

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

**FINANCIAL STATEMENTS**

**June 30, 2016 and 2015**



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**REPORT**



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## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of United Way of Southern Kentucky, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**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 June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

CARR, RIGGS & INGRAM, LLC  
Bowling Green, Kentucky  
October 27, 2016



# **FINANCIAL STATEMENTS**

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

<i>June 30,</i>	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 117,912	\$ 96,500	\$ 214,412	\$ 48,193	\$ 178,439	\$ 226,632
Investments	1,085,417	118,379	1,203,796	1,362,626	-	1,362,626
2015 / 2016 contributions receivable, less allowance for uncollectibles of \$147,159	887,771	-	887,771	-	-	-
2014 / 2015 contributions receivable, less allowance for uncollectibles of \$145,235	-	-	-	814,822	485	815,307
Grant receivables	43,914	-	43,914	-	-	-
Other receivables	15,058	-	15,058	13,157	-	13,157
Prepaid expenses	8,689	-	8,689	19,102	-	19,102
Land, building and equipment, net	222,191	-	222,191	243,697	-	243,697
<b>Total assets</b>	<b>\$ 2,380,952</b>	<b>\$ 214,879</b>	<b>\$ 2,595,831</b>	<b>\$ 2,501,597</b>	<b>\$ 178,924</b>	<b>\$ 2,680,521</b>

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

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

<i>June 30,</i>	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Liabilities and Net Assets</b>						
<b>Liabilities</b>						
Accounts payable	\$ 9,280	\$ -	\$ 9,280	\$ 15,778	\$ -	\$ 15,778
Accrued expenses	50,945	-	50,945	50,451	-	50,451
Allocations payable	917,253	-	917,253	1,041,978	-	1,041,978
Designations payable, net of allowance for uncollectibles of \$12,149 and \$18,628, respectively	102,550	-	102,550	164,000	-	164,000
<b>Total liabilities</b>	<b>1,080,028</b>	<b>-</b>	<b>1,080,028</b>	<b>1,272,207</b>	<b>-</b>	<b>1,272,207</b>
<b>Net Assets</b>						
<b>Unrestricted</b>						
Operating	1,272,146	-	1,272,146	1,202,530	-	1,202,530
Endowment fund – Board designated	28,778	-	28,778	26,860	-	26,860
Temporarily restricted	-	214,879	214,879	-	178,924	178,924
<b>Total net assets</b>	<b>1,300,924</b>	<b>214,879</b>	<b>1,515,803</b>	<b>1,229,390</b>	<b>178,924</b>	<b>1,408,314</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,380,952</b>	<b>\$ 214,879</b>	<b>\$ 2,595,831</b>	<b>\$ 2,501,597</b>	<b>\$ 178,924</b>	<b>\$ 2,680,521</b>

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



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

*For the Years Ended June 30,*

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Public Support and Revenue</b>						
Gross campaign results – current year	\$ 1,956,706	\$ -	\$ 1,956,706	\$ 1,950,993	\$ -	\$ 1,950,993
Early Childhood Education contributions	-	64,964	64,964	-	70,921	70,921
2-1-1 Center contributions	-	150	150	-	-	-
Other revenues / endowment	5,346	-	5,346	3,000	-	3,000
Released from restrictions	142,399	(142,399)	-	63,932	(63,932)	-
<b>Total campaign results – current year</b>	<b>2,104,451</b>	<b>(77,285)</b>	<b>2,027,166</b>	<b>2,017,925</b>	<b>6,989</b>	<b>2,024,914</b>
Less: donor designations – net of fees	(115,699)	-	(115,699)	(182,604)	-	(182,604)
Less: donor designations – paid by processor	(19,218)	-	(19,218)	(11,129)	-	(11,129)
<b>Campaign revenue – current year</b>	<b>1,969,534</b>	<b>(77,285)</b>	<b>1,892,249</b>	<b>1,824,192</b>	<b>6,989</b>	<b>1,831,181</b>
Allowance for uncollectible pledges	(135,010)	-	(135,010)	(126,607)	-	(126,607)
<b>Net campaign revenue – current year</b>	<b>1,834,524</b>	<b>(77,285)</b>	<b>1,757,239</b>	<b>1,697,585</b>	<b>6,989</b>	<b>1,704,574</b>
Additional campaign revenue – prior year	57,130	-	57,130	44,321	-	44,321
<b>Campaign revenue – prior year</b>	<b>57,130</b>	<b>-</b>	<b>57,130</b>	<b>44,321</b>	<b>-</b>	<b>44,321</b>

