

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

FINANCIAL STATEMENTS

June 30, 2019 and 2018



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United Way of Southern Kentucky, Inc.
Table of Contents
June 30, 2019

REPORT

Independent Auditors' Report	1
-------------------------------------	----------

FINANCIAL STATEMENTS

Statements of Financial Position	3
---	----------

Statements of Activities	5
---------------------------------	----------

Statements of Functional Expenses	8
--	----------

Statements of Cash Flows	12
---------------------------------	-----------

Notes to Financial Statements	13
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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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, on July 1, 2018, United Way of Southern Kentucky, Inc. adopted new accounting guidance, Financial Accounting Standards Board (FASB) ASU No. 2016-14, *Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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



FINANCIAL STATEMENTS

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

<i>June 30,</i>	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Cash and cash equivalents	\$ 500,716	\$ 115,439	\$ 616,155	\$ 197,068	\$ 68,799	\$ 265,867
Investments	1,485,691	518,499	2,004,190	1,530,780	367,358	1,898,138
2018 / 2019 contributions receivable, less allowance for uncollectibles of \$154,557	918,190	-	918,190	-	-	-
2017 / 2018 contributions receivable, less allowance for uncollectibles of \$147,202	-	-	-	926,715	-	926,715
Grant receivables	2,500	-	2,500	1,250	-	1,250
Other receivables	47,417	-	47,417	55,530	-	55,530
Prepaid expenses	19,469	-	19,469	5,814	-	5,814
Land, building and equipment, net	186,389	-	186,389	191,547	-	191,547
Total assets	\$ 3,160,372	\$ 633,938	\$ 3,794,310	\$ 2,908,704	\$ 436,157	\$ 3,344,861

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>	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Liabilities and Net Assets						
Liabilities						
Accounts payable	\$ 12,290	\$ -	\$ 12,290	\$ 11,542	\$ -	\$ 11,542
Accrued expenses	36,282	-	36,282	50,288	-	50,288
Allocations payable	1,135,079	-	1,135,079	1,017,494	-	1,017,494
Designations payable, net of allowance for uncollectibles of \$11,509 and \$12,991, respectively	118,291	-	118,291	115,787	-	115,787
Total liabilities	1,301,942	-	1,301,942	1,195,111	-	1,195,111
Net Assets						
Without donor restrictions	1,858,430	-	1,858,430	1,713,593	-	1,713,593
With donor restrictions	-	633,938	633,938	-	436,157	436,157
Total net assets	1,858,430	633,938	2,492,368	1,713,593	436,157	2,149,750
Total liabilities and net assets	\$ 3,160,372	\$ 633,938	\$ 3,794,310	\$ 2,908,704	\$ 436,157	\$ 3,344,861

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

United Way of Southern Kentucky, Inc.
Statements of Activities

<i>For the Years Ended June 30,</i>	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Gross campaign results – current year	\$ 2,035,931	\$ 71,346	\$ 2,107,277	\$ 1,943,765	\$ 74,886	\$ 2,018,651
Less: donor designations – net of fees	(113,484)	-	(113,484)	(115,787)	-	(115,787)
Less: donor designations – paid by processor	(28,273)	-	(28,273)	(20,022)	-	(20,022)
Campaign revenue – current year	1,894,174	71,346	1,965,520	1,807,956	74,886	1,882,842
Allowance for uncollectible pledges	(154,557)	-	(154,557)	(147,202)	-	(147,202)
Net campaign revenue – current year	1,739,617	71,346	1,810,963	1,660,754	74,886	1,735,640
Additional campaign revenue – prior year	39,366	-	39,366	34,591	-	34,591
Early campaign results – next year	-	35,000	35,000	-	4,800	4,800
Total campaign revenue	1,778,983	106,346	1,885,329	1,695,345	79,686	1,775,031
Other Public Support and Revenue						
Kindergarten Readiness contributions	-	77,735	77,735	-	31,343	31,343
2-1-1 Center contributions	-	125,500	125,500	-	129,520	129,520
Major Gifts	62,000	-	62,000	-	-	-
Total other public support and revenue	62,000	203,235	265,235	-	160,863	160,863

