UNITED WAY OF KENTUCKY, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of Kentucky, Inc.
Louisville, Kentucky

We have audited the accompanying financial statements of United Way of Kentucky, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities 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.

Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free of 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.

9300 Shelbyville Road · Suite 1100 · Louisville, Kentucky 40222
Telephone 502.426.9660 · Fax 502.425.0883 · www.DMLO.com

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 Kentucky, Inc. as of December 31, 2012 and 2011, 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.

Deming, Malone, Livesay & Ostroff

Louisville, Kentucky
July 18, 2013

UNITED WAY OF KENTUCKY, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

ASSETS	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	$ 420,283	$ 439,316
Accounts receivable	45,737	15,370
Pledges receivable	718,609	671,303
Total current assets	1,184,629	1,125,989
PROPERTY AND EQUIPMENT, at cost		
Equipment	11,429	11,429
Less accumulated depreciation	10,419	9,904
	1,010	1,525
TOTAL ASSETS	$ 1,185,639	$ 1,127,514
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 15,949	$ 6,043
Agency payables	871,369	852,411
Total current liabilities	887,318	858,454
NET ASSETS		
Unrestricted:		
Undesignated	244,330	267,535
Investment in fixed assets	1,010	1,525
	245,340	269,060
Temporarily restricted	52,981	
Total net assets	298,321	269,060
TOTAL LIABILITIES AND NET ASSETS	$ 1,185,639	$ 1,127,514

See Notes to Financial Statements.

UNITED WAY OF KENTUCKY, INC.

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2012 and 2011

	2012				2011			
	Undesignated	Unrestricted Investment in Fixed Assets	Temporarily Restricted	Total	Undesignated	Unrestricted Investment in Fixed Assets	Temporarily Restricted	Total
Revenues, gains and other support:								
Membership dues from Kentucky United Way agencies	$ 138,470			$ 138,470	$ 139,609			$ 139,609
Grant revenues			$ 115,000	115,000				
Contributions	12,206			12,206	7,475			7,475
Administrative fees	62,122			62,122	65,202			65,202
KECC reimbursement	79,287			79,287	82,583			82,583
Interest income	958			958	1,561			1,561
Miscellaneous income	30,603			30,603	31,422			31,422
Total revenues, gains and other support	323,646		115,000	438,646	327,852			327,852
Net assets released from restrictions	62,019		(62,019)		44,151		$ (44,151)	
Total revenues, gains and other support	385,665		52,981	438,646	372,003		(44,151)	327,852
Expenses:								
Brand awareness	12,962	$ 19		12,981	30,423	$ 58		30,481
Training and networking	58,885	87		58,972	71,846	136		71,982
Leveraging resources	42,906	63		42,969	11,776	22		11,798
Statewide initiatives	95,513	76		95,589	58,485	60		58,545
Board development	14,376	21		14,397	16,097	31		16,128
KECC	148,219	201		148,420	121,025	192		121,217
Total program services	372,861	467		373,328	309,652	499		310,151
General and administrative	36,009	48		36,057	42,420	69		42,489
Total expenses	408,870	515		409,385	352,072	568		352,640
Net increase (decrease) in total net assets	(23,205)	(515)	52,981	29,261	19,931	(568)	(44,151)	(24,788)
Net assets, beginning of year	267,535	1,525		269,060	248,103	1,594	44,151	293,848
Transfer					(499)	499		
Net assets, end of year	$ 244,330	$ 1,010	$ 52,981	$ 298,321	$ 267,535	$ 1,525	$	$ 269,060

See Notes to Financial Statements.