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

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

*For the Years Ended June 30,*

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Early campaign results – next year	-	1,299	1,299	-	5,631	5,631
Campaign revenue – next year	-	1,299	1,299	-	5,631	5,631
Balloons, Tunes & BBQ revenue	163,382	-	163,382	234,756	-	234,756
Less: costs of Balloons, Tunes & BBQ	(202,064)	-	(202,064)	(229,785)	-	(229,785)
Handbags for Hope	30,779	12,925	43,704	-	28,750	28,750
Radiothon	-	-	-	-	11,885	11,885
Other special events	9,035	126	9,161	21,094	2,466	23,560
Net revenue from special events	1,132	13,051	14,183	26,065	43,101	69,166
Early Childhood Education grants	-	33,725	33,725	-	17,050	17,050
2-1-1 Center grants	-	61,312	61,312	-	-	-
Designations from other United Ways	5,138	-	5,138	15,274	-	15,274
Investment return (loss) designated for current operations	(5,597)	-	(5,597)	23,246	-	23,246
In-kind	83,068	-	83,068	71,471	-	71,471
Marketing sponsorships	4,000	-	4,000	6,650	-	6,650
Miscellaneous income	127	3,853	3,980	6,112	-	6,112
Other revenue	86,736	98,890	185,626	122,753	17,050	139,803
<b>Total revenue</b>	<b>1,979,522</b>	<b>35,955</b>	<b>2,015,477</b>	<b>1,890,724</b>	<b>72,771</b>	<b>1,963,495</b>

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

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

*For the Years Ended June 30,*

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Expenses</b>						
<b>Program services</b>						
Fund distribution	975,412	-	975,412	1,072,832	-	1,072,832
Early Childhood Education	106,107	-	106,107	98,535	-	98,535
Volunteer program	4,970	-	4,970	2,747	-	2,747
2-1-1 Center	90,297	-	90,297	-	-	-
Community capacity building	113,051	-	113,051	187,914	-	187,914
<b>Total program services</b>	<b>1,289,837</b>	<b>-</b>	<b>1,289,837</b>	<b>1,362,028</b>	<b>-</b>	<b>1,362,028</b>
<b>Supporting services</b>						
Management and general	257,632	-	257,632	381,612	-	381,612
Fund raising	277,138	-	277,138	249,179	-	249,179
Marketing	62,787	-	62,787	50,839	-	50,839
United Way of America dues	20,594	-	20,594	17,796	-	17,796
<b>Total supporting services</b>	<b>618,151</b>	<b>-</b>	<b>618,151</b>	<b>699,426</b>	<b>-</b>	<b>699,426</b>
<b>Total expenses</b>	<b>1,907,988</b>	<b>-</b>	<b>1,907,988</b>	<b>2,061,454</b>	<b>-</b>	<b>2,061,454</b>
Change in net assets	71,534	35,955	107,489	(170,730)	72,771	(97,959)
Net assets – beginning of year	1,229,390	178,924	1,408,314	1,400,120	106,153	1,506,273
Net assets – end of year	<b>\$ 1,300,924</b>	<b>\$ 214,879</b>	<b>\$ 1,515,803</b>	<b>\$ 1,229,390</b>	<b>\$ 178,924</b>	<b>\$ 1,408,314</b>

