

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

**FINANCIAL STATEMENTS**

**June 30, 2018 and 2017**



**CRI** CARR  
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**United Way of Southern Kentucky, Inc.**  
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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, 2018 and 2017, 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, 2018 and 2017, 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  
November 20, 2018



# FINANCIAL STATEMENTS

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

<i>June 30,</i>	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 197,068	\$ 68,799	\$ 265,867	\$ 297,454	\$ 48,702	\$ 346,156
Investments	1,530,780	367,358	1,898,138	1,237,772	310,011	1,547,783
2017 / 2018 contributions receivable, less allowance for uncollectibles of \$147,202	926,715	-	926,715	-	-	-
2016 / 2017 contributions receivable, less allowance for uncollectibles of \$162,375	-	-	-	857,943	1,700	859,643
Grant receivables	1,250	-	1,250	4,306	-	4,306
Other receivables	55,530	-	55,530	16,110	-	16,110
Prepaid expenses	5,814	-	5,814	9,780	-	9,780
Land, building and equipment, net	191,547	-	191,547	201,133	-	201,133
<b>Total assets</b>	<b>\$ 2,908,704</b>	<b>\$ 436,157</b>	<b>\$ 3,344,861</b>	<b>\$ 2,624,498</b>	<b>\$ 360,413</b>	<b>\$ 2,984,911</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>	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Liabilities and Net Assets</b>						
<b>Liabilities</b>						
Accounts payable	\$ 11,542	\$ -	\$ 11,542	\$ 8,369	\$ -	\$ 8,369
Accrued expenses	50,288	-	50,288	42,416	-	42,416
Allocations payable	1,017,494	-	1,017,494	923,833	-	923,833
Designations payable, net of allowance for uncollectibles of \$12,991 and \$14,316, respectively	115,787	-	115,787	104,689	-	104,689
Deferred revenue	-	-	-	384	-	384
<b>Total liabilities</b>	<b>1,195,111</b>	<b>-</b>	<b>1,195,111</b>	<b>1,079,691</b>	<b>-</b>	<b>1,079,691</b>
<b>Net Assets</b>						
<b>Unrestricted</b>						
Operating	1,678,782	-	1,678,782	1,513,301	-	1,513,301
Endowment fund – Board designated	34,811	-	34,811	31,506	-	31,506
Temporarily restricted	-	436,157	436,157	-	360,413	360,413
<b>Total net assets</b>	<b>1,713,593</b>	<b>436,157</b>	<b>2,149,750</b>	<b>1,544,807</b>	<b>360,413</b>	<b>1,905,220</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,908,704</b>	<b>\$ 436,157</b>	<b>\$ 3,344,861</b>	<b>\$ 2,624,498</b>	<b>\$ 360,413</b>	<b>\$ 2,984,911</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,*

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Public Support and Revenue</b>						
Gross campaign results – current year	\$ 1,943,765	\$ 74,886	\$ 2,018,651	\$ 1,962,095	\$ 84,993	\$ 2,047,088
Less: donor designations – net of fees	(115,787)	-	(115,787)	(108,235)	-	(108,235)
Less: donor designations – paid by processor	(20,022)	-	(20,022)	(31,362)	-	(31,362)
Campaign revenue – current year	1,807,956	74,886	1,882,842	1,822,498	84,993	1,907,491
Allowance for uncollectible pledges	(147,202)	-	(147,202)	(162,375)	-	(162,375)
Net campaign revenue – current year	1,660,754	74,886	1,735,640	1,660,123	84,993	1,745,116
Additional campaign revenue – prior year	34,591	-	34,591	22,867	-	22,867
Early campaign results – next year	-	4,800	4,800	-	2,882	2,882
Total campaign revenue	1,695,345	79,686	1,775,031	1,682,990	87,875	1,770,865
<b>Other Public Support and Revenue</b>						
Early Childhood Education contributions	-	31,343	31,343	-	34,468	34,468
2-1-1 Center contributions	-	129,520	129,520	-	91,029	91,029
Other revenues / endowment	-	-	-	1,689	-	1,689
Total other public support and revenue	-	160,863	160,863	1,689	125,497	127,186

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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,*

