

UNITED WAY OF CENTRAL KENTUCKY, INC.

FINANCIAL STATEMENTS

(With Independent Auditor's Report Thereon)

YEAR ENDED MARCH 31, 2015

**UNITED WAY OF CENTRAL KENTUCKY, INC.
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Clauson, Mouser & Co., PSC

CERTIFIED PUBLIC ACCOUNTANTS

KENNETH D. CLAUSON, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Way of Central Kentucky, Inc.
Elizabethtown, Kentucky

We have audited the accompanying financial statements of United Way of Central Kentucky, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2015, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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 Central Kentucky, Inc. as of March 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Clauson Mouser & Co.

Certified Public Accountants
August 21, 2015

UNITED WAY OF CENTRAL KENTUCKY, INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2015

ASSETS:**CURRENT ASSETS:**

Cash and cash equivalents	\$ 371,596
Pledges receivable, net	830,368
Other receivables	10,000
Prepaid expenses	2,556
TOTAL CURRENT ASSETS	<u>1,214,520</u>

CAPITAL ASSETS:

Office equipment	28,321
Less accumulated depreciation	(11,032)
TOTAL CAPITAL ASSETS	<u>17,289</u>

TOTAL ASSETS	<u><u>\$ 1,231,809</u></u>
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LIABILITIES AND NET ASSETS:**CURRENT LIABILITIES:**

Accounts payable	\$ 1,100
Payroll taxes payable	3,787
Payroll related liabilities	1,128
Designations payable	139,527
TOTAL CURRENT LIABILITIES	<u>145,542</u>

TOTAL LIABILITIES	<u>145,542</u>
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NET ASSETS:

Temporarily restricted	951,594
Unrestricted	134,673

TOTAL NET ASSETS	<u>1,086,267</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,231,809</u></u>
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UNITED WAY OF CENTRAL KENTUCKY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
<u>SUPPORT, REVENUE AND RECLASSIFICATIONS:</u>			
Campaign revenue	\$ 184,975	\$ 1,086,452	\$ 1,271,427
Less allowance for uncollectible pledges	(54,894)	(134,858)	(189,752)
Net campaign revenue	130,081	951,594	1,081,675
Grant income	11,500	-	11,500
VISTA income	29,750	-	29,750
Other income	7,500	-	7,500
Interest income	860	-	860
TOTAL SUPPORT AND REVENUE	179,691	951,594	1,131,285
Net assets released from restrictions	911,045	(911,045)	-
TOTAL SUPPORT, REVENUE AND RECLASSIFICATIONS	1,090,736	40,549	1,131,285
 <u>EXPENSES:</u>			
Allocations to agencies	777,967	-	777,967
Program services	94,432	-	94,432
Fundraising	71,359	-	71,359
Management and general	134,204	-	134,204
TOTAL EXPENSES	1,077,962	-	1,077,962
CHANGE IN NET ASSETS	12,774	40,549	53,323
NET ASSETS, beginning	121,899	911,045	1,032,944
NET ASSETS, ending	\$ 134,673	\$ 951,594	\$ 1,086,267

See notes to financial statements.

UNITED WAY OF CENTRAL KENTUCKY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2015

	PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL EXPENSES
		FUNDRAISING	MANAGEMENT AND GENERAL	TOTAL	
<u>PERSONNEL COSTS:</u>					
Salaries	\$ 61,654	\$ 31,476	\$ 62,849	\$ 94,325	\$ 155,979
Payroll taxes	4,996	2,547	5,086	7,633	12,629
VISTA leader stipend	-	-	600	600	600
Health insurance	3,316	1,658	3,541	5,199	8,515
Retirement	1,329	665	1,329	1,994	3,323
TOTAL PERSONNEL COSTS	71,295	36,346	73,405	109,751	181,046
<u>OTHER EXPENSES:</u>					
Audit	5,875	-	-	-	5,875
Awards	199	799	130	929	1,128
Bank charges	-	-	155	155	155
Bookkeeping	-	-	15,600	15,600	15,600
Campaign supplies	172	6,097	301	6,398	6,570
Computer	-	645	674	1,319	1,319
Copy machine	-	-	4,298	4,298	4,298
Dues and subscriptions	-	1,807	-	1,807	1,807
Insurance	-	-	3,253	3,253	3,253
Marketing supplies	2,548	5,462	691	6,153	8,701
Miscellaneous	1,126	259	563	822	1,948
Office supplies	210	20	3,588	3,608	3,818
Postage and delivery	11	-	1,294	1,294	1,305
Rent	-	-	9,600	9,600	9,600
Repairs	200	-	-	-	200
Retreat	421	-	-	-	421
Special events	726	3,150	81	3,231	3,957
Telephone	-	-	2,757	2,757	2,757
Training	3,912	105	3,122	3,227	7,139
Travel	27	19	8,923	8,942	8,969
Utilities	-	-	3,717	3,717	3,717
Vista cost share	7,710	-	-	-	7,710
TOTAL OTHER EXPENSES	23,137	18,363	58,747	77,110	100,247
TOTAL EXPENSES BEFORE DEPRECIATION AND NATIONAL AND STATE DUES	94,432	54,709	132,152	186,861	281,293
DEPRECIATION NATIONAL AND STATE DUES	-	-	2,052	2,052	2,052
	-	16,650	-	16,650	16,650
TOTAL EXPENSES	\$ 94,432	\$ 71,359	\$ 134,204	\$ 205,563	\$ 299,995