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

United Way of Southern Kentucky, Inc.
Statements of Activities

<i>For the Years Ended June 30,</i>	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Handbags for Hope	-	165,942	165,942	-	100,476	100,476
Less: costs of Handbags for Hope	-	(52,781)	(52,781)	-	(29,828)	(29,828)
Other special events	23,984	216	24,200	27,116	1,670	28,786
Net revenue from special events	23,984	113,377	137,361	27,116	72,318	99,434
Grand total public support and revenue	1,864,967	422,958	2,287,925	1,722,461	312,867	2,035,328
Other Revenue						
Kindergarten Readiness grants	-	16,000	16,000	-	16,000	16,000
2-1-1 Center grants	-	8,000	8,000	-	3,487	3,487
Designations from other United Ways	5,797	-	5,797	12,544	-	12,544
Investment return designated for current operations	110,748	-	110,748	103,720	-	103,720
In-kind	55,221	29,375	84,596	34,500	33,700	68,200
Marketing sponsorships	2,600	7,500	10,100	6,384	7,500	13,884
Miscellaneous income	-	2,379	2,379	-	3,179	3,179
Other revenue	174,366	63,254	237,620	157,148	63,866	221,014
Released from restrictions	288,431	(288,431)	-	300,989	(300,989)	-
Total revenue	2,327,764	197,781	2,525,545	2,180,598	75,744	2,256,342

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

United Way of Southern Kentucky, Inc.
Statements of Activities

<i>For the Years Ended June 30,</i>	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses						
Program services						
Fund distribution	1,168,836	-	1,168,836	1,029,521	-	1,029,521
Kindergarten Readiness	169,748	-	169,748	158,948	-	158,948
Volunteer program	1,680	-	1,680	1,989	-	1,989
2-1-1 Center	149,221	-	149,221	173,967	-	173,967
Community impact activities	109,182	-	109,182	118,459	-	118,459
Total program services	1,598,667	-	1,598,667	1,482,884	-	1,482,884
Supporting services						
Management and general	261,871	-	261,871	253,359	-	253,359
Fund raising	240,545	-	240,545	192,500	-	192,500
Marketing	57,755	-	57,755	59,110	-	59,110
United Way of America dues	24,089	-	24,089	23,959	-	23,959
Total supporting services	584,260	-	584,260	528,928	-	528,928
Total expenses	2,182,927	-	2,182,927	2,011,812	-	2,011,812
Change in net assets	144,837	197,781	342,618	168,786	75,744	244,530
Net assets – beginning of year	1,713,593	436,157	2,149,750	1,544,807	360,413	1,905,220
Net assets – end of year	\$ 1,858,430	\$ 633,938	\$ 2,492,368	\$ 1,713,593	\$ 436,157	\$ 2,149,750

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, 2019

	Program Services						Total
	Fund Distribution	Kindergarten Readiness	Volunteer Program	2-1-1 Center	Community Impact Activities		
Expenses							
Allocations	\$ 1,226,417	\$ -	\$ -	\$ -	\$ 36,300		\$ 1,262,717
Less donor designations – net of fees and shrinkage	(113,484)	-	-	-	-		(113,484)
	1,112,933	-	-	-	36,300		1,149,233
Salaries	36,945	2,630	877	78,228	32,168		150,848
Fringe benefits	9,210	656	219	19,501	8,019		37,605
	46,155	3,286	1,096	97,729	40,187		188,453
Payments to affiliates	512	36	12	1,085	446		2,091
Dues/subscriptions	-	-	-	560	-		560
Supplies	869	117,649	21	1,055	758		120,352
Utilities	1,826	368	294	5,850	1,622		9,960
Marketing materials and programs	-	47,579	124	12,610	24,199		84,512
Training	508	-	-	-	-		508
Insurance	878	62	21	1,860	765		3,586
Purchased services	11	1	-	17,431	9		17,452
Repairs and maintenance	2,632	187	62	5,998	2,292		11,171
Travel	396	429	-	564	762		2,151
Miscellaneous	686	49	16	1,452	597		2,800
Depreciation expense	1,430	102	34	3,027	1,245		5,838
	9,748	166,462	584	51,492	32,695		260,981
United Way Worldwide dues	-	-	-	-	-		-
Total expenses	\$ 1,168,836	\$ 169,748	\$ 1,680	\$ 149,221	\$ 109,182		\$ 1,598,667

