

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

FINANCIAL STATEMENTS

June 30, 2020 and 2019



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United Way of Southern Kentucky, Inc.
Table of Contents
June 30, 2020

REPORT

Independent Auditors' Report	1
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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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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, 2020 and 2019, 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, 2020 and 2019, 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 2 to the financial statements, in 2020, United Way of Southern Kentucky, Inc. adopted new accounting guidance, ASU No. 2018-08, *Not-for-Profit Entities (Topic 958)*. Our opinion is not modified with respect to this matter.

Carr, Riggs & Ingram, LLC

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
November 19, 2020

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

June 30,	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Assets				
Current Assets				
Cash and cash equivalents	\$ 340,464	\$ 442,435	\$ 500,716	\$ 115,439
Investments	1,672,118	637,204	1,485,691	518,499
2019 / 2020 contributions receivable, less allowance for uncollectibles of \$148,500	842,563	-	-	-
2018 / 2019 contributions receivable, less allowance for uncollectibles of \$154,557	-	-	918,190	-
Grant receivables	12,750	-	2,500	-
Other receivables	32,178	200,000	47,417	-
Prepaid expenses	18,345	-	19,469	-
Total current assets	2,918,418	1,279,639	2,973,983	633,938
Property and equipment, net	190,255	-	186,389	-
Total assets	\$ 3,108,673	\$ 1,279,639	\$ 3,160,372	\$ 633,938

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

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

June 30,	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
		Total		Total
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 39,718	\$ -	\$ 12,290	\$ -
Accrued expenses	32,136	-	36,282	-
Allocations payable	881,361	-	1,135,079	-
Designations payable, net of allowance for uncollectibles of \$8,733 and \$11,509, respectively	89,332	-	118,291	-
Refundable advance	-	110,571	-	-
Deferred revenue	15,750	-	-	-
Total current liabilities	1,058,297	110,571	1,301,942	-
Net Assets				
Without donor restrictions	2,050,376	-	1,858,430	-
With donor restrictions	-	1,169,068	-	633,938
Total net assets	2,050,376	1,169,068	1,858,430	633,938
Total liabilities and net assets	\$ 3,108,673	\$ 1,279,639	\$ 3,160,372	\$ 633,938

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,	2020			2019		
	Without			Without		
	Donor	With Donor	Total	Donor	With Donor	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
Public Support and Revenue						
Gross campaign results – current year	\$ 1,898,597	\$ 65,167	\$ 1,963,764	\$ 2,035,931	\$ 71,346	\$ 2,107,277
Less: donor designations – net of fees	(79,541)	-	(79,541)	(113,484)	-	(113,484)
Less: donor designations – paid by processor	(22,995)	-	(22,995)	(28,273)	-	(28,273)
Campaign revenue – current year	1,796,061	65,167	1,861,228	1,894,174	71,346	1,965,520
Allowance for uncollectible pledges	(148,500)	-	(148,500)	(154,557)	-	(154,557)
Net campaign revenue – current year	1,647,561	65,167	1,712,728	1,739,617	71,346	1,810,963
Additional campaign revenue – prior year	60,534	-	60,534	39,366	-	39,366
Early campaign results – next year	-	46,200	46,200	-	35,000	35,000
Total campaign revenue	1,708,095	111,367	1,819,462	1,778,983	106,346	1,885,329
Other Public Support and Revenue						
Kindergarten Readiness contributions	-	259,147	259,147	-	77,735	77,735
2-1-1 Center contributions	-	135,875	135,875	-	125,500	125,500
Major Gifts	51,377	-	51,377	62,000	-	62,000
COVID-19 contributions	-	443,009	443,009	-	-	-
Total other public support and revenue	51,377	838,031	889,408	62,000	203,235	265,235