	2011								
	Program Services							Support Services	
	Brand Awareness	Training and Networking	Leveraging Resources	Statewide Initiatives	Board Development	KECC	Total Program Services	General and Administrative	Total Expenses
Salaries and benefits	$ 17,552	$ 41,451	$ 6,796	$ 4,027	$ 9,286	$ 58,346	$ 137,458	$ 21,236	$ 158,694
Salaries and benefits-grants				14,234			14,234		14,234
Payroll taxes	1,291	3,049	500	352	683	4,292	10,167	1,562	11,729
Payroll taxes-grants				991			991		991
Retirement plan	1,426	3,368	552	189	754	4,740	11,029	1,725	12,754
Retirement plan-grants				1,295			1,295		1,295
Total salaries and related expenses	20,269	47,868	7,848	21,088	10,723	67,378	175,174	24,523	199,697
Grant funded initiatives				26,833			26,833		26,833
Supplies	235	556	91	245	125		1,252	285	1,537
Copying and printing	616	1,455	238	641	326		3,276	745	4,021
Advertising	311	734	120	323	165		1,653	376	2,029
Telephone	1,020	2,409	395	1,061	540		5,425	1,233	6,658
State meetings and training	3,085	7,284	1,194	3,209	1,633		16,405	3,729	20,134
Travel	784	1,852	304	816	415		4,171	948	5,119
Staff development	228	537	88	237	120		1,210	275	1,485
Occupancy	1,744	4,119	675	1,815	923		9,276	2,109	11,385
Professional fees								5,620	5,620
Insurance	315	744	122	328	167	1,047	2,723	381	3,104
Depreciation	58	136	22	60	31	192	499	69	568
Vehicle	942	2,224	364	980	498		5,008	1,138	6,146
KECC campaign expense						52,600	52,600		52,600
Payroll services	130	306	50	135	69		690	157	847
Postage	119	282	46	124	63		634	144	778
Dues and publications	169	399	65	176	89		898	204	1,102
Miscellaneous	456	1,077	176	474	241		2,424	553	2,977
Total expenses	$ 30,481	$ 71,982	$ 11,798	$ 58,545	$ 16,128	$ 121,217	$ 310,151	$ 42,489	$ 352,640

See Notes to Financial Statements.

	2012	2011
RECONCILIATION OF NET INCREASE (DECREASE) IN TOTAL NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Net increase (decrease) in total net assets	$ 29,261	$ (24,788)
Adjustments to reconcile net increase (decrease) in total net assets to net cash (used in) provided by operating activities:		
Depreciation	515	568
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable		25,000
Accounts receivable	(30,445)	20,568
Pledges receivable	(47,306)	(28,245)
Accrued interest receivable	78	161
Increase (decrease) in:		
Accounts payable	9,906	3,269
Agency payables	18,958	136,432
Total adjustments	(48,294)	157,753
Net cash (used in) provided by operating activities	$ (19,033)	$ 132,965

UNITED WAY OF KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations:

United Way of Kentucky, Inc. (the "Organization"), was established as a separate agency effective January 1, 1984, exclusively for charitable and educational purposes under Section 501(c)(3) of the Internal Revenue Code as a not-for-profit organization. The specific and primary purpose of the Organization is to mobilize the strengths of collective United Way network to achieve lasting change in communities across the commonwealth. United Way of Kentucky provides training and technical assistance, creates networking opportunities for member local United Ways and advocates on behalf of the United Way communities. Contributions to the organization qualify for the charitable contributions deduction to the extent provided by Section 170 of the Internal Revenue Code.

Summary of significant accounting policies:

This summary of significant accounting policies of United Way of Kentucky, Inc. is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of presentation:

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.

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.

NOTES TO FINANCIAL STATEMENTS

Cash and cash equivalents:

Cash and cash equivalents include checking and money market accounts. For purposes of the statement of cash flows, the Organization considers undesignated cash and investments with original maturities of three months or less, to be cash and cash equivalents.

Accounts receivable:

The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Property and equipment:

Property and equipment are stated at cost, or in the case of donated property and equipment, at fair value at the time received. The Organization's policy is to capitalize all expenditures greater than $250. Upon the disposition of tangible assets, a gain or loss is recorded on the statement of activities and the respective asset cost and accumulated depreciation are eliminated from the statement of financial position. Depreciation is computed by the straight-line method based on the estimated useful lives of the related assets.

Dues revenue:

Members' dues are recognized as income over the period to which the dues relate. Dues are charged to member local United Way organizations at the rate of .3% of the total annual campaign receipts of the respective chapter.

Donations other than cash:

Donations other than cash are recorded at their fair market value as of the date of donation. Donated services must meet the specific expertise requirements and would normally have been purchased before they are recorded. Donations of long-lived assets with explicit restrictions that specify how the assets are to be used and donations of cash or other assets that must be used to acquire long-lived assets are reported as temporarily 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.

NOTES TO FINANCIAL STATEMENTS

Advertising costs:

Advertising costs are expensed as incurred. Advertising costs of $2,029 were incurred for the year ended December 31, 2011. There were no advertising costs incurred for the year ended December 31, 2012.

Compensated absences:

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Organization's policy is to recognize these costs when actually paid.

