for uncollectibles of \$208,625	-	-	-	-	139,565	-	-	139,565
Prepaid expenses	5,040	-	-	5,040	5,328	-	-	5,328
Noncampaign receivable	3,035	-	-	3,035	4,217	-	-	4,217
Land, building and equipment, net	250,761	-	-	250,761	272,597	-	-	272,597
Other assets	1,560	-	-	1,560	6,308	-	-	6,308
Total Assets	\$ 1,761,435	\$ 1,524,621	\$ 9,000	\$ 3,295,056	\$ 1,569,561	\$ 1,569,864	\$ 9,000	\$ 3,148,425

Liabilities and Net Assets

	2009			2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Liabilities							
Accounts payable	\$ 3,005	\$ -	\$ -	\$ 2,390	\$ -	\$ -	2,390
Accrued expenses	13,133	-	-	10,057	-	-	10,057
2008-2009 allocations payable	502,345	-	-	-	-	-	-
2007-2008 allocations payable	-	-	-	627,025	-	-	627,025
Designations payable, net of allowance for uncollectibles of \$38,194 and \$28,254 for 2009 and 2008, respectively	65,959	166,101	-	83,773	166,028	-	249,801
Total Liabilities	584,442	166,101	-	723,245	166,028	-	889,273
Net Assets							
Unrestricted:							
Operating	1,165,008	-	-	835,425	-	-	835,425
Endowment fund - Board designated	11,985	-	-	10,891	-	-	10,891
Temporarily restricted	-	1,358,520	-	-	1,403,836	-	1,403,836
Permanently restricted	-	-	9,000	-	-	9,000	9,000
Total Net Assets	1,176,993	1,358,520	9,000	846,316	1,403,836	9,000	2,259,152
Total Liabilities and Net Assets	\$ 1,761,435	\$ 1,524,621	\$ 9,000	\$ 1,569,561	\$ 1,569,864	\$ 9,000	\$ 3,148,425

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

United Way of Southern Kentucky, Inc.
Statements of Activities
For the Years Ended December 31, 2009 and 2008

	2009			2008				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue								
Gross campaign results – current year	\$ 127,469	\$ -	\$ -	\$ 127,469	\$ 201,466	\$ 40,833	\$ -	\$ 242,299
Gross campaign results in prior year – released from restrictions	1,781,451	(1,781,451)	-	-	1,815,220	(1,815,220)	-	-
Total Campaign Results – Current Year	1,908,920	(1,781,451)	-	127,469	2,016,686	(1,774,387)	-	242,299
Less: donor designations – net of fees	(203,436)	203,436	-	-	(234,767)	234,767	-	-
Campaign Revenue	1,705,484	(1,578,015)	-	127,469	1,781,919	(1,539,620)	-	242,299
Allowance for uncollectible pledges	(216,012)	216,012	-	-	(144,532)	144,532	-	-
Net Campaign Revenue – Current Year	1,489,472	(1,362,003)	-	127,469	1,637,387	(1,395,088)	-	242,299
Gross campaign results – next year	-	1,731,659	-	1,731,659	-	1,781,451	-	1,781,451
Less: donor designations – net of fees	-	(203,909)	-	(203,909)	-	(203,436)	-	(203,436)
Campaign Revenue – Next Year	-	1,527,750	-	1,527,750	-	1,578,015	-	1,578,015
Allowance for uncollectible pledges	-	(211,063)	-	(211,063)	-	(216,012)	-	(216,012)
Net Campaign Revenue – Next Year	-	1,316,687	-	1,316,687	-	1,362,003	-	1,362,003
Balloons, Tunes & BBQ revenue	128,696	-	-	128,696	210,799	-	-	210,799
Less: costs of Balloons, Tunes & BBQ	113,275	-	-	113,275	182,951	-	-	182,951
Other special events	35,992	-	-	35,992	14,930	-	-	14,930
Net Revenue From Special Events	51,413	-	-	51,413	42,778	-	-	42,778

Designations from other United Ways	13,690	-	-	13,690	22,749	-	-	22,749
Investment return designated for current operations	304,955	-	-	304,955	(271,691)	-	-	(271,691)
Miscellaneous income	1,560	-	-	1,560	1,344	-	-	1,344
Total Revenue	1,861,090	(45,316)	-	1,815,774	1,432,567	(33,085)	-	1,399,482
Expenses								
Program Services								
Allocations	969,135	-	-	969,135	1,271,386	-	-	1,271,386
Community capacity building	113,281	-	-	113,281	113,400	-	-	113,400
Invest in Success	24,462	-	-	24,462	-	-	-	-
Total Program Services	1,106,878	-	-	1,106,878	1,384,786	-	-	1,384,786
Supporting Services								
Management and general	208,395	-	-	208,395	221,437	-	-	221,437
Fund raising	166,348	-	-	166,348	163,215	-	-	163,215
Marketing	29,371	-	-	29,371	64,622	-	-	64,622
United Way of America dues	19,421	-	-	19,421	20,662	-	-	20,662
Total Supporting Services	423,535	-	-	423,535	469,936	-	-	469,936
Total Expenses	1,530,413	-	-	1,530,413	1,854,722	-	-	1,854,722
Change in Net Assets	330,677	(45,316)	-	285,361	(422,155)	(33,085)	-	(455,240)
Net Assets, Beginning of Year	846,316	1,403,836	9,000	2,259,152	1,268,471	1,436,921	9,000	2,714,392
Net Assets, End of Year	\$ 1,176,993	\$ 1,358,520	\$ 9,000	\$ 2,544,513	\$ 846,316	\$ 1,403,836	\$ 9,000	\$ 2,259,152