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

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

*For the Year Ended June 30, 2016*

	Program Services						Total
	Fund Distribution	Early Childhood Education	Volunteer Program	2-1-1 Center	Community Capacity Building		
<b>Expenses</b>							
Allocations	\$ 1,019,803	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,019,803
Less donor designations – net of fees and shrinkage	(102,550)	-	-	-	-	-	(102,550)
	917,253	-	-	-	-	-	917,253
Salaries	36,564	14,991	897	40,778	33,710	-	126,940
Fringe benefits	12,495	5,123	306	13,935	11,520	-	43,379
	49,059	20,114	1,203	54,713	45,230	-	170,319
Payments to affiliates	474	194	12	529	437	-	1,646
Dues/subscriptions	-	-	-	275	-	-	275
Supplies	944	81,350	23	1,055	872	-	84,244
Utilities	1,505	617	37	1,679	1,388	-	5,226
Marketing materials and programs	37	1,124	3,501	3,065	59,428	-	67,155
Training	262	109	10	3,322	242	-	3,945
Insurance	567	232	14	632	523	-	1,968
Purchased services	-	-	-	-	-	-	-
Repairs and maintenance	1,833	752	45	14,091	1,690	-	18,411
Travel	981	568	48	8,099	906	-	10,602
Miscellaneous	652	290	32	779	634	-	2,387
Depreciation expense	1,845	757	45	2,058	1,701	-	6,406
	9,100	85,993	3,767	35,584	67,821	-	202,265
United Way Worldwide dues	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>\$ 975,412</b>	<b>\$ 106,107</b>	<b>\$ 4,970</b>	<b>\$ 90,297</b>	<b>\$ 113,051</b>	<b>\$ -</b>	<b>\$ 1,289,837</b>

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

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

*For the Year Ended June 30, 2016*

	<b>Supporting Services</b>						<b>Total Program and Supporting Services</b>
	<b>Management and General</b>	<b>Fund Raising</b>	<b>Marketing</b>	<b>UWW Dues</b>	<b>Total</b>		
<b>Expenses</b>							
Allocations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,019,803
Less donor designations – net of fees and shrinkage	-	-	-	-	-	-	(102,550)
	-	-	-	-	-	-	917,253
Salaries	126,381	147,735	25,660	-	299,776	-	426,716
Fringe benefits	43,188	50,486	8,769	-	102,443	-	145,822
	169,569	198,221	34,429	-	402,219	-	572,538
				-			
Payments to affiliates	1,638	1,915	333	-	3,886	-	5,532
Dues/subscriptions	1,008	1,136	406	-	2,550	-	2,825
Supplies	3,267	3,820	663	-	7,750	-	91,994
Utilities	5,204	6,083	1,057	-	12,344	-	17,570
Marketing materials and programs	1,456	41,147	21,553	-	64,156	-	131,311
Training	896	1,047	185	-	2,128	-	6,073
Insurance	1,960	2,291	398	-	4,649	-	6,617
Purchased services	54,255	-	-	-	54,255	-	54,255
Repairs and maintenance	6,337	7,408	1,287	-	15,032	-	33,443
Travel	3,330	3,888	695	-	7,913	-	18,515
Miscellaneous	2,333	2,726	486	-	5,545	-	7,932
Depreciation expense	6,379	7,456	1,295	-	15,130	-	21,536
	88,063	78,917	28,358	-	195,338	-	397,603
United Way Worldwide dues	-	-	-	20,594	20,594	-	20,594
<b>Total expenses</b>	<b>\$ 257,632</b>	<b>\$ 277,138</b>	<b>\$ 62,787</b>	<b>\$ 20,594</b>	<b>\$ 618,151</b>	<b>\$ -</b>	<b>\$ 1,907,988</b>