See notes to financial statements.

UNITED WAY OF CENTRAL KENTUCKY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2015

OPERATING ACTIVITIES:

Change in net assets	\$ 53,323
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,052
Changes in assets and liabilities:	
Decrease in pledges receivable	148,971
Decrease in pledge loss allowance	(105,573)
Increase in other receivables	(10,000)
Increase in prepaid expenses	(1,050)
Decrease in utility deposits	160
Increase in accounts payable	1,100
Decrease in payroll taxes payable	(2,148)
Decrease in payroll related liabilities	(181)
Decrease in designations payable	(67,890)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>18,764</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of equipment	<u>(18,506)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(18,506)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	258
CASH AND CASH EQUIVALENTS, beginning of year	<u>371,338</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 371,596</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:

Cash paid during the year for:	
Interest	<u>\$ -</u>
Income taxes	<u>\$ -</u>

See notes to financial statements.

**UNITED WAY OF CENTRAL KENTUCKY, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015**

NOTE A - ORGANIZATION AND NATURE OF ACTIVITIES

United Way of Central Kentucky, Inc., (UWCK) is a not-for-profit voluntary health and welfare organization striving for excellence in meeting the human service needs of the community through the development and effective distribution of resources. UWCK is funded primarily through contributions from local businesses, companies and individuals, raised during UWCK's annual campaign.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - United Way of Central Kentucky, Inc. maintains its accounting records using the accrual method of accounting. All accounting policies used conform to accounting principles generally accepted in the United States of America for voluntary health and welfare organizations.

Cash and Cash Equivalents - For purposes of the statement of cash flows, UWCK considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Allowance for Uncollectible Pledges - The allowance for uncollectible pledges is estimated as a percentage of pledges made during the year, primarily based on historical collection experience. All pledges are expected to be collected within one year.

Property and Equipment - Property and equipment, stated at cost, is depreciated by the straight-line method over the estimated useful lives of the related assets. Gifts of long-lived assets such as land, buildings or equipment are reported 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, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. UWCK has not adopted a formal capitalization policy. Property and equipment is depreciated as follows:

Office equipment	5 - 10 years
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Contributions - Contributions received, including unconditional promises to give, are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Pledges for contributions are recorded as assets and temporarily restricted revenue when the pledges are received. Allocations to member agencies and partners are recognized as expenses in the period such allocations are made, which is generally the following year. Allocations are generally paid on a monthly installment basis throughout the year.

Pledges for which the donor stipulates the agency, program or county to receive the donation are recorded as assets (pledges receivable) and liabilities (designations payable) when the pledges are received. They are included in campaign results, but are not considered revenue of UWCK.

A substantial number of volunteers and corporations have donated significant time and services for which no amounts have been reflected in the financial statements. UWCK reflects only amounts for services that (1) create or enhance non-financial assets, or (2) require specialized skills and are provided by individuals possessing those skills. No such services were donated during the fiscal year.

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**UNITED WAY OF CENTRAL KENTUCKY, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Net Assets - Net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of UWCK and changes therein are classified and reported as follows:

Unrestricted net assets - represent resources whose use is not limited or restricted by donors. They generally arise as a result of unrestricted contributions or restricted contributions whose restrictions have expired.

Temporarily restricted net assets - represent resources whose use by UWCK is limited by donors to a specific time period or purpose.

Permanently restricted net assets - represent resources that have been restricted by donors to be maintained by UWCK in perpetuity.