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,	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Handbags for Hope	-	12,043	12,043	-	165,942	165,942
Less: costs of Handbags for Hope	-	(4,200)	(4,200)	-	(52,781)	(52,781)
Other special events	45,869	202	46,071	23,984	216	24,200
Net revenue from special events	45,869	8,045	53,914	23,984	113,377	137,361
Grand total public support and revenue	1,805,341	957,443	2,762,784	1,864,967	422,958	2,287,925
Other Revenue						
Kindergarten Readiness grants	-	-	-	-	16,000	16,000
2-1-1 Center grants	-	-	-	-	8,000	8,000
Designations from other United Ways	1,878	-	1,878	5,797	-	5,797
Investment return designated for						
current operations	59,702	-	59,702	110,748	-	110,748
In-kind	13,689	2,480	16,169	55,221	29,375	84,596
Marketing sponsorships	3,500	7,500	11,000	2,600	7,500	10,100
Miscellaneous income	-	3,299	3,299	-	2,379	2,379
Other revenue	78,769	13,279	92,048	174,366	63,254	237,620
Released from restrictions	435,592	(435,592)	-	288,431	(288,431)	-
Total revenue	2,319,702	535,130	2,854,832	2,327,764	197,781	2,525,545

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,	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Expenses				
Program services				
Fund distribution	932,055	-	1,168,836	-
Kindergarten Readiness	193,600	-	169,748	-
Volunteer program	1,991	-	1,680	-
2-1-1 Center	204,531	-	149,221	-
Community impact activities	192,105	-	109,182	-
COVID-19 distributions	112,194	-	-	-
Total program services	1,636,476	-	1,598,667	-
Supporting services				
Management and general	226,035	-	261,871	-
Fund raising	180,085	-	240,545	-
Marketing	60,844	-	57,755	-
United Way of America dues	24,316	-	24,089	-
Total supporting services	491,280	-	584,260	-
Total expenses	2,127,756	-	2,182,927	-
Change in net assets	191,946	535,130	144,837	197,781
Net assets – beginning of year	1,858,430	633,938	1,713,593	436,157
Net assets – end of year	\$ 2,050,376	\$ 1,169,068	\$ 1,858,430	\$ 633,938
		\$ 3,219,444		\$ 2,492,368

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, 2020

	Program Services					
	Fund Distribution	Kindergarten Readiness	Volunteer Program	2-1-1 Center	Impact Activities	COVID-19 Activities
Expenses						
Allocations	\$ 941,309	\$ -	\$ -	\$ -	\$ 121,905	\$ 83,812
Less donor designations -- net of fees and shrinkage	(79,541)	-	-	-	-	-
	861,768	-	-	-	121,905	83,812
Salaries	45,197	23,560	962	93,279	42,985	13,415
Fringe benefits	11,959	6,234	254	24,680	11,374	3,549
	57,156	29,794	1,216	117,959	54,359	16,964
Payments to affiliates	582	304	12	1,202	554	173
Dues/subscriptions	142	74	2	1,255	136	42
Supplies	910	129,181	18	1,879	866	270
Utilities	2,137	802	33	9,071	1,463	457
Marketing materials and programs	-	27,050	548	26,724	4,814	7,649
Training	-	-	-	203	220	-
Insurance	911	474	19	2,930	867	271
Purchased services	3,399	2,999	39	32,097	1,734	541
Repairs and maintenance	3,090	1,611	65	6,923	2,939	917
Travel	137	362	-	523	515	-
Miscellaneous	544	283	12	1,126	517	719
Depreciation expense	1,279	666	27	2,639	1,216	379
	13,131	163,806	775	86,572	15,841	11,418
United Way						
Worldwide dues	-	-	-	-	-	-
Total expenses	\$ 932,055	\$ 193,600	\$ 1,991	\$ 204,531	\$ 192,105	\$ 112,194
						\$ 1,636,476

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, 2020

	Supporting Services					Total Program and Supporting Services
	Management and General	Fund Raising	Marketing	UWW Dues	Total	
Expenses						
Allocations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,147,026
Less donor designations – net of fees and shrinkage	-	-	-	-	-	(79,541)
	-	-	-	-	-	1,067,485
Salaries	134,292	104,001	23,127	-	261,420	480,818
Fringe benefits	35,533	27,518	6,119	-	69,170	127,220
	169,825	131,519	29,246	-	330,590	608,038
Payments to affiliates	1,731	1,340	298	-	3,369	6,196
Dues/subscriptions	423	327	72	-	822	2,473
Supplies	2,704	2,094	465	-	5,263	138,387
Utilities	4,572	4,440	1,388	-	10,400	24,363
Marketing materials and programs	6,486	18,469	24,987	-	49,942	116,727
Training	-	559	-	-	559	982
Insurance	2,710	2,097	466	-	5,273	10,745
Purchased services	17,230	4,196	933	-	22,359	63,168
Repairs and maintenance	9,184	7,111	1,582	-	17,877	33,422
Travel	426	3,739	475	-	4,640	6,177
Miscellaneous	6,944	1,252	278	-	8,474	11,675
Depreciation expense	3,800	2,942	654	-	7,396	13,602
	56,210	48,566	31,598	-	136,374	427,917
United Way Worldwide dues	-	-	-	24,316	24,316	24,316
Total expenses	\$ 226,035	\$ 180,085	\$ 60,844	\$ 24,316	\$ 491,280	\$ 2,127,756