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

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

*For the Year Ended June 30, 2015*

	Program Services					Total
	Fund Distribution	Early Childhood Education	Volunteer Program	2-1-1 Center	Community Capacity Building	
<b>Expenses</b>						
Allocations	\$ 1,206,954	\$ -	\$ -	\$ -	\$ 35,000	\$ 1,241,954
Less donor designations – net of fees and shrinkage	(163,976)	-	-	-	-	(163,976)
	1,042,978	-	-	-	35,000	1,077,978
Salaries	18,524	18,094	1,085	-	51,821	89,524
Fringe benefits	6,585	6,432	386	-	18,421	31,824
	25,109	24,526	1,471	-	70,242	121,348
Payments to affiliates	210	205	12	-	587	1,014
Dues/subscriptions	-	-	-	-	-	-
Supplies	505	58,353	30	-	1,413	60,301
Utilities	730	713	43	-	2,041	3,527
Marketing materials and programs	-	11,311	878	-	69,623	81,812
Training	253	247	15	-	708	1,223
Insurance	272	266	16	-	762	1,316
Purchased services	-	-	-	-	-	-
Repairs and maintenance	661	646	39	-	1,849	3,195
Travel	906	1,088	173	-	2,307	4,474
Miscellaneous	351	343	20	-	985	1,699
Depreciation expense	857	837	50	-	2,397	4,141
	4,745	74,009	1,276	-	82,672	162,702
United Way Worldwide dues	-	-	-	-	-	-
<b>Total expenses</b>	<b>\$ 1,072,832</b>	<b>\$ 98,535</b>	<b>\$ 2,747</b>	<b>\$ -</b>	<b>\$ 187,914</b>	<b>\$ 1,362,028</b>

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

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

*For the Year Ended June 30, 2015*

	<b>Supporting Services</b>						<b>Total Program and Supporting Services</b>
	<b>Management and General</b>	<b>Fund Raising</b>	<b>Marketing</b>	<b>UWW Dues</b>	<b>Total</b>		
<b>Expenses</b>							
Allocations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,241,954
Less donor designations – net of fees and shrinkage	-	-	-	-	-	-	(163,976)
	-	-	-	-	-	-	1,077,978
Salaries	220,872	137,507	23,329	-	381,708	-	471,232
Fringe benefits	78,511	48,879	8,292	-	135,682	-	167,506
	299,383	186,386	31,621	-	517,390	-	638,738
				-			
Payments to affiliates	2,502	1,558	264	-	4,324	-	5,338
Dues/subscriptions	1,302	869	276	-	2,447	-	2,447
Supplies	6,024	3,947	637	-	10,608	-	70,909
Utilities	8,699	5,416	919	-	15,034	-	18,561
Marketing materials and programs	5,332	27,311	12,998	-	45,641	-	127,453
Training	3,016	1,877	319	-	5,212	-	6,435
Insurance	3,246	2,021	343	-	5,610	-	6,926
Purchased services	20,390	-	-	-	20,390	-	20,390
Repairs and maintenance	7,880	4,906	832	-	13,618	-	16,813
Travel	9,418	5,911	1,108	-	16,437	-	20,911
Miscellaneous	4,202	2,616	443	-	7,261	-	8,960
Depreciation expense	10,218	6,361	1,079	-	17,658	-	21,799
	82,229	62,793	19,218	-	164,240	-	326,942
United Way Worldwide dues	-	-	-	17,796	17,796	-	17,796
<b>Total expenses</b>	<b>\$ 381,612</b>	<b>\$ 249,179</b>	<b>\$ 50,839</b>	<b>\$ 17,796</b>	<b>\$ 699,426</b>	<b>\$ -</b>	<b>\$ 2,061,454</b>

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

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

<i>For the Years Ended June 30,</i>	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
Change in net assets	<b>\$ 107,489</b>	\$ (97,959)
Adjustments to reconcile change in net assets to net operating activities:		
Depreciation	<b>22,169</b>	22,433
Unrealized loss on investment securities - net	<b>139,132</b>	82,335
Increase in contributions receivable, net	<b>(72,464)</b>	(125,447)
Decrease (increase) in prepaid expenses	<b>10,413</b>	(13,007)
Increase in grant receivables	<b>(43,914)</b>	-
Decrease (increase) in other receivables	<b>(1,901)</b>	16,309
Decrease in accounts payable	<b>(6,498)</b>	(827)
Increase in accrued expenses	<b>494</b>	22,565
Decrease in allocations/designations payable	<b>(186,175)</b>	(62,192)
<b>Net cash used in operating activities</b>	<b>(31,255)</b>	(155,790)
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	<b>(663)</b>	(11,807)
Proceeds from redemption and sale of investment securities	<b>631,375</b>	594,275
Purchase of investment securities	<b>(611,677)</b>	(448,531)
<b>Net cash provided by investing activities</b>	<b>19,035</b>	133,937
Decrease in cash and cash equivalents	<b>(12,220)</b>	(21,853)
Cash and cash equivalents – beginning of year	<b>226,632</b>	248,485
<b>Cash and cash equivalents – end of year</b>	<b>\$ 214,412</b>	\$ 226,632

*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, Warren, Butler, Edmonson, Hart, Metcalfe, and Monroe 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. Consequently, revenues are recognized when earned rather than when received, and expenses are recognized when the obligation is incurred rather than when paid.