Functional Allocation of Expenses - The costs of providing the various programs of UWCK have been summarized on a functional basis in the statement of activities, which includes all expenses incurred for the year. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Contributed Services and Supplies - UWCK records the value of donated services and supplies when there is an objective basis available to measure their value. Donated services and supplies, if any, are reflected as contributions in the accompanying statements at their estimated values at date of receipt.

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. Accordingly, actual results could differ from those estimates.

Income Taxes - UWCK is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. Additionally, UWCK has been determined by the Internal Revenue Service not to be a private foundation within the context of Section 509(a) of the Code. When applicable, UWCK recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the Accounting Standards Codification (ASC). No liability for uncertain tax positions has been reflected in the accompanying financial statements. UWCK's 2011 through 2014 tax years remain open and subject to examination.

Subsequent Events - Subsequent events were evaluated through August 21, 2015, the date the financial statements were available to be issued.

NOTE C - CONCENTRATIONS OF CREDIT RISK

UWCK has deposits with financial institutions with a carrying amount of \$371,596. The bank balances totaled \$370,255. The maximum loss that would have resulted from that risk at March 31, 2015 totaled \$176,310 for the excess of the deposit liabilities reported by the bank over the amounts that would have been covered by federal depository insurance. The \$176,310 was part of a pool of mortgage-backed securities and was collateralized by FHLMC securities.

UWCK's pledges receivable are subject to the risk of not being collected. UWCK has no collateral policy, but performs ongoing evaluations of pledge accounts to determine their collectability and has established an allowance for those pledges considered uncollectible.

**UNITED WAY OF CENTRAL KENTUCKY, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015**

NOTE D - PLEDGES RECEIVABLE

Pledges receivable at March 31, 2015, are presented net of the pledge loss allowance as follows:

Pledges receivable	\$ 965,226
Allowance for uncollectible pledges	<u>(134,858)</u>
Pledges receivable, net	<u>\$ 830,368</u>

NOTE E - COMPENSATED ABSENCES

Employees of UWCK are entitled to paid vacation and sick days, depending on job classification, length of service, and other factors. UWCK's policy is to recognize the costs of compensated absences when actually paid to employees. The amount not recognized is not considered material to the financial statements.

NOTE F - RESTRICTED NET ASSETS

Temporarily restricted net assets were \$951,594 at March 31, 2015, and represent the 2014 campaign revenue net of the allowance for uncollectible pledges. There were no permanently restricted net assets. Net assets of \$911,045 were released from restrictions during the year.

NOTE G - CAMPAIGN REVENUE

Gross campaign revenue by campaign year consists of the following:

2014 Campaign	\$ 1,086,452
2013 Campaign	157,339
2012 Campaign	<u>27,636</u>
	<u>\$ 1,271,427</u>

Pledge loss expense was \$189,752, with net campaign revenue of \$1,081,675 for the fiscal year ended March 31, 2015.

NOTE H - ALLOCATION OF COSTS

For the fiscal year ended March 31, 2015, UWCK incurred functional expenses of \$299,995 for allocations for payroll, supplies, informational materials and activities that included fundraising appeals. The functional expenses were allocated \$94,432 to program services, \$71,359 to fundraising and \$134,204 to management and general. None of these costs were incurred by joint activities involving a fundraising element.

NOTE I - LEASING ARRANGEMENTS

During the fiscal year, UWCK permanently relocated its operations to a larger, newly renovated office space and, on December 1, 2014, entered into a five year cancelable operating lease for \$1,500 per month. Prior to relocation, UWCK leased office space under a month to month operating lease for \$450 per month. Rental expense for the fiscal year totaled \$9,600.

UNITED WAY OF CENTRAL KENTUCKY, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

NOTE J - CHANGE IN REPORTING PERIOD

UWCK's Board of Directors approved a change in reporting period from a calendar year to a fiscal year ending March 31 to better align with the campaign timeline. This change took effect by recognition of a short (three month) period ended March 31, 2014. The change simplifies year-end bookkeeping and reporting for campaign revenue and eliminates the overlap in reporting between calendar years.

NOTE K - CONTRIBUTED SERVICES AND SUPPLIES

Volunteers provide substantial services to UWCK during the annual campaign. Media coverage is also donated to UWCK. During the fiscal year ended March 31, 2015, UWCK received an estimated \$76,988 of volunteer services, media coverage, and in-kind donations for projects benefiting community agencies (Project United and Day of Action) that did not meet the criteria for recognition under FASB ASC 958-605-50-1 and thus, have not been reflected in the accompanying financial statements.