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, 2019

	Supporting Services					Total Program and Supporting Services
	Management and General	Fund Raising	Marketing	UWW Dues	Total	
Expenses						
Allocations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,262,717
Less donor designations – net of fees and shrinkage	-	-	-	-	-	(113,484)
	-	-	-	-	-	1,149,233
Salaries	134,500	132,001	20,904	-	287,405	438,253
Fringe benefits	33,529	32,906	5,211	-	71,646	109,251
	168,029	164,907	26,115	-	359,051	547,504
Payments to affiliates	1,865	1,830	290	-	3,985	6,076
Dues/subscriptions	827	816	292	-	1,935	2,495
Supplies	3,164	3,105	492	-	6,761	127,113
Utilities	5,972	5,866	1,145	-	12,983	22,943
Marketing materials and programs	1,724	38,645	25,146	-	65,515	150,027
Training	564	775	25	-	1,364	1,872
Insurance	3,198	3,139	497	-	6,834	10,420
Purchased services	55,264	38	6	-	55,308	72,760
Repairs and maintenance	9,582	9,404	1,489	-	20,475	31,646
Travel	3,981	4,463	1,062	-	9,506	11,657
Miscellaneous	2,496	2,449	387	-	5,332	8,132
Depreciation expense	5,205	5,108	809	-	11,122	16,960
	93,842	75,638	31,640	-	201,120	462,101
United Way Worldwide dues	-	-	-	24,089	24,089	24,089
Total expenses	\$ 261,871	\$ 240,545	\$ 57,755	\$ 24,089	\$ 584,260	\$ 2,182,927

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	Kindergarten Readiness	Volunteer Program	2-1-1 Center	Community Impact Activities		
Expenses							
Allocations	\$ 1,115,968	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,115,968
Less donor designations – net of fees and shrinkage	(115,787)	-	-	-	-	-	(115,787)
	<u>1,000,181</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,181</u>
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
	<u>23,783</u>	<u>3,200</u>	<u>1,379</u>	<u>108,983</u>	<u>71,460</u>		<u>208,805</u>
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	-	44,547	72	22,780	32,631		100,030
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	64	37	1,439	1,042		2,941
Depreciation expense	880	118	51	4,033	2,644		7,726
	<u>5,557</u>	<u>155,748</u>	<u>610</u>	<u>64,984</u>	<u>46,999</u>		<u>273,898</u>
United Way Worldwide dues	-	-	-	-	-		-
Total expenses	<u>\$ 1,029,521</u>	<u>\$ 158,948</u>	<u>\$ 1,989</u>	<u>\$ 173,967</u>	<u>\$ 118,459</u>		<u>\$ 1,482,884</u>

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

	Supporting Services						Total Program and Supporting Services
	Management and General	Fund Raising	Marketing	UWW Dues	Total		
Expenses							
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	9,882	20,813	-	32,825	-	132,855
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	2,165	463	-	4,970	-	7,911
Depreciation expense	5,999	5,546	1,148	-	12,693	-	20,419
	91,236	42,627	28,098	-	161,961	-	435,859
United Way Worldwide dues	-	-	-	23,959	23,959	-	23,959
Total expenses	\$ 253,359	\$ 192,500	\$ 59,110	\$ 23,959	\$ 528,928	\$ -	\$ 2,011,812

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>	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 342,618	\$ 244,530
Adjustments to reconcile change in net assets to net operating activities:		
Depreciation	16,960	20,419
Unrealized gain on investment securities, net	(14,066)	(13,960)
Decrease (increase) in contributions receivable, net	8,525	(67,072)
(Increase) decrease in prepaid expenses	(13,655)	3,965
(Increase) decrease in grant receivables	(1,250)	3,056
Decrease (increase) in other receivables	8,113	(39,420)
Increase in accounts payable	748	3,173
(Decrease) increase in accrued expenses	(14,006)	7,872
Increase in allocations/designations payable	120,089	104,759
(Decrease) increase in deferred revenue	-	(384)
Net cash provided by operating activities	454,076	266,938
Cash flows from investing activities		
Purchase of fixed assets	(11,802)	(10,832)
Proceeds from redemption and sale of investment securities	284,797	212,131
Purchase of investment securities	(376,783)	(548,526)
Net cash used in investing activities	(103,788)	(347,227)
Increase (decrease) in cash and cash equivalents	350,288	(80,289)
Cash and cash equivalents – beginning of year	265,867	346,156
Cash and cash equivalents – end of year	\$ 616,155	\$ 265,867

