

**United Way of
Southern Kentucky, Inc.**

Financial Statements

December 31, 2011 and 2010



United Way of Southern Kentucky, Inc.

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December 31, 2011 and 2010

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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, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of United Way of Southern Kentucky, Inc. as of December 31, 2010 were audited by other auditors whose report dated April 25, 2011 expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Southern Kentucky, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Bowling Green, Kentucky
June 28, 2012

United Way of Southern Kentucky, Inc.
Statements of Financial Position

December 31,	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets								
Cash and cash equivalents	\$ 43,520	\$ 397,157	\$ -	\$ 440,677	\$ 167,820	\$ 319,999	\$ -	\$ 487,819
Investments	1,485,067	-	-	1,485,067	1,469,311	-	9,000	1,478,311
2011–2012 contributions receivable, less allowance for uncollectible of \$152,076	-	1,154,004	-	1,154,004	-	-	-	-
2010–2011 contributions receivable, less allowance for uncollectible of \$120,819 and \$155,118 for 2011 and 2010, respectively	73,473	-	-	73,473	-	1,204,329	-	1,204,329
2009–2010 contributions receivable, less allowance for uncollectibles of \$0 and \$124,212 for 2011 and 2010, respectively	-	-	-	-	81,999	-	-	81,999
Prepaid expenses	8,201	-	-	8,201	5,202	-	-	5,202
Noncampaign receivable	2,505	-	-	2,505	1,746	-	-	1,746
Land, building and equipment, net	235,785	-	-	235,785	242,886	-	-	242,886
Other assets	13,645	-	-	13,645	11,382	-	-	11,382
Total Assets	\$ 1,862,196	\$ 1,551,161	\$ -	\$ 3,413,357	\$ 1,980,346	\$ 1,524,328	\$ 9,000	\$ 3,513,674

December 31,	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Liabilities and Net Assets								
Liabilities								
Accounts payable	\$ 9,018	\$ -	\$ -	\$ 9,018	\$ 1,118	\$ -	\$ -	\$ 1,118
Accrued expenses	19,352	-	-	19,352	20,544	-	-	20,544
2010–2011 allocations payable	510,414	-	-	510,414	-	-	-	-
2009–2010 allocations payable	-	-	-	-	499,714	-	-	499,714
Designations payable, net of allowance for uncollectibles of \$21,199 and \$23,498 for 2011 and 2010, respectively	62,306	156,657	-	218,963	70,841	166,129	-	236,970
Total liabilities	601,090	156,657	-	757,747	592,217	166,129	-	758,346
Net Assets								
Unrestricted:								
Operating	1,248,355	-	-	1,248,355	1,375,756	-	-	1,375,756
Endowment fund – Board designated	12,751	-	-	12,751	12,373	-	-	12,373
Temporarily restricted	-	1,394,504	-	1,394,504	-	1,358,199	-	1,358,199
Permanently restricted	-	-	-	-	-	-	9,000	9,000
Total net assets	1,261,106	1,394,504	-	2,655,610	1,388,129	1,358,199	9,000	2,755,328
Total Liabilities and Net Assets	\$ 1,862,196	\$ 1,551,161	\$ -	\$3,413,357	\$ 1,980,346	\$ 1,524,328	\$ 9,000	\$3,513,674