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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 285,361	\$ (455,240)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	21,180	18,904
Loss on disposal of fixed asset	951	384
Realized and unrealized (gain) loss on investment securities	(255,817)	328,706
Contribution of stock	(4,995)	(5,998)
Decrease in contributions receivable, net	121,904	77,658
(Increase) Decrease in prepaid expenses	288	(1,758)
(Increase) Decrease in other current assets	5,930	(1,815)
Increase in accounts payable	615	1,830
Increase in accrued expenses	3,076	3,736
(Decrease) in allocations/designations payable	(142,421)	(76,930)
Net Cash Provided By (Used In) Operating Activities	<u>36,072</u>	<u>(110,523)</u>
Cash Flows From Investing Activities		
Purchase of fixed assets	(296)	(24,239)
Proceeds from redemption and sale of investment securities.....	339,178	237,333
Purchase of investment securities	(321,612)	(227,737)
Net Cash Provided By (Used In) Investing Activities	<u>17,270</u>	<u>(14,643)</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	53,342	(125,166)
Cash and Cash Equivalents – Beginning of Year.....	<u>366,222</u>	<u>491,388</u>
Cash and Cash Equivalents – End of Year	<u>\$ 419,564</u>	<u>\$ 366,222</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, 2009 and 2008

	2009									
	Program Services					Support Services				
	Invest In Success	Community Capacity Building	Total	Management and General	Fund Raising	Marketing	UWA Dues	Total	Total	
Expenses										
Allocations.....	\$ 1,106,146	\$ -	\$ 32,000	\$ 1,138,146	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,138,146
Less donor designations – net of fees and shrinkage.....	(166,028)	-	-	(166,028)	-	-	-	-	-	(166,028)
	940,118	-	32,000	972,118	-	-	-	-	-	972,118
Salaries.....	19,184	15,552	49,895	84,631	101,449	95,508	17,233	-	214,190	298,821
Fringe benefits.....	5,249	4,255	13,651	23,155	27,757	26,131	4,715	-	58,603	81,758
	24,433	19,807	63,546	107,786	129,206	121,639	21,948	-	272,793	380,579
Payments to affiliates.....	376	305	978	1,659	1,987	1,872	338	-	4,197	5,856
Dues/subscriptions.....	-	-	-	-	516	492	181	-	1,189	1,189
Supplies.....	450	622	1,250	2,322	5,276	3,132	320	-	8,728	11,050
Utilities.....	896	727	2,332	3,955	4,741	4,463	805	-	10,009	13,964
Marketing materials and programs.....	0	50	5,618	5,668	2,222	20,080	3,205	-	25,517	31,185
Training.....	240	195	625	1,060	1,271	1,197	216	-	2,684	3,744
Insurance.....	394	320	1,026	1,740	2,086	1,962	354	-	4,402	5,142
Purchased services.....	-	-	-	-	48,740	-	-	-	48,740	48,740
Repairs and maintenance.....	400	324	1,041	1,765	2,117	1,992	360	-	4,469	6,234
Travel.....	684	996	1,876	3,556	4,186	3,817	616	-	8,619	12,175
Miscellaneous.....	118	285	321	724	624	586	107	-	1,317	2,041
Depreciation expense.....	1,026	831	2,668	4,525	5,423	5,106	921	-	11,450	15,975
	4,584	4,655	17,735	26,974	79,189	44,709	7,423	-	131,321	158,295
United Way of America dues.....	-	-	-	-	-	-	-	19,421	-	19,421
Total Expenses	\$ 969,135	\$ 24,462	\$ 113,281	\$ 1,106,878	\$ 208,395	\$ 186,348	\$ 29,371	\$ 19,421	\$ 423,535	\$ 1,530,413

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

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

United Way of Southern Kentucky, Inc.
Notes To Financial Statements
December 2009 and 2008

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 1956 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 be the leader in bringing together the resources to build a stronger, more caring 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 2009 and 2008

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 2009 and 2008

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, 2009 and 2008, 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 2009 and 2008

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.
- ▶ **Invest in Success** — Program designed to minimize barriers that prevent children from reaching their greatest potential with focus on engaging the community around early childhood education, concentration on building skills young children need to enter school ready to succeed. Specifically, the program will collect and distribute age-appropriate books for children, as well as operate a summer reading program designed to help children maintain skills that have been attained throughout the school year.
- ▶ **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. Also includes programming, which links individuals in each community with volunteer opportunities and coordinates activities and events to bring volunteer resources to community agencies and programs. 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.