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 increases in net assets without donor restrictions and net assets with donor restrictions, 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, with donor restrictions net assets are reclassified to without donor restrictions 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 restricted support that increases that net asset class. However, if a restriction is fulfilled in the same time period in 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.

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

Contributions (Continued)

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.

The Organization has cash in financial institutions that is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution for the bank accounts. At various times throughout the year, the Organization may have cash balances at financial institutions that exceed the insured amount. Management does not believe this concentration of cash results in a high level of custodial credit risk for the Organization.

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)

Liquidity and Availability of Financial Assets

The Organization's primary sources of support are contributions and income from investments. Most of that support is required to be used in accordance with the purpose restrictions imposed by the donors. Donor-restricted support has historically funded approximately 31% of annual program and supporting activities, with the remainder funded by contributions without donor restrictions and fundraising events that are held for the purpose of supporting the Organization's budget. The Organization has approximately \$3,588,000 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$616,000; investments of \$2,004,000; net pledges receivable of \$918,000; and other receivables of \$50,000. Financial assets in the amount of approximately \$634,000 are only available for specific purposes per donor restriction. The Organization has an endowment fund of \$37,465 that is board designated. The Organization invests cash in excess of daily requirements in mostly short-term and some long-term investments, which consists of commercial paper.

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.

Classification of Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

Classification of Net Assets (Continued)

Net Assets without Donor Restrictions

These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing functions.

Net Assets with Donor Restrictions

These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

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. Noncash transactions include contributions in-kind recorded at fair value.

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)

Functional Expenses (Continued)

Program Services

- ▶ **Kindergarten Readiness** — 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.

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.

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

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

Functional Expenses (Continued)

Supporting Services (Continued)

- ▶ **Fund Raising** — Includes publicizing and conducting fund raising campaigns, maintaining donor mailing lists, conducting special fund raising events, preparing and distributing fund raising manuals, instructions and other materials, and conducting other activities involved with soliciting contributions from individuals, foundations, governments and others. Also includes the recruitment, training and development of volunteers to solicit donations from corporations and individuals to fund operating and allocation expenses.
- ▶ **Marketing** — Includes 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.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the years ended, June 30, 2019 and 2018 advertising costs totaled \$31,594 and \$34,848, respectively.

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 de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2019, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Reclassification

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation. The reclassification did not have any effect on the change in net assets for 2018.

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 21, 2019, which was the date the financial statements were made available.

Recently Adopted Standards

During the current year ended June 30, 2019, the Organization adopted the Financial Accounting Standards Board (FASB)'s Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial statements of 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. The ASU has been applied retrospectively to all periods presented.

Accounting Guidance Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU and its amendments will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry specific guidance. For nonpublic entities, these amendments are effective for annual reporting periods beginning after December 15, 2018. Early adoption with certain restrictions is permitted for nonpublic entities. The Organization is currently evaluating the impact of the guidance on the financial statements.

NOTE 2: INVESTMENT SECURITIES

At June 30, 2019, investments are stated at fair value as follows:

	Amortized Cost	Fair Value	Net Unrealized Appreciation (Depreciation)
Cash management funds	\$ 43,822	\$ 43,822	\$ -
Mutual funds - equities	983,735	1,100,646	116,911
Mutual funds - bonds	849,852	859,085	9,233
Preferred stock	455	637	182
	<u>\$ 1,877,864</u>	<u>\$ 2,004,190</u>	<u>\$ 126,326</u>

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

NOTE 2: INVESTMENT SECURITIES (CONTINUED)

For the Year Ended June 30, 2019

Investment return is summarized as follows:

Dividend/Interest income	\$	44,540
Net realized/unrealized gains		66,208
<hr/>		
Investment return designated for current operations	\$	110,748

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

	Amortized Cost	Fair Value	Net Unrealized Appreciation (Depreciation)
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
<hr/>			
	\$ 1,785,878	\$ 1,898,138	\$ 112,260

For the Year Ended June 30, 2018

Investment return is summarized as follows:

Dividend/Interest income	\$	40,060
Net realized/unrealized gains		63,660
<hr/>		
Investment return designated for current operations	\$	103,720

NOTE 3: LAND, BUILDINGS, AND EQUIPMENT

At June 30, 2019 and 2018, the costs and related accumulated depreciation of land, buildings, and equipment consist of the following:

<i>As of June 30,</i>	2019	2018
Land	\$ 26,000	\$ 26,000
Buildings and improvements	324,464	321,145
Equipment	185,792	185,473
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	536,256	532,618
Less: accumulated depreciation	(349,867)	(341,071)
<hr/>		
	\$ 186,389	\$ 191,547

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, 2019 and 2018, the Organization contributed \$30,112 and \$30,831 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, 2019 and 2018, the Organization made payments to these affiliated agencies of \$1,112,933 and \$1,000,181, respectively.

NOTE 6: NET ASSETS RELEASED FROM DONOR 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>	2019	2018
Time and purpose restrictions satisfied	\$ 288,431	\$ 300,989
Total restrictions released	\$ 288,431	\$ 300,989

Donor restricted net assets consist of contributions for the Kindergarten Readiness program and the 2-1-1 Center which have not been spent totaling \$598,938 and \$431,357 at June 30, 2019 and 2018, respectively. In addition, at June 30, 2019 and 2018, early pledge receipts for the 2019/2020 campaign and 2018/2019 campaign totaling \$35,000 and \$4,800, respectively, were included in donor 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 without donor restrictions 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 without donor restrictions contributions or additional transfers of without donor restrictions 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, 2019 and 2018, the Organization is pursuing other funding sources to increase the endowment fund. The fair market value of the endowment fund at June 30, 2019 and 2018 was \$37,465 and \$34,811, respectively.

For the years ended June 30, 2019 and 2018, the Organization had the following Board designated endowment related activities:

<i>For the Years Ended June 30,</i>	2019	2018
Endowment funds, beginning balance	\$ 34,811	\$ 31,506
Investment income	1,190	928
Net appreciation	1,892	1,757
Total investment return	3,082	2,685
Contributions to endowment	-	1,000
Amounts appropriated for expenses	(428)	(380)
Endowment funds, ending balance	\$ 37,465	\$ 34,811

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, 2019, fair value measurements were as follows:

Fair Value Measurements at June 30, 2019 Using				
Description	Fair Value June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash management funds	\$ 43,822	\$ 43,822	\$ -	\$ -
Mutual funds - equities	1,100,646	1,100,646	-	-
Mutual funds - bonds	859,085	859,085	-	-
Preferred stock	637	637	-	-
Investments	\$ 2,004,190	\$ 2,004,190	\$ -	\$ -

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	-	-
Investments	\$ 1,898,138	\$ 1,898,138	\$ -	\$ -

NOTE 9: CONTINGENCIES

The Organization receives funding from local government agencies and private contributions some which are designated for special purposes. For government agency contributions, if, based on the grantor's review, the funds were not used for their intended purposes, the grantors may request refunds of monies advanced. The amounts of such future refunds, if any, are not expected to be significant. Continuation of the Organization's programs is predicated upon the satisfaction of the various donors that the funds they provide are being spent as intended and upon their intent to continue their programs.

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

NOTE 10: NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the FASB issued ASC 2016-14, *Not-for Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organization’s financial statements:

- The temporarily restricted net asset class is now called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources for the current year only (Note 1).

The changes have the following effect on net assets at June 30, 2018:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 1,678,782	\$ -
Temporarily restricted net assets	436,157	-
Endowment fund-Board designated	34,811	-
Net assets without donor restrictions	-	1,713,593
Net assets with donor restrictions	-	436,157
Total net assets	\$ 2,149,750	\$ 2,149,750



THOUGHT LEADERSHIP



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