Income taxes:

The Organization is exempt from federal, state and local income taxes as a not-for-profit corporation as described under Internal Revenue Code Section 501(c)(3). The Organization files an informational tax return in the U.S. federal jurisdiction and with the Kentucky Office of the Attorney General. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income.

As of December 31, 2012 and 2011, the Organization did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended. Tax years still open under federal and state statute of limitations remain subject to review and change.

Subsequent events:

Subsequent events have been evaluated through July 18, 2013, which is the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

Note 2. Accounts Receivable

Accounts receivable consist of the following:

	2012	2011
Administrative fees – KECC	$10,340	$10,533
Administrative fees – Enterprise	1,191	1,215
KECC reimbursable expenses	20,588	766
Membership dues	863	2,286
Other	12,755	570
	$45,737	$15,370

Note 3. Pledges Receivable

Pledges receivable are comprised of amounts due to the Organization from the Kentucky Employees Charitable Campaign, Enterprise Rent-a-Car employee campaign and Kellogg Employees Charitable Campaign, net of estimated uncollectible pledges of $41,669 and $40,076 at December 31, 2012 and 2011, respectively. These campaigns are conducted annually to raise support for allocations to local United Way chapters throughout Kentucky and other 501(c)(3) organizations as may be designated by the donors. The Organization serves as the pass-through agent for processing these contributions and sending them on to the designated organizations. These contributions which have been designated by the donors are reported in the financial statements as agency liabilities until such time as the Organization issues payments to the designated organizations.

	2012	2011
Kentucky Employees Charitable Campaign:		
2010		$ 82,762
2011	$ 80,562	464,688
2012	518,742	
	599,304	547,450
Enterprise Rent-A-Car Campaign	88,994	72,763
Kellogg Employees Charitable Campaign	30,311	51,090
	$718,609	$671,303

Note 4. Agency Payables

Agency payables represent amounts due to other charitable organizations as the result of the KECC, Enterprise and Kellogg campaigns, as well as the Southeast Regional Conference of United Ways (Conference). The Organization is serving as the fiscal agent for the Conference, and provides regular financial statements and maintains the bank accounts for the Conference. These amounts consist of the following:

	2012	2011
KECC campaign payables		
2010		$171,782
2011	$167,361	464,688
2012	518,742	
Enterprise campaign payables		
2010	587	8,470
2011	12,464	66,565
2012	84,248	
Kellogg campaign payables		
2010		10,659
2011	1,148	51,091
2012	29,164	
Southeast Regional Conference payable	57,655	79,156
	$871,369	$852,411

Note 5. Changes in Temporarily Restricted Net Assets

Changes in temporarily restricted net assets are as follows:

Programs	Balance 12/31/10	Released	Balance 12/31/11	Grants	Released	Balance 12/31/12
Ready by 21	$44,151	$(44,151)				
Born Learning				$115,000	$(62,019)	$52,981
	$44,151	$(44,151)		$115,000	$(62,019)	$52,981

Note 6. Concentration of Credit Risk

The Organization maintains cash balances at a single financial institution located in Kentucky. Amounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of $250,000. As of December 31, 2012, the Organization's uninsured cash balances total approximately $198,000.

Note 7. Retirement Plan

The Organization has a SEP-IRA program that covers substantially all employees meeting age and service requirements. The Organization contribution is 10% of the employee's gross salary. During the years ended December 31, 2012 and 2011, total contributions were approximately $17,800 and $14,000, respectively.

Note 8. Operating Leases

The Organization leases office equipment, an automobile and office space under operating leases on a month-to-month basis and on terms exceeding one year. Minimum annual rentals under long-term operating leases are as follows:

Year ending December 31,	2013	$2,521
	2014	1,980
	2015	1,485

Total lease expense for the years ended December 31, 2012 and 2011, was $25,778 and $15,620, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 9. Subsequent Events

In March 2013, the Organization entered into a note payable to purchase a vehicle through Toyota Financial Services. The term of the note payable is for 60 months with monthly payments of $341, with a zero percent interest rate. The future annual note payments are as follows:

Year ending December 31, 2013	$ 2,726
2014	4,089
2015	4,089
2016	4,089
2017	4,089
Thereafter	1,363
	$20,445

In April 2013, the Organization received a $94,500 grant for the Born Learning program to increase support to current academies and to support expansion to allow future academies into the program.