United Way of Southern Kentucky, Inc.
Notes to Financial Statements (Continued)
December 2009 and 2008

Note 1: Nature of Activities and Significant Accounting Policies *(Continued)*

- ▶ **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.
- ▶ **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.

• **Uncertain Tax Positions**

Effective January 1, 2009, the Organization implemented the new accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board [FASB] ASC 740, Income Taxes. The guidance prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2009, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

United Way of Southern Kentucky, Inc.
Notes to Financial Statements (Continued)
December 2009 and 2008

Note 1: Nature of Activities and Significant Accounting Policies *(Continued)*

• **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.

• **Subsequent Events**

The Organization has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through June 21, 2010, which was the date the financial statements were approved by the governing body of the Fund.

United Way of Southern Kentucky, Inc.
Notes to Financial Statements (Continued)
December 2009 and 2008

Note 2: Investment Securities

At December 31, 2009 and 2008, investments are stated at fair value as follows:

	2009		
	Amortized Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash management funds.....	\$ 110,747	\$ 110,747	\$ -
Mutual funds.....	503,459	523,138	19,679
Bonds.....	657,220	666,832	9,612
Common stock.....	4,671	4,657	(14)
Preferred stock.....	9,568	9,567	(1)
	\$ 1,285,665	\$ 1,314,941	\$ 29,276

	2008		
	Amortized Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash management funds.....	\$ 66,266	\$ 66,266	\$ -
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
	\$ 1,320,546	\$ 1,071,694	\$ (248,852)

United Way of Southern Kentucky, Inc.
Notes to Financial Statements (Continued)
December 2009 and 2008

Note 2: Investment Securities (Continued)

	2009	2008
Investment return is summarized as follows:		
Interest income	\$ 1,411	\$ 10,064
Dividend income	47,727	46,951
Net realized/unrealized gains	255,817	(328,706)
Investment Return Designated for Current Operations	\$ 304,955	\$ (271,691)

Note 3: Land, Buildings and Equipment

At December 31, 2009 and 2008, the costs and related accumulated depreciation of land, buildings and equipment consists of the following:

	2009	2008
Land	\$ 26,000	\$ 26,000
Buildings and improvements	305,064	305,064
Equipment	148,420	192,402
	479,484	523,466
Less: accumulated depreciation	(228,723)	(250,869)
	\$ 250,761	\$ 272,597

United Way of Southern Kentucky, Inc.
Notes to Financial Statements (Continued)
December 2009 and 2008

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 three years of **United Way** service to become fully vested under the plan. During 2009 and 2008, the Organization contributed \$24,485 and \$25,571 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 2009 and 2008, the Organization made payments to these affiliated agencies of \$899,670 and \$1,193,542, 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.

	2009	2008
Time restrictions expired	\$ (1,362,003)	\$ (1,395,088)
Total Restrictions Released	\$ (1,362,003)	\$ (1,395,088)

United Way of Southern Kentucky, Inc.
Notes to Financial Statements (Continued)
December 2009 and 2008

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, 2009 and 2008, the Organization is pursuing other funding sources to increase the endowment fund. The fair market value of the endowment fund at December 31, 2009 and 2008 was \$11,985 and \$10,891, respectively.

For 2009 and 2008, the Organization had the following Board designated endowment related activities:

	<u>2009</u>	<u>2008</u>
Investment return:		
Investment income	\$ (101)	\$ 422
Net depreciation	<u>(29)</u>	<u>(1,195)</u>
Total investment return	(130)	(773)
Contributions to endowment	-	-
Amounts appropriated for expenditure	<u>-</u>	<u>-</u>
Total Change in Endowment Funds	<u>\$ (130)</u>	<u>\$ (773)</u>

United Way of Southern Kentucky, Inc.
Notes to Financial Statements (Continued)
December 2009 and 2008

Note 8: Fair Value Disclosures

Effective January 1, 2008 the Organization adopted Statement of Financial Accounting Standards (SFAS) No. 157 Fair Value Measurements, FASB ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. FASB ASC 820, *Fair Value Measurements and Disclosures*, 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 FASB ASC 820, *Fair Value Measurements and Disclosures*, prospectively as of the beginning of the year.

FASB ASC 820, *Fair Value Measurements and Disclosures*, 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. FASB ASC 820, *Fair Value Measurements and Disclosures*, 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.

United Way of Southern Kentucky, Inc.
Notes to Financial Statements (Continued)
December 2009 and 2008

Note 8: Fair Value Disclosures (Continued)

• *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.
- ▶ 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, 2009 and 2008 Using			
	Fair Value December 31	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2009 Investment securities.....	\$ 1,314,941	\$ 1,305,941	\$ -	\$ 9,000
2008 Investment securities	\$ 1,071,694	\$ 1,062,694	\$ -	\$ 9,000