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Balloons, Tunes & BBQ revenue	-	-	-	-	78,270	78,270
Less: costs of Balloons, Tunes & BBQ	-	-	-	(106)	(50,642)	(50,748)
Handbags for Hope	-	86,325	86,325	-	54,967	54,967
Other special events	27,116	1,670	28,786	22,125	551	22,676
<b>Net revenue from special events</b>	<b>27,116</b>	<b>87,995</b>	<b>115,111</b>	22,019	83,146	105,165
<b>Grand total public support and revenue</b>	<b>1,722,461</b>	<b>328,544</b>	<b>2,051,005</b>	1,706,698	296,518	2,003,216
<b>Other Revenue</b>						
Early Childhood Education grants	-	16,000	16,000	-	14,521	14,521
2-1-1 Center grants	-	3,487	3,487	-	55,827	55,827
Designations from other United Ways	12,544	-	12,544	11,359	-	11,359
Investment return (loss) designated for current operations	103,720	-	103,720	123,389	-	123,389
In-kind	82,351	-	82,351	64,881	-	64,881
Marketing sponsorships	6,384	7,500	13,884	3,000	5,000	8,000
Miscellaneous income	-	3,179	3,179	-	-	-
<b>Other revenue</b>	<b>204,999</b>	<b>30,166</b>	<b>235,165</b>	202,629	75,348	277,977
Released from restrictions	282,966	(282,966)	-	226,332	(226,332)	-
<b>Total revenue</b>	<b>2,210,426</b>	<b>75,744</b>	<b>2,286,170</b>	2,135,659	145,534	2,281,193

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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,*

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Expenses</b>						
<b>Program services</b>						
Fund distribution	1,029,521	-	1,029,521	940,708	-	940,708
Early childhood education	174,624	-	174,624	140,262	-	140,262
Volunteer program	1,989	-	1,989	6,499	-	6,499
2-1-1 Center	173,967	-	173,967	177,946	-	177,946
Community impact activities	118,459	-	118,459	83,773	-	83,773
<b>Total program services</b>	<b>1,498,560</b>	<b>-</b>	<b>1,498,560</b>	<b>1,349,188</b>	<b>-</b>	<b>1,349,188</b>
<b>Supporting services</b>						
Management and general	253,359	-	253,359	237,504	-	237,504
Fund raising	206,653	-	206,653	188,631	-	188,631
Marketing	59,109	-	59,109	93,420	-	93,420
United Way of America dues	23,959	-	23,959	23,033	-	23,033
<b>Total supporting services</b>	<b>543,080</b>	<b>-</b>	<b>543,080</b>	<b>542,588</b>	<b>-</b>	<b>542,588</b>
<b>Total expenses</b>	<b>2,041,640</b>	<b>-</b>	<b>2,041,640</b>	<b>1,891,776</b>	<b>-</b>	<b>1,891,776</b>
Change in net assets	168,786	75,744	244,530	243,883	145,534	389,417
Net assets – beginning of year	1,544,807	360,413	1,905,220	1,300,924	214,879	1,515,803
Net assets – end of year	<b>\$ 1,713,593</b>	<b>\$ 436,157</b>	<b>\$ 2,149,750</b>	<b>\$ 1,544,807</b>	<b>\$ 360,413</b>	<b>\$ 1,905,220</b>

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*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, 2018*

	Program Services					Total
	Fund Distribution	Early Childhood Education	Volunteer Program	2-1-1 Center	Community Impact Activities	
<b>Expenses</b>						
Allocations	\$ 1,115,968	\$ -	\$ -	\$ -	\$ -	\$ 1,115,968
Less donor designations – net of fees and shrinkage	(115,787)	-	-	-	-	(115,787)
	1,000,181	-	-	-	-	1,000,181
Salaries	18,504	2,490	1,073	84,794	55,599	162,460
Fringe benefits	5,279	710	306	24,189	15,861	46,345
	23,783	3,200	1,379	108,983	71,460	208,805
Payments to affiliates	259	35	15	1,187	778	2,274
Dues/subscriptions	-	-	-	555	-	555
Supplies	493	110,208	29	1,268	1,479	113,477
Utilities	1,050	370	310	6,735	2,625	11,090
Marketing materials and programs	-	60,224	72	22,780	32,631	115,707
Training	445	-	-	1,149	-	1,594
Insurance	294	40	17	1,349	884	2,584
Purchased services	529	71	31	17,782	1,590	20,003
Repairs and maintenance	821	110	48	4,016	2,467	7,462
Travel	427	185	-	2,691	859	4,162
Miscellaneous	359	63	37	1,439	1,042	2,940
Depreciation expense	880	118	51	4,033	2,644	7,726
	5,557	171,424	610	64,984	46,999	289,574
United Way Worldwide dues	-	-	-	-	-	-
<b>Total expenses</b>	<b>\$ 1,029,521</b>	<b>\$ 174,624</b>	<b>\$ 1,989</b>	<b>\$ 173,967</b>	<b>\$ 118,459</b>	<b>\$ 1,498,560</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, 2018*

