

**KENTUCKY EMPLOYEES CHARITABLE CAMPAIGN**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2013 and 2012**

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## **Independent Auditors' Report**

To the Board of Directors  
Kentucky Employees Charitable Campaign  
Louisville, Kentucky

We have audited the accompanying financial statements of Kentucky Employees Charitable Campaign (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, 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 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 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 Kentucky Employees Charitable Campaign as of December 31, 2013 and 2012, in accordance with accounting principles generally accepted in the United States of America.

*Oeming, Malone, Linsay & Petroff*

Louisville, Kentucky  
July 9, 2014

**KENTUCKY EMPLOYEES CHARITABLE CAMPAIGN**

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2013 and 2012

| <b>Assets</b>                                    | 2013                | 2012                |
|--------------------------------------------------|---------------------|---------------------|
| <b>Current Assets</b>                            |                     |                     |
| Cash and cash equivalents                        | \$ 454,200          | \$ 397,076          |
| Expense reimbursement receivable                 | 38,655              | 34,088              |
|                                                  | 492,855             | 431,164             |
| <br>                                             |                     |                     |
| Pledges receivable, gross                        | 932,214             | 1,034,501           |
| Less: allowance for uncollectible pledges        | (74,438)            | (82,718)            |
| Pledges receivable, net                          | 857,776             | 951,783             |
| <br>                                             |                     |                     |
| <b>Total assets</b>                              | <b>\$ 1,350,631</b> | <b>\$ 1,382,947</b> |
| <br><b>Liabilities and Net Assets</b>            |                     |                     |
| <b>Current Liabilities</b>                       |                     |                     |
| Accounts payable                                 | \$ 37,886           | \$ 42,400           |
| Interest payable to United Way of Kentucky, Inc. | 8                   | 65                  |
| Agency liabilities:                              |                     |                     |
| United Way of Kentucky, Inc.                     | 554,619             | 599,304             |
| Christian Appalachian Project                    | 191,923             | 207,376             |
| Community Health Charities                       | 189,041             | 202,641             |
| Easter Seals Kentucky                            | 54,952              | 53,420              |
| Prevent Child Abuse Kentucky                     | 133,852             | 137,679             |
| WHAS Crusade for Children                        | 127,295             | 140,062             |
| March of Dimes                                   | 61,055              |                     |
| <br>                                             |                     |                     |
| <b>Total liabilities</b>                         | 1,350,631           | 1,382,947           |
| <br>                                             |                     |                     |
| <b>Net Assets</b>                                |                     |                     |
| <br>                                             |                     |                     |
| <b>Total liabilities and net assets</b>          | <b>\$ 1,350,631</b> | <b>\$ 1,382,947</b> |

See Notes to Financial Statements.

## KENTUCKY EMPLOYEES CHARITABLE CAMPAIGN

### NOTES TO FINANCIAL STATEMENTS

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

##### **Nature of operations:**

Kentucky Employees Charitable Campaign (KECC) was established in 1993 as the charitable campaign for Kentucky state government employees. Through KECC, state employees are able to make contributions to participating charitable federations or to designate contributions to other 501(c)(3) charities. For the years ended December 31, 2013 and 2012, there were seven and six charitable federation members, respectively. KECC serves as the conduit agency for receiving the contributions from the state employees and paying them out to the designated federations or other charitable organizations as designated by the employees. United Way of Kentucky, Inc. serves as the administrator for KECC.

##### **Summary of significant accounting policies:**

This summary of significant accounting policies of Kentucky Employees Charitable Campaign 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 principals 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 in accordance with accounting principles generally accepted in the United States of America.

Effective January 1, 2000, KECC adopted FASB ASC 958, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others." KECC receives contributions as an agent for other organizations, and as such, KECC records no contribution revenues because it has no discretion in determining the parties to be benefited.

Amounts expended by KECC are not expenses of KECC, but are paid by KECC on behalf of the participating member federations and are reimbursed to KECC. Therefore, the only financial statement presented is the statement of financial position.

## NOTES TO FINANCIAL STATEMENTS

### **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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Cash and cash equivalents:**

Cash and cash equivalents include checking and investment management accounts. The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

### **Pledges receivable:**

An annual fundraising campaign is conducted to raise support for allocations to the seven member charitable federations and other 501(c)(3) organizations as may be designated by donors. Pledges for contributions are recorded as received and allowances are provided for amounts estimated to be uncollectible. The provision for uncollectible pledges is based on management's judgment. The determination includes such factors as prior collection history, applied as a percentage to gross campaign revenues. The estimated amount of uncollectible pledges was 8% for both of the years ended December 31, 2013 and 2012. Contributions that have been designated by the donor are reported in the financial statements as agency liabilities.

### **Expense reimbursements receivable:**

By agreement of the participating charitable federations, the expenses of operating KECC are shared proportionately based on annual campaign revenues. These fees are reimbursed on a quarterly basis.