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

United Way of Southern Kentucky, Inc.
Statements of Activities

Years Ended December 31,	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue								
Gross campaign results – current year	\$ 110,911	\$ -	\$ -	\$ 110,911	\$ 171,175	\$ -	\$ -	\$ 171,175
Invest in Success contributions	19,527	44,571	-	64,098	9,967	-	-	9,967
Gross campaign results in prior year – released from restrictions	1,646,613	(1,637,613)	(9,000)	-	1,731,659	(1,731,659)	-	-
Total campaign results – current year	1,777,051	(1,593,042)	(9,000)	175,009	1,912,801	(1,731,659)	-	181,142
Less: donor designations – net of fees	(190,626)	190,626	-	-	(203,909)	203,909	-	-
Campaign revenue	1,586,425	(1,402,416)	(9,000)	175,009	1,708,892	(1,527,750)	-	181,142
Allowance for uncollectible pledges	(130,621)	130,621	-	-	(211,063)	211,063	-	-
Net campaign revenue – current year	1,455,804	(1,271,795)	(9,000)	175,009	1,497,829	(1,316,687)	-	181,142
Gross campaign results – next year	-	1,616,832	-	1,616,832	-	1,637,613	-	1,637,613
Less: donor designations – net of fees	-	(177,856)	-	(177,856)	-	(190,626)	-	(190,626)
Campaign revenue – next year	-	1,438,976	-	1,438,976	-	1,446,987	-	1,446,987
Allowance for uncollectible pledges	-	(130,876)	-	(130,876)	-	(130,621)	-	(130,621)
Net campaign revenue – next year	-	1,308,100	-	1,308,100	-	1,316,366	-	1,316,366
Balloons, Tunes & BBQ revenue	102,850	-	-	102,850	111,439	-	-	111,439
Less: costs of Balloons, Tunes & BBQ	(91,502)	-	-	(91,502)	(108,998)	-	-	(108,998)
Other special events	9,641	-	-	9,641	17,744	-	-	17,744
Net revenue from special events	20,989	-	-	20,989	20,185	-	-	20,185

Designations from other United Ways and other noncampaign revenues	22,768	-	-	22,768	15,870	-	-	15,870
Investment return designated for current operations	15,992	-	-	15,992	163,778	-	-	163,778
Miscellaneous income	1,560	-	-	1,560	1,560	-	-	1,560
Total revenue	1,517,113	36,305	(9,000)	1,544,418	1,699,222	(321)	-	1,698,901
Expenses								
Program services								
Fund distribution	1,031,533	-	-	1,031,533	987,840	-	-	987,840
Community capacity building	139,370	-	-	139,370	59,898	-	-	59,898
Volunteer program	6,098	-	-	6,098	15,479	-	-	15,479
Invest in Success	24,567	-	-	24,567	17,690	-	-	17,690
Total program services	1,201,568	-	-	1,201,568	1,080,907	-	-	1,080,907
Supporting services								
Management and general	207,676	-	-	207,676	201,971	-	-	201,971
Fund raising	167,407	-	-	167,407	160,716	-	-	160,716
Marketing	50,051	-	-	50,051	26,661	-	-	26,661
United Way Worldwide dues	17,434	-	-	17,434	17,831	-	-	17,831
Total supporting services	442,568	-	-	442,568	407,179	-	-	407,179
Total expenses	1,644,136	-	-	1,644,136	1,488,086	-	-	1,488,086
Change in Net Assets	(127,023)	36,305	(9,000)	(99,718)	211,136	(321)	-	210,815
Net Assets – Beginning of Year	1,388,129	1,358,199	9,000	2,755,328	1,176,993	1,358,520	9,000	2,544,513
Net Assets – End of Year	\$ 1,261,106	\$ 1,394,504	\$ -	\$ 2,655,610	\$ 1,388,129	\$ 1,358,199	\$ 9,000	\$ 2,755,328

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

United Way of Southern Kentucky, Inc.
Statements of Cash Flows

Years Ended December 31,	2011	2010
Cash Flows From Operating Activities		
Change in net assets	\$ (99,718)	\$ 210,815
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	16,541	19,583
Loss on disposal of fixed asset	-	426
Net realized and unrealized (gain) loss on investment securities	13,718	(129,987)
Contribution of stock	(2,782)	(8,156)
Decrease in contributions receivable, net	58,851	13,827
Increase in prepaid expenses	(2,999)	(162)
Increase in other current assets	(3,022)	(8,533)
Increase (decrease) in accounts payable	7,900	(1,887)
Increase (decrease) in accrued expenses	(1,192)	7,411
Increase (decrease) in allocations/designations payable	(7,307)	2,279
Net cash provided by (used in) operating activities	(20,010)	105,616
Cash Flows From Investing Activities		
Purchase of fixed assets	(9,440)	(12,134)
Proceeds from redemption and sale of investment securities	72,308	140,773
Purchase of investment securities	(90,000)	(166,000)
Net cash used in investing activities	(27,132)	(37,361)
Net Increase (Decrease) in Cash and Cash Equivalents	(47,142)	68,255
Cash and Cash Equivalents – Beginning of Year	487,819	419,564
Cash and Cash Equivalents – End of Year	\$ 440,677	\$ 487,819