	<b>Supporting Services</b>						<b>Total Program and Supporting</b>
	<b>Management and General</b>	<b>Fund Raising</b>	<b>Marketing</b>	<b>UWW Dues</b>	<b>Total</b>		
<b>Expenses</b>							
Allocations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,115,968
Less donor designations – net of fees and shrinkage	-	-	-	-	-	-	(115,787)
	-	-	-	-	-	-	1,000,181
Salaries	126,139	116,608	24,129	-	266,876	-	429,336
Fringe benefits	35,984	33,265	6,883	-	76,132	-	122,477
	162,123	149,873	31,012	-	343,008	-	551,813
Payments to affiliates	1,765	1,632	338	-	3,735	-	6,009
Dues/subscriptions	678	644	267	-	1,589	-	2,144
Supplies	3,360	3,106	644	-	7,110	-	120,587
Utilities	5,620	5,216	1,289	-	12,125	-	23,215
Marketing materials and programs	2,130	24,033	20,813	-	46,976	-	162,683
Training	1,829	555	-	-	2,384	-	3,978
Insurance	2,006	1,855	384	-	4,245	-	6,829
Purchased services	58,343	3,335	690	-	62,368	-	82,371
Repairs and maintenance	5,596	5,173	1,070	-	11,839	-	19,301
Travel	1,568	3,518	992	-	6,078	-	10,240
Miscellaneous	2,342	2,167	462	-	4,971	-	7,911
Depreciation expense	5,999	5,546	1,148	-	12,693	-	20,419
	91,236	56,780	28,097	-	176,113	-	465,687
United Way Worldwide dues	-	-	-	23,959	23,959	-	23,959
<b>Total expenses</b>	<b>\$ 253,359</b>	<b>\$ 206,653</b>	<b>\$ 59,109</b>	<b>\$ 23,959</b>	<b>\$ 543,080</b>	<b>\$ -</b>	<b>\$ 2,041,640</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, 2017*

	Program Services					Total
	Fund Distribution	Early Childhood Education	Volunteer Program	2-1-1 Center	Community Impact Activities	
<b>Expenses</b>						
Allocations	\$ 1,013,225	\$ -	\$ -	\$ -	\$ -	\$ 1,013,225
Less donor designations – net of fees and shrinkage	(108,439)	-	-	-	-	(108,439)
	904,786	-	-	-	-	904,786
Salaries	23,040	3,175	3,518	100,955	42,905	173,593
Fringe benefits	6,449	889	985	28,259	12,010	48,592
	29,489	4,064	4,503	129,214	54,915	222,185
Payments to affiliates	312	43	48	1,369	582	2,354
Dues/subscriptions	-	-	-	550	-	550
Supplies	829	103,536	285	1,507	1,383	107,540
Utilities	1,449	650	664	5,552	2,247	10,562
Marketing materials and programs	-	31,129	108	21,562	17,800	70,599
Training	111	41	42	329	181	704
Insurance	372	51	57	1,629	692	2,801
Purchased services	-	-	-	1,825	-	1,825
Repairs and maintenance	984	136	150	2,607	1,833	5,710
Travel	807	379	386	5,144	1,234	7,950
Miscellaneous	444	78	84	1,728	811	3,145
Depreciation expense	1,125	155	172	4,930	2,095	8,477
	6,433	136,198	1,996	48,732	28,858	222,217
United Way Worldwide dues	-	-	-	-	-	-
<b>Total expenses</b>	<b>\$ 940,708</b>	<b>\$ 140,262</b>	<b>\$ 6,499</b>	<b>\$ 177,946</b>	<b>\$ 83,773</b>	<b>\$ 1,349,188</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, 2017*