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					
	Fund Distribution	Kindergarten Readiness	Volunteer Program	2-1-1 Center	Community Impact Activities	COVID-19 Activities
Expenses						
Allocations	\$ 1,226,417	\$ -	\$ -	\$ -	\$ 36,300	\$ -
Less donor designations -- net of fees and shrinkage	(113,484)	-	-	-	-	-
	1,112,933	-	-	-	36,300	-
Salaries	36,945	2,630	877	78,228	32,168	-
Fringe benefits	9,210	656	219	19,501	8,019	-
	46,155	3,286	1,096	97,729	40,187	-
						188,453
Payments to affiliates	512	36	12	1,085	446	-
Dues/subscriptions	-	-	-	560	-	-
Supplies	869	117,649	21	1,055	758	-
Utilities	1,826	368	294	5,850	1,622	-
Marketing materials and programs	-	47,579	124	12,610	24,199	-
Training	508	-	-	-	-	-
Insurance	878	62	21	1,860	765	-
Purchased services	11	1	-	17,431	9	-
Repairs and maintenance	2,632	187	62	5,998	2,292	-
Travel	396	429	-	564	762	-
Miscellaneous	686	49	16	1,452	597	-
Depreciation expense	1,430	102	34	3,027	1,245	-
	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	Total Program and Supporting Services
	Management and General	Fund Raising	Marketing	UWW Dues			
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 Cash Flows

<i>For the years ended June 30,</i>	2020	2019
Operating Activities		
Change in net assets	\$ 727,076	\$ 342,618
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,602	16,960
Unrealized (gain) loss on investment securities, net	29,036	(14,066)
Changes in operating assets and liabilities:		
Decrease in contributions receivable, net	75,627	8,525
(Decrease) increase in prepaid expenses	1,125	(13,655)
Increase in grant receivables	(10,250)	(1,250)
Decrease (increase) in other receivables	(184,761)	8,113
Increase in accounts payable	27,428	748
Decrease in accrued expenses	(4,146)	(14,006)
(Decrease) increase in allocations/designations payable	(282,677)	120,089
Increase in refundable advance	110,571	-
Increase in deferred revenue	15,750	-
Net cash provided by operating activities	518,381	454,076
Investing activities		
Purchase of property and equipment	(17,468)	(11,802)
Proceeds from redemption and sale of investment securities	257,195	284,797
Purchase of investment securities	(591,364)	(376,783)
Net cash used in investing activities	(351,637)	(103,788)
Net change in cash and cash equivalents	166,744	350,288
Cash and cash equivalents – beginning of year	616,155	265,867
Cash and cash equivalents – end of year	\$ 782,899	\$ 616,155
Supplemental Disclosure of Cash Flow Information:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

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

United Way of Southern Kentucky, Inc.

Notes to Financial Statements

NOTE 1: DESCRIPTION OF THE ORGANIZATION

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, 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. 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 90 days or less. The carrying amount reported in the statement of financial position approximates fair value.

Contributions Receivable

Contributions receivable are stated at unpaid balances, less an allowance for doubtful accounts. Contributions receivable are expected to be collected within a one year period. The Organization provides for losses on contributions receivable using the allowance method. The allowance is based on prior years' experience and management's analysis of contributions

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable (Continued)

It is the Organization's policy to charge off uncollectible contributions receivable when management determines the receivable will not be collected.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Investments

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,500 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. Estimated useful lives used in computing depreciation are as follows:

Land	Not depreciated
Building and grounds	15-40 years
Equipment	3-15 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.