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

United Way of Southern Kentucky, Inc.
Statements of Functional Expenses

Year Ended December 31, 2011

	Program Services				Total
	Fund Distribution	Invest in Success	Volunteer Program	Community Capacity Building	
Expenses					
Allocations	\$ 1,157,488	\$ -	\$ -	\$ 93,000	\$ 1,250,488
Less donor designations – net of fees and shrinkage	(156,657)	-	-	-	(156,657)
	1,000,831	-	-	93,000	1,093,831
Salaries	19,421	14,461	2,999	29,234	66,115
Fringe benefits	5,524	4,113	853	8,315	18,805
	24,945	18,574	3,852	37,549	84,920
Payments to affiliates	355	264	55	534	1,208
Dues/subscriptions	-	-	-	-	-
Supplies	940	1,987	145	1,416	4,488
Utilities	915	682	141	1,378	3,116
Marketing materials and programs	158	434	1,276	622	2,490
Training	119	425	30	173	747
Insurance	402	299	62	605	1,368
Purchased services	-	-	-	-	-
Repairs and maintenance	546	407	84	823	1,860
Travel	1,082	561	242	1,414	3,299
Miscellaneous	206	164	51	299	720
Depreciation expense	1,034	770	160	1,557	3,521
	5,757	5,993	2,246	8,821	22,817
United Way Worldwide dues	-	-	-	-	-
Total Expenses	\$ 1,031,533	\$ 24,567	\$ 6,098	\$ 139,370	\$ 1,201,568

Year Ended December 31, 2011

Supporting Services					
Management and General	Fund Raising	Marketing	UWW Dues	Total	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,250,488
-	-	-	-	-	(156,657)
-	-	-	-	-	1,093,831
99,282	98,691	22,139	-	220,112	286,227
28,242	28,073	6,297	-	62,612	81,417
127,524	126,764	28,436	-	282,724	367,644
1,814	1,803	405	-	4,022	5,230
529	526	192	-	1,247	1,247
4,809	5,688	1,072	-	11,569	16,057
4,680	4,652	1,043	-	10,375	13,491
1,894	11,875	15,288	-	29,057	31,547
555	552	134	-	1,241	1,988
2,052	2,041	458	-	4,551	5,919
50,090	-	-	-	50,090	50,090
2,794	2,777	623	-	6,194	8,054
4,543	4,516	989	-	10,048	13,347
1,103	956	232	-	2,291	3,011
5,289	5,257	1,179	-	11,725	15,246
80,152	40,643	21,615	-	142,410	165,227
-	-	-	17,434	17,434	17,434
\$ 207,676	\$ 167,407	\$ 50,051	\$ 17,434	\$ 442,568	\$ 1,644,136

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

United Way of Southern Kentucky, Inc.
Statements of Functional Expenses (Continued)