	<b>Supporting Services</b>						<b>Total Program and Supporting</b>
	<b>Management and General</b>	<b>Fund Raising</b>	<b>Marketing</b>	<b>UWW Dues</b>	<b>Total</b>		
<b>Expenses</b>							
Allocations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,013,225
Less donor designations – net of fees and shrinkage	-	-	-	-	-	-	(108,439)
	-	-	-	-	-	-	904,786
Salaries	118,674	108,334	28,446	-	255,454	-	429,047
Fringe benefits	33,219	30,325	7,962	-	71,506	-	120,098
	151,893	138,659	36,408	-	326,960	-	549,145
Payments to affiliates	1,609	1,469	386	-	3,464	-	5,818
Dues/subscriptions	788	743	337	-	1,868	-	2,418
Supplies	3,493	3,205	980	-	7,678	-	115,218
Utilities	5,293	4,876	1,666	-	11,835	-	22,397
Marketing materials and programs	1,609	22,952	48,983	-	73,544	-	144,143
Training	447	411	130	-	988	-	1,692
Insurance	1,915	1,748	459	-	4,122	-	6,923
Purchased services	54,525	-	-	-	54,525	-	56,350
Repairs and maintenance	5,069	4,628	1,215	-	10,912	-	16,622
Travel	2,866	2,643	923	-	6,432	-	14,382
Miscellaneous	2,202	2,007	544	-	4,753	-	7,898
Depreciation expense	5,795	5,290	1,389	-	12,474	-	20,951
	85,611	49,972	57,012	-	192,595	-	414,812
United Way Worldwide dues	-	-	-	23,033	23,033	-	23,033
<b>Total expenses</b>	<b>\$ 237,504</b>	<b>\$ 188,631</b>	<b>\$ 93,420</b>	<b>\$ 23,033</b>	<b>\$ 542,588</b>	<b>\$ -</b>	<b>\$ 1,891,776</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>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 244,530	\$ 389,417
<b>Adjustments to reconcile change in net assets to net operating activities:</b>		
Depreciation	20,419	21,058
Unrealized gain on investment securities, net	(13,960)	(79,471)
(Increase) decrease in contributions receivable, net	(67,072)	28,128
Decrease (increase) in prepaid expenses	3,965	(1,091)
Decrease in grant receivables	3,056	39,608
Increase in other receivables	(39,420)	(1,052)
Increase (decrease) in accounts payable	3,173	(911)
Increase (decrease) in accrued expenses	7,872	(8,529)
Increase in allocations/designations payable	104,759	8,719
(Decrease) increase in deferred revenue	(384)	384
<b>Net cash provided by operating activities</b>	<b>266,938</b>	<b>396,260</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(10,832)	-
Proceeds from redemption and sale of investment	212,131	109,485
Purchase of investment securities	(548,526)	(374,001)
<b>Net cash used in investing activities</b>	<b>(347,227)</b>	<b>(264,516)</b>
(Decrease) increase in cash and cash equivalents	(80,289)	131,744
Cash and cash equivalents – beginning of year	346,156	214,412
<b>Cash and cash equivalents – end of year</b>	<b>\$ 265,867</b>	<b>\$ 346,156</b>

*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)**

***Contributions (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.

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

***Land, Buildings and Equipment***

Land, buildings and equipment in excess of \$2,500 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.

***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:

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

*Functional Expenses (Continued)*

**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.
- ▶ **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 Impact Activities** — 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.

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

***Functional Expenses (Continued)***

**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.

***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, 2018, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

***Reclassification***

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation. The reclassification did not have any effect on the change in net assets for 2017.

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

**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 November 20, 2018, which was the date the financial statements were made available.

***Recently Issued Standards***

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The ASU requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 is effective for interim and annual periods beginning after December 15, 2018. The adoption of ASU 2016-14 is not expected to have a significant impact on the Organization's financial position.