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Refundable Advance

The Organization has received a Small Business Administration Payment Protection Program (PPP) loan during the COVID-19 pandemic and has accounted for this PPP loan as a refundable advance in accordance with ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Once the conditions for forgiveness have been met, this PPP loan will be treated as contribution revenue. As of June 30, 2020 none of this loan has been recognized as revenue.

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.

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from net assets without donor restrictions, amounts for the endowment. 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

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. 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.

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (continued)

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue Recognition

Contributions, governmental support, and grants are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Contributions are recognized 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.

Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions, governmental support, and grants received with donor-imposed restrictions that are met in the same year in which they are received are classified as net assets without donor restrictions. For conditional contributions, governmental support, and grants, any unused funds at June 30, 2020 and 2019 are recorded as a refundable advance if allowed to be retained and used in a future period, or recorded as due to the governmental department, agency, or grantor if required to be returned.

United Way of Southern Kentucky, Inc.

Notes to Financial Statements

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Noncash transactions include contributions in-kind recorded at fair value.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Allocation of 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.
- ▶ **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.

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

Program Services (Continued)

- ▶ **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.
- ▶ **COVID-19 Activities** — New in 2020 as a result of the pandemic. Received additional funds specifically to address needs of the community impacted by the health and economic effects.

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 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

Supporting Services (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.

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, 2020 and 2019 advertising costs totaled \$29,070 and \$31,594, respectively.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from taxes on income other than unrelated business income. There was no unrelated business taxable income for the years ended June 30, 2020 and 2019.

The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2020 and 2019, the Organization has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements. The Organization believes it is no longer subject to income tax examinations for years prior to 2016.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation. The reclassification did not have any effect on the change in net assets for 2019.

Subsequent Events

The Organization has evaluated subsequent events through the date the financial statements were available to be issued, November 19, 2020. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606)* which defers the effective dates of ASU 2014-09. For nonpublic entities, this amendment deferred the effective date for annual reporting periods beginning after December 15, 2019. Early adoption with certain restrictions is permitted for nonpublic entities. The Organization is currently evaluating the impact of the guidance on the financial statements.

Recently Issued Standard

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*. The guidance in this ASU was issued to clarify and improve the guidance in GAAP for distinguishing transactions that are contributions from those that are exchange transactions. The ASU also provides guidance for determining if a contribution is conditional. The amendments in ASU 2018-08 address these matters for both contributions received (income or revenue) and contributions made (expense). The Agency has implemented the new requirements of this standard for the fiscal year ended June 30, 2020.

NOTE 3: FINANCIAL ASSET AVAILABILITY

The Organization maintains its financial assets primarily in cash and cash equivalents and investments to provide liquidity to ensure funds are available as the Organization's expenditures come due. The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

Financial assets, at year-end	\$ 4,179,712	\$ 3,588,452
Less those not available for general expenditures within one year,		
Restricted by donor with time or purpose restrictions	(1,169,068)	(633,938)
Board designations	(89,873)	(37,565)
Financial assets available to meet cash needs for general expenditure	<u>\$ 2,920,771</u>	<u>\$ 2,916,949</u>

Financial assets at year end as noted in the above schedule exclude property and equipment and prepaid expenses.

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

NOTE 4: INVESTMENTS

Investments in marketable securities consist of the following:

<i>June 30, 2020</i>	Amortized Cost	Fair Value	Net Unrealized Appreciation (Depreciation)
Cash management funds	\$ 190,643	\$ 190,643	\$ -
Mutual funds - equities	943,122	1,009,107	65,985
Mutual funds - bonds	1,078,266	1,109,572	31,306
Total investments	\$ 2,212,031	\$ 2,309,322	\$ 97,291

<i>June 30, 2019</i>	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
Total investments	\$ 1,877,864	\$ 2,004,190	\$ 126,326

Investment return is recapped as follows:

<i>For the years ended June 30,</i>	2020	2019
Investment return is summarized as follows:		
Dividend/Interest income	\$ 57,302	\$ 44,540
Net realized/unrealized gains	2,400	66,208
Investment return designated for current operations	\$ 59,702	\$ 110,748

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

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<i>June 30,</i>	2020	2019
Land	\$ 26,000	\$ 26,000
Buildings and improvements	341,441	324,464
Equipment	126,327	185,792
Total property and equipment	493,768	536,256
Less: accumulated depreciation	(303,513)	(349,867)
Property and equipment, net	\$ 190,255	\$ 186,389

Depreciation expense for the years ended June 30, 2020 and 2019 was \$13,602 and \$16,960, respectively.