Year Ended December 31, 2010

	Program Services				Total
	Fund Distribution	Invest in Success	Volunteer Program	Community Capacity Building	
Expenses					
Allocations	\$ 1,114,366	\$ -	\$ -	\$ 3,000	\$ 1,117,366
Less donor designations – net of fees and shrinkage	(166,101)	-	-	-	(166,101)
	948,265	-	-	3,000	951,265
Salaries	25,634	11,458	9,526	35,123	81,741
Fringe benefits	7,606	3,400	2,826	10,421	24,253
	33,240	14,858	12,352	45,544	105,994
Payments to affiliates	475	212	176	651	1,514
Dues/subscriptions	-	-	-	-	-
Supplies	655	293	244	898	2,090
Utilities	1,293	578	480	1,771	4,122
Marketing materials and programs	-	-	741	2,719	3,460
Training	290	130	108	398	926
Insurance	539	241	200	739	1,719
Purchased services	-	-	-	-	-
Repairs and maintenance	642	287	238	879	2,046
Travel	778	348	322	1,020	2,468
Miscellaneous	262	117	97	359	835
Depreciation expense	1,401	626	521	1,920	4,468
	6,335	2,832	3,127	11,354	23,648
United Way Worldwide dues	-	-	-	-	-
Total Expenses	\$ 987,840	\$ 17,690	\$ 15,479	\$ 59,898	\$ 1,080,907

Year Ended December 31, 2010

Supporting Services						
Management and General	Fund Raising	Marketing	UWW Dues	Total	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,117,366	
-	-	-	-	-	(166,101)	
-	-	-	-	-	951,265	
97,675	94,479	14,854	-	207,008	288,749	
28,981	28,033	4,407	-	61,421	85,674	
126,656	122,512	19,261	-	268,429	374,423	
1,809	1,750	276	-	3,835	5,349	
477	464	161	-	1,102	1,102	
2,497	2,906	380	-	5,783	7,873	
4,926	4,764	749	-	10,439	14,561	
691	13,730	3,517	-	17,938	21,398	
1,106	1,070	169	-	2,345	3,271	
2,054	1,987	312	-	4,353	6,072	
48,710	-	-	-	48,710	48,710	
2,445	2,365	372	-	5,182	7,228	
4,262	3,037	500	-	7,799	10,267	
998	966	151	-	2,115	2,950	
5,340	5,165	813	-	11,318	15,786	
75,315	38,204	7,400	-	120,919	144,567	
-	-	-	17,831	17,831	17,831	
\$ 201,971	\$ 160,716	\$ 26,661	\$ 17,831	\$ 407,179	\$ 1,488,086	

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

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.

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

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

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.

• ***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.

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

• ***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, 2011 and 2010, 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:

Program Services

- ▶ **Fund Distribution** — 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.

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

- ▶ **Volunteer Program** — 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.
- ▶ **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 funds for community capacity building activities either directly, or through partnership with other funders, to strengthen the community's ability to address service needs in the areas of substance abuse and early childhood education. Other activities include food drives and day of caring activities.

Supporting 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.
- ▶ **Marketing** — Includes general distribution of public information about United Way of Southern Kentucky and raises awareness of United Way's mission.
- ▶ **UWW Dues** — Includes the dues charged by the national office of the United Way Worldwide.

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

• ***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***

The Organization follows accounting requirements associated with uncertainty in income taxes using the provisions of 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, 2011 and 2010, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. With a few exceptions, the Organization is no longer subject to tax reporting examinations by the federal authorities for the years ended December 31, 2007 and prior.

• ***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.

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

• **Subsequent Events**

The Organization has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through June 28, 2012, which was the date the financial statements were made available.

• **Reclassifications**

Certain amounts presented in the 2010 financial statements have been reclassified in order to be consistent with the presentation of the 2011 financial statements. These changes had no impact on the change in net assets for 2010.

Note 2: Investment Securities

At December 31, 2011 and 2010, investments are stated at fair value as follows:

December 31,	2011		
	Amortized Cost	Fair Value	Net Unrealized Appreciation
Cash management funds	\$ 139,792	\$ 139,792	\$ -
Mutual funds – equities	586,079	687,374	101,295
Mutual funds – bonds	621,082	654,959	33,877
Common stock	2,693	2,942	249
	\$ 1,349,646	\$ 1,485,067	\$ 135,421

December 31,	2010		
	Amortized Cost	Fair Value	Net Unrealized Appreciation
Cash management funds	\$ 117,672	\$ 117,672	\$ -
Mutual funds – equities	572,270	700,517	128,247
Mutual funds – bonds	618,216	647,099	28,883