**NOTE 2: INVESTMENT SECURITIES**

At June 30, 2018, investments are stated at fair value as follows:

	Amortized Cost	Fair Value	Net Unrealized Appreciation
Cash management funds	\$ 59,985	\$ 59,985	\$ -
Mutual funds - equities	918,328	1,050,103	131,775
Mutual funds - bonds	807,078	787,400	(19,678)
Preferred stock	487	650	163
	<u>\$ 1,785,878</u>	<u>\$ 1,898,138</u>	<u>\$ 112,260</u>

*For the Year Ended June 30, 2018*

Investment return is summarized as follows:

Dividend/Interest income	\$ 40,060
Net realized/unrealized gains (losses)	63,660

Investment return designated for current operations      \$ 103,720

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

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

At June 30, 2017, investments are stated at fair value as follows:

	Amortized Cost	Fair Value	Net Unrealized Appreciation
Cash management funds	\$ 71,165	\$ 71,165	\$ -
Mutual funds - equities	727,641	816,595	88,954
Mutual funds - bonds	651,883	659,446	7,563
Preferred stock	448	577	129
	<u>\$ 1,451,137</u>	<u>\$ 1,547,783</u>	<u>\$ 96,646</u>

*For the Year Ended June 30, 2017*

Investment return is summarized as follows:

Dividend/Interest income	\$ 27,917
Net realized/unrealized gains (losses)	95,472
Investment loss designated for current operations	<u>\$ 123,389</u>

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

At June 30, 2018 and 2017, the costs and related accumulated depreciation of land, buildings, and equipment consist of the following:

<i>As of June 30,</i>	<b>2018</b>	2017
Land	\$ 26,000	\$ 26,000
Buildings and improvements	321,145	315,055
Equipment	185,473	180,731
	<u>532,618</u>	521,786
Less: accumulated depreciation	<u>(341,071)</u>	(320,653)
	<u>\$ 191,547</u>	<u>\$ 201,133</u>

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

**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, 2018 and 2017, the Organization contributed \$30,831 and \$34,159 to the plan, respectively.

**NOTE 5: UNITED WAY PARTNER 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, 2018 and 2017, the Organization made payments to these affiliated agencies of \$1,000,181 and \$904,786, 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>2018</b>	<b>2017</b>
Time and purpose restrictions satisfied	\$ <b>282,966</b>	\$ 226,332
Total restrictions released	\$ <b>282,966</b>	\$ 226,332

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 \$431,357 and \$357,531 at June 30, 2018 and 2017, respectively. In addition, at June 30, 2018 and 2017, early pledge receipts for the 2018/2019 campaign and 2017/2018 campaign totaling \$4,800 and \$2,882, 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.



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

**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 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. The Foundation invests in a variety of certificates of deposits, mutual funds, bonds, and common stocks. Investments are exposed to various risks such as interest rate risk, credit risk, and market risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statement of financial position. 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. Rate of return and spending policies have not been adopted by the Organization's Board. As of June 30, 2018 and 2017, the Organization is pursuing other funding sources to increase the endowment fund. The fair market value of the endowment fund at June 30, 2018 and 2017 was \$34,811 and \$31,506, respectively.

For the years ended June 30, 2018 and 2017, the Organization had the following Board designated endowment related activities:

<i>For the Years Ended June 30,</i>	<b>2018</b>	2017
Endowment funds, beginning balance	\$ 31,506	\$ 28,778
Investment income	928	804
Net appreciation	1,757	2,281
Total investment return	2,685	3,085
Contributions to endowment	1,000	-
Amounts appropriated for expenses	(380)	(357)
Endowment funds, ending balance	\$ 34,811	\$ 31,506

**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.

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

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

As of June 30, 2018, fair value measurements were as follows:

Fair Value Measurements at June 30, 2018 Using					
Description	Fair Value June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash management funds	\$ 59,985	\$ 59,985	\$ -	\$ -	-
Mutual funds - equities	1,050,103	1,050,103	-	-	-
Mutual funds - bonds	787,400	787,400	-	-	-
Preferred stock	650	650	-	-	-
<b>Investments</b>	<b>\$ 1,898,138</b>	<b>\$ 1,898,138</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

As of June 30, 2017, fair value measurements were as follows:

Fair Value Measurements at June 30, 2017 Using					
Description	Fair Value June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash management funds	\$ 71,165	\$ 71,165	\$ -	\$ -	-
Mutual funds - equities	816,595	816,595	-	-	-
Mutual funds - bonds	659,446	659,446	-	-	-
Preferred stock	577	577	-	-	-
<b>Investments</b>	<b>\$ 1,547,783</b>	<b>\$ 1,547,783</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>



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