NOTE 6: 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, 2020 and 2019, the Organization contributed \$33,432 and \$30,112 to the plan, respectively.

NOTE 7: 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, 2020 and 2019, the Organization made payments to these affiliated agencies of \$861,768 and \$1,112,933, respectively.

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

NOTE 8: NET ASSETS

A summary of net assets without donor restrictions follows:

<i>June 30,</i>	2020	2019
Undesignated	\$ 1,960,503	\$ 1,820,865
Board designated:		
Endowments	89,873	37,565
Total net assets without donor restrictions	\$ 2,050,376	\$ 1,858,430

A summary of net assets with donor restrictions follows:

<i>June 30,</i>	2020	2019
Time restricted	\$ 46,200	\$ 35,000
Purpose restricted		
Restricted for 2-1-1 Center	136,608	114,633
Restricted for kindergarten readiness	660,402	368,856
Restricted for COVID-19 Crisis	314,197	-
Restricted H4H for DPIL	11,661	115,449
Total net assets with donor restrictions	\$ 1,169,068	\$ 633,938

NOTE 9: ENDOWMENT

The Organization has an Endowment Fund Agreement ("Agreement") originally established with the Community Foundation of South Central Kentucky, Inc. ("Foundation") to create 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 without donor restrictions net assets and is intended to include any other properties that later may be transferred to the Endowment Fund from either without donor restrictions contributions or additional transfers of without donor restrictions net assets, as approved by the Board. Until July 2019, the assets were held by the Foundation, acting in a fiduciary capacity, and all investment decisions and services are provided by the Foundation. The Foundation invested in a variety of certificates of deposits, mutual funds, bonds, and common stocks. Beginning July 2019, the Endowment Fund was transferred to US Bank for management investment purposes.

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

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

NOTE 9: ENDOWMENT (CONTINUED)

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, 2020 and 2019, the Organization is pursuing other funding sources to increase the endowment fund. The fair market value of the endowment fund at June 30, 2020 and 2019 was \$89,872 and \$37,465, respectively.

For the years ended June 30, 2020 and 2019, the Organization had the following Board designated endowment related activities all of which is Without Donor Restrictions:

<i>For the years ended June 30,</i>	2020	2019
Endowment fund, beginning balance	\$ 37,465	\$ 34,811
Investment income	1,674	1,190
Realized gain/loss on sale	10,377	-
Net (depreciation) appreciation	(9,644)	1,892
Total investment return	2,407	3,082
Contributions to endowment	50,000	-
Amounts appropriated for expenses	-	(428)
Endowment fund, ending balance	\$ 89,872	\$ 37,465

NOTE 10: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

United Way of Southern Kentucky, Inc.

Notes to Financial Statements

NOTE 10: FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
 - observable; or
 - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

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.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

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 10: FAIR VALUE MEASUREMENTS (CONTINUED)

As of June 30, 2020, fair value measurements were as follows:

Description	Fair Value June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash management funds	\$ 190,643	\$ 190,643	\$ -	\$ -
Mutual funds - equities	1,009,107	1,009,107	-	-
Mutual funds - bonds	1,109,572	1,109,572	-	-
Preferred stock	-	-	-	-
Investments at fair value	\$ 2,309,322	\$ 2,309,322	\$ -	\$ -

As of June 30, 2019, fair value measurements were as follows:

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 at fair value	\$ 2,004,190	\$ 2,004,190	\$ -	\$ -

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

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

NOTE 10: FAIR VALUE MEASUREMENTS (CONTINUED)

Changes in Fair Value Levels (Continued)

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended June 30, 2020, there were no significant transfers in or out of Levels 1, 2 or 3.

NOTE 11: 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.

NOTE 12: 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.

NOTE 13: UNCERTAINTY

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.