***Contributions***

Contributions received are recorded as unrestricted, restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

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 restriction is fulfilled in the same time period in

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

which the contribution is received, the Organization 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.

***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.

***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 \$2,500 and \$500 for the years ended June 30, 2016 and 2015, respectively, 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.

**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.

***Deferred Revenue***

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants, which are exchange transactions, received before the intended purposes are met are recorded as deferred revenue.

***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.

***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.

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

- ▶ **Early Childhood Education** — 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, through the Dolly Parton Imagination Library.
- ▶ **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.
- ▶ **2-1-1 Center** — Provides callers with quick, easy, confidential, and free access to information about health and human services in the 10-county BRADD region. Professional Information and Referral Specialists work with callers to assess their needs, determine their options, provide appropriate programs/services, give support, intervene in crisis situations, and advocate for the caller as needed. Instead of multiple calls leading to dead ends, with one call to 2-1-1 people can reach a trained specialist who assesses a caller's full scope of needs and matches them to the right services for everyday needs such as food, housing, utilities, or transportation.
- ▶ **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 Education (kindergarten readiness, college and career readiness), Income (workforce development), Health (access to affordable health care, safe home and community), and Safety Net (transportation, access to basic needs). 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.

## United Way of Southern Kentucky, Inc. Notes to Financial Statements

### NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- ▶ **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.

#### ***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 June 30, 2016, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

#### ***Reclassifications***

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. The reclassifications did not have any effect on the change in total net assets for 2015; however, there was a reclassification in the change of net assets between unrestricted and temporarily restricted net assets totaling \$45,961 for fiscal year ended June 30, 2015.

#### ***Subsequent Events***

The Organization has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through October 27, 2016, which was the date the financial statements were made available.

**United Way of Southern Kentucky, Inc.**  
**Notes to Financial Statements**

**NOTE 2: INVESTMENT SECURITIES**

At June 30, 2016, investments are stated at fair value as follows:

	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Net Unrealized Appreciation</b>
Cash management funds	\$ 81,642	\$ 81,642	\$ -
Mutual funds - equities	627,422	634,090	6,668
Mutual funds - bonds	477,557	488,064	10,507
	<u>\$ 1,186,621</u>	<u>\$ 1,203,796</u>	<u>\$ 17,175</u>

*For the Year Ended June 30, 2016*

Investment return is summarized as follows:

Dividend/Interest income	\$ 27,375
Net realized/unrealized gains (losses)	(32,972)
<u>Investment loss designated for current operations</u>	<u>\$ (5,597)</u>

At June 30, 2015, investments are stated at fair value as follows:

	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Net Unrealized Appreciation</b>
Cash management funds	\$ 55,896	\$ 55,896	\$ -
Mutual funds - equities	628,624	775,656	147,032
Mutual funds - bonds	521,799	531,074	9,275
	<u>\$ 1,206,319</u>	<u>\$ 1,362,626</u>	<u>\$ 156,307</u>

*For the Year Ended June 30, 2015*

Investment return is summarized as follows:

Dividend/Interest income	\$ 28,546
Net realized/unrealized gains (losses)	(5,300)
<u>Investment return designated for current operations</u>	<u>\$ 23,246</u>

**United Way of Southern Kentucky, Inc.**  
**Notes to Financial Statements**

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

At June 30, 2016 and 2015, the costs and related accumulated depreciation of land, buildings, and equipment consist of the following:

<i>As of June 30,</i>	<b>2016</b>	2015
Land	<b>\$ 26,000</b>	\$ 26,000
Buildings and improvements	<b>315,055</b>	315,055
Equipment	<b>180,731</b>	180,068
	<b>521,786</b>	521,123
Less: accumulated depreciation	<b>(299,595)</b>	(277,426)
	<b>\$ 222,191</b>	\$ 243,697

**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 non-profit Health and Human Service organization before they can participate in the plan and three years of United Way service to become fully vested under the plan. During the years ended June 30, 2016 and 2015, the Organization contributed \$41,840 and \$37,957 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 the years ended June 30, 2016 and 2015, the Organization made payments to these affiliated agencies of \$917,253 and \$1,077,978, 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.