Note 2: Investment Securities (Continued)

December 31,	2010		
	Amortized Cost	Fair Value	Net Unrealized Appreciation
Common stock	3,071	3,346	275
Preferred stock	9,621	9,677	56
	\$ 1,320,850	\$ 1,478,311	\$ 157,461

December 31,	2011	2010
Investment return is summarized as follows:		
Interest income	\$ 197	\$ 211
Dividend income	29,513	33,580
Net realized/unrealized gains (losses)	(13,718)	129,987
Investment Return Designated for Current Operations	\$ 15,992	\$ 163,778

Note 3: Land, Buildings and Equipment

At December 31, 2011 and 2010, the costs and related accumulated depreciation of land, buildings and equipment consists of the following:

December 31,	2011	2010
Land	\$ 26,000	\$ 26,000
Buildings and improvements	308,555	305,064
Equipment	120,869	117,630
	455,424	448,694
Less: accumulated depreciation	(219,639)	(205,808)
	\$ 235,785	\$ 242,886

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 2011 and 2010, the Organization contributed \$25,643 and \$27,056 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 2011 and 2010, the Organization made payments to these affiliated agencies of \$963,950 and \$909,321, respectively.

Note 6: Net Assets Released From Temporary and Permanent 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.

December 31,	2011	2010
Time and purpose restrictions satisfied	\$ (1,325,366)	\$ (1,316,687)
Total Restrictions Released	\$ (1,325,366)	\$ (1,316,687)

Note 7: Endowment Fund

The Organization has an Endowment Fund Agreement (“Agreement”) with the Community Foundation of South Central Kentucky, 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.

Note 7: Endowment Fund *(Continued)*

The Endowment 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 Endowment 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 Endowment 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, 2011 and 2010, the

Organization is pursuing other funding sources to increase the endowment fund. The fair market value of the endowment fund at December 31, 2011 and 2010 was \$12,751 and \$12,373, respectively.

In the year 2011 and 2010, the Organization had the following Board designated endowment related activities:

December 31,	2011	2010
Investment return:		
Investment income	\$ 368	\$ 495
Net appreciation (depreciation)	10	(107)
Total investment return	378	388
Contributions to endowment	-	-
Amounts appropriated for expenditure	-	-
Total Change in Endowment Funds	\$ 378	\$ 388

Note 8: Fair Value Measurements

The Organization follows FASB ASC 820 Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. FASB ASC 820 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.

Note 8: Fair Value Measurements *(Continued)*

FASB ASC 820 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 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.
- ▶ 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 statement of financial position item that meets the disclosure requirements for instruments measured at fair value on a recurring basis. Disclosures are as follow in the table below.

United Way of Southern Kentucky, Inc.
Notes to Financial Statements (Continued)

Note 8: Fair Value Measurements (Continued)

Fair Value Measurements at December 31, 2011 Using

Description	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)
Cash management funds	\$ 139,792	\$ 139,792	-	-
Mutual funds – equities	687,374	687,374	-	-
Mutual funds – bonds	654,959	654,959	-	-
Common stock	2,942	2,942	-	-
Investments	\$ 1,485,067	\$ 1,485,067	\$ -	\$ -

Fair Value Measurements at December 31, 2010 Using

Description	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)
Cash management funds	\$ 117,672	\$ 117,672	\$ -	\$ -
Mutual funds – equities	700,517	700,517	-	-
Mutual funds – bonds	647,099	647,099	-	-
Common stock	3,346	3,346	-	-
Preferred stock	9,677	677	-	9,000
Investments	\$ 1,478,311	\$ 1,469,311	\$ -	\$ 9,000

Following is a reconciliation of activity for assets measured at December 31, 2011 and 2010 at fair value based on (Level 3) unobservable information:

December 31,	2011	2010
Balance – Beginning of Year	\$ 9,000	\$ 9,000
Dividend income	39	-
Sales, transfers	(9,039)	-
Balance – End of Year	\$ -	\$ 9,000