### **Subsequent events:**

Subsequent events have been evaluated through July 9, 2014, which is the date that the financial statements were available to be issued.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Pledges Receivable

Pledges are made by Kentucky state government employees in the fall of the campaign year and are collected through payroll deduction during the subsequent year, with final payments related to December payroll deductions received in January of the following year. Campaign pledges receivable at December 31, 2013 and 2012 related to the Fall 2013 and Fall 2012 campaigns, respectively, are as follows:

|                                           | <u>2013</u>      | <u>2012</u>                 |
|-------------------------------------------|------------------|-----------------------------|
| 2012 Campaign                             |                  | \$1,034,501                 |
| 2013 Campaign                             | <u>\$932,214</u> | <u>                    </u> |
| Total gross pledges receivable            | 932,214          | 1,034,501                   |
| Less: allowance for uncollectible pledges | <u>(74,438)</u>  | <u>(82,718)</u>             |
| Total net pledges receivable              | <u>\$857,776</u> | <u>\$ 951,783</u>           |

### Note 3. Expense Reimbursements

Expense reimbursements paid by the participating charitable federations for the years ended December 31, 2013 and 2012 were comprised of the following:

|                   | 2013       |          | 2012       |          |
|-------------------|------------|----------|------------|----------|
|                   | Receivable | Expense  | Receivable | Expense  |
| Salaries          | \$18,415   | \$73,660 | \$18,175   | \$72,700 |
| Travel            | 972        | 8,397    | 4,057      | 8,181    |
| Office costs      | 1,802      | 7,208    | 2,728      | 6,716    |
| Audit             | 1,350      | 5,400    | 1,300      | 5,200    |
| Contract services | 782        | 6,923    | 660        | 2,910    |
| Brochure          | 2,447      | 14,447   | 1,578      | 15,078   |
| Xerox             | 473        | 2,348    | 1,192      | 2,917    |
| Supplies          | 752        | 1,315    | 264        | 827      |
| Miscellaneous     | 3,083      | 3,458    | 733        | 808      |
| Postage           | 59         | 209      | (102)      | 160      |



## NOTES TO FINANCIAL STATEMENTS

|                     | 2013             |                  | 2012            |                  |
|---------------------|------------------|------------------|-----------------|------------------|
|                     | Receivable       | Expense          | Receivable      | Expense          |
| Poster              | \$ (64)          | \$ 686           |                 |                  |
| Pledge cards        | 3,640            | 10,765           | \$ 2,570        | \$ 8,945         |
| Promotional         | (424)            | 326              | (556)           | 194              |
| Video               | 450              | 2,138            | 499             | 2,186            |
| Training            | 3,968            | 6,263            |                 |                  |
| Website maintenance | 44               | 194              | 156             | 156              |
| Envelopes           | 120              | 682              | 115             | 490              |
| Events expense      | 786              | 4,161            | 719             | 3,344            |
| Total               | <u>\$ 38,655</u> | <u>\$148,580</u> | <u>\$34,088</u> | <u>\$130,812</u> |

#### Note 4. Agency Payables

Agency payables consist of payments due to the member federations based upon donor designations and administrative fees due to United Way of Kentucky. The following is a detail of amounts due to the member federations by campaign year:

|                               | Balance<br>Due on 2012<br>Campaign | 2013<br>Campaign   | Allowance for<br>Uncollectible<br>Pledges | Balance<br>Due on 2013<br>Campaign | Agency<br>Payables<br>at 12/31/13 |
|-------------------------------|------------------------------------|--------------------|-------------------------------------------|------------------------------------|-----------------------------------|
| United Way of KY              | \$ 93,422                          | \$ 492,596         | \$(31,399)                                | \$ 461,197                         | \$ 554,619                        |
| Christian Appalachian Project | 35,763                             | 166,987            | (10,827)                                  | 156,160                            | 191,923                           |
| Community Health Charities    | 33,598                             | 166,390            | (10,947)                                  | 155,443                            | 189,041                           |
| Easter Seals Kentucky         | 9,288                              | 48,862             | (3,198)                                   | 45,664                             | 54,952                            |
| Prevent Child Abuse KY        | 23,428                             | 118,190            | (7,766)                                   | 110,424                            | 133,852                           |
| WHAS Crusade for Children     | 25,062                             | 109,155            | (6,922)                                   | 102,233                            | 127,295                           |
| March of Dimes                |                                    | 64,434             | (3,379)                                   | 61,055                             | 61,055                            |
| Totals                        | <u>\$220,561</u>                   | <u>\$1,166,614</u> | <u>\$(74,438)</u>                         | <u>\$1,092,176</u>                 | <u>\$1,312,737</u>                |

|                               | Balance<br>Due on 2011<br>Campaign | 2012<br>Campaign   | Allowance for<br>Uncollectible<br>Pledges | Balance<br>Due on 2012<br>Campaign | Agency<br>Payables<br>at 12/31/12 |
|-------------------------------|------------------------------------|--------------------|-------------------------------------------|------------------------------------|-----------------------------------|
| United Way of KY              | \$ 80,562                          | \$ 555,932         | \$(37,190)                                | \$ 518,742                         | \$ 599,304                        |
| Christian Appalachian Project | 29,085                             | 191,104            | (12,813)                                  | 178,291                            | 207,376                           |
| Community Health Charities    | 29,325                             | 185,773            | (12,457)                                  | 173,316                            | 202,641                           |
| Easter Seals Kentucky         | 8,259                              | 48,404             | (3,243)                                   | 45,161                             | 53,420                            |
| Prevent Child Abuse KY        | 21,044                             | 125,014            | (8,379)                                   | 116,635                            | 137,679                           |
| WHAS Crusade for Children     | 19,661                             | 129,037            | (8,636)                                   | 120,401                            | 140,062                           |
| Totals                        | <u>\$187,936</u>                   | <u>\$1,235,264</u> | <u>\$(82,718)</u>                         | <u>\$1,152,546</u>                 | <u>\$1,340,482</u>                |

## NOTES TO FINANCIAL STATEMENTS

**Note 5. 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 up to a maximum of \$250,000. At December 31, 2013, the Organization's uninsured cash balances total approximately \$204,000.

**Note 6. Subsequent Event**

In April 2014, Kosair Charities was approved as a member federation for state employees to make charitable contributions through KECC for the 2014 campaign.