<i>For the Years Ended June 30,</i>	<b>2016</b>	2015
Time and purpose restrictions satisfied	<b>\$ 142,399</b>	\$ 63,932
Total restrictions released	<b>\$ 142,399</b>	\$ 63,932

**United Way of Southern Kentucky, Inc.**  
**Notes to Financial Statements**

**NOTE 6: NET ASSETS RELEASED FROM TEMPORARY AND PERMANENT RESTRICTIONS  
(CONTINUED)**

Temporarily restricted net assets consist of contributions for the Early Childhood Education program and the 2-1-1 Center which have not been spent totaling \$213,580 and \$173,293 at June 30, 2016 and 2015, respectively. In addition, at June 30, 2016 and 2015, early pledge receipts for the 2016/2017 campaign and 2015/2016 campaign totaling \$1,299 and \$5,631, respectively, were included in temporarily restricted net assets.

**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.

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 unrestricted 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 expense of which will be at the sole discretion of the Organization’s Board. As of June 30, 2016 and 2015, the Organization is pursuing other funding sources to increase the endowment fund. The fair market value of the endowment fund at June 30, 2016 and 2015 was \$28,778 and \$26,860, respectively.

For the years ended June 30, 2016 and 2015, the Organization had the following Board designated endowment related activities:

<i>For the Years Ended June 30,</i>	<b>2016</b>	2015
<b>Investment return:</b>		
Investment income	\$ 910	\$ 699
Net appreciation	327	40
<hr/>		
Total investment return	<b>1,237</b>	739
Contributions to endowment	<b>1,000</b>	3,000
<hr/>		
Amounts appropriated for expenses	<b>(319)</b>	(212)
<hr/>		
<b>Total change in endowment funds</b>	<b>\$ 1,918</b>	<b>\$ 3,527</b>



**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.

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.

**United Way of Southern Kentucky, Inc.**  
**Notes to Financial Statements**

**NOTE 8: FAIR VALUE MEASUREMENTS (CONTINUED)**

As of June 30, 2016, fair value measurements were as follows:

<b>Fair Value Measurements at June 30, 2016 Using</b>				
<b>Description</b>	<b>Fair Value June 30, 2016</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Cash management funds	\$ 81,642	\$ 81,642	\$ -	\$ -
Mutual funds - equities	634,090	634,090	-	-
Mutual funds - bonds	488,064	488,064	-	-
Investments	\$ 1,203,796	\$ 1,203,796	\$ -	\$ -

As of June 30, 2015, fair value measurements were as follows:

<b>Fair Value Measurements at June 30, 2015 Using</b>				
<b>Description</b>	<b>Fair Value June 30, 2015</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Cash management funds	\$ 55,896	\$ 55,896	\$ -	\$ -
Mutual funds - equities	775,656	775,656	-	-
Mutual funds - bonds	531,074	531,074	-	-
Investments	\$ 1,362,626	\$ 1,362,626	\$ -	\$ -



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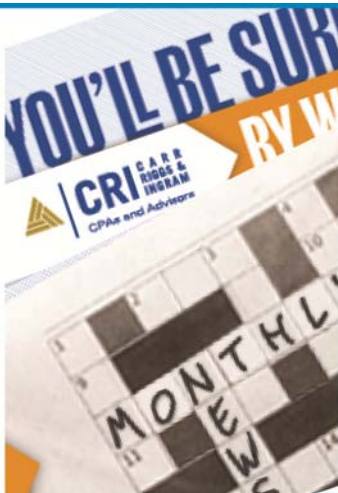
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