

United Way of Knox County, Indiana, Inc.
Vincennes, Indiana
Consolidated Financial Statements
December 31, 2008
(See Independent Auditor's Report)

United Way of Knox County, Indiana, Inc.
Vincennes, Indiana
Index

	Page(s)
Independent Auditor's Report	3
Consolidated Statement of Financial Position as of December 31, 2008	4
Consolidated Statements of Activities and Changes in Net Assets for the Year Ended December 31, 2008	5
Consolidated Statement of Functional Expenses for the Year Ended December 31, 2008	6
Consolidated Statement of Cash Flows for the Year Ended December 31, 2008	7
Notes to Consolidated Financial Statements	8 - 12

TEIPEN, SELANDERS, POYNTER & AYRES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT C. TEIPEN, C.P.A.
MICHAEL A. POYNTER, C.P.A.

7340 E. 82nd Street, Suite A
Indianapolis, IN 46256

V. SCOTT SELANDERS, C.P.A.
THOMAS G. AYRES, C.P.A.

(317) 598-6700
FAX (317) 598-6701
www.teipencpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Way of Knox County, Indiana, Inc.
Vincennes, Indiana

We have audited the accompanying Consolidated Statement of Financial Position of United Way of Knox County, Indiana, Inc., a not-for-profit organization, as of December 31, 2008 and the related Consolidated Statements of Activities and Changes in Net Assets, Functional Expenses and Cash Flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Way of Knox County, Indiana, Inc. as of December 31, 2008, and the consolidated changes in its net assets, functional expenses and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


Teipen, Selanders, Poynter & Ayres, P.C.
Certified Public Accountants

November 9, 2009

United Way of Knox County, Indiana, Inc.
Vincennes, Indiana
Consolidated Statement of Financial Position
As of December 31, 2008
(See Independent Auditor's Report)

Assets

Cash and Cash Equivalents - Note 1	\$	73,755
Pledges Receivable - 2008 Campaign, Net of Allowance for Uncollectible Pledges of \$28,798 - Note 1		204,912
Pledges Receivable - 2007 Campaign, Net of Allowance for Uncollectible Pledges of \$16,104 - Note 1		81,174
Accrued Interest Receivable		3,727
Other Receivable		96
Prepaid Expenses		2,383
Furniture and Equipment - Net of Accumulated Depreciation of \$6,857 - Notes 1 and 2		12,528
Investments - Notes 1 and 3		<u>100,138</u>
Total Assets	\$	<u><u>478,713</u></u>

Liabilities and Net Assets

Liabilities

Accounts Payable	\$	3,618
Accrued Expenses		17,060
Designations Payable - 2008 Campaign		55,825
Designations Payable - 2007 Campaign		<u>1,197</u>
Total Liabilities		<u>77,700</u>

Net Assets - Notes 1 and 4

Unrestricted		128,308
Temporarily Restricted		<u>272,705</u>
Total Net Assets		<u>401,013</u>
Total Liabilities and Net Assets	\$	<u><u>478,713</u></u>

United Way of Knox County, Indiana, Inc.
Vincennes, Indiana
Consolidated Statements of Activities and Changes in Net Assets
For the Year Ended December 31, 2008
(See Independent Auditor's Report)

	Unrestricted	Temporarily Restricted	Total
Support and Revenue - Note 1			
Gross Campaign Results	\$ 74,679	\$ 326,172	\$ 400,851
Donor Designations	(4,147)	(56,499)	(60,646)
Recovery of (Provision for) Uncollectible Pledges	<u>14,451</u>	<u>(28,798)</u>	<u>(14,347)</u>
Net Campaign Results	84,983	240,875	325,858
Designations from Other United Ways	17,914	-	17,914
Service Fees	(419)	674	255
Grants - Note 7			
Disaster Recovery	-	57,647	57,647
4Community2	-	20,000	20,000
In-Kind Contributions	7,464	-	7,464
Interest Income	5,693	-	5,693
Miscellaneous Income	228	-	228
Net Assets Released from Restriction	<u>336,146</u>	<u>(336,146)</u>	<u>-</u>
Total Support and Revenue	<u>452,009</u>	<u>(16,950)</u>	<u>435,059</u>
Program and Support Services			
Program Services - Community Impact			
Gross Funds Distributed	279,642	-	279,642
Other	<u>64,996</u>	<u>-</u>	<u>64,996</u>
Total Community Impact	344,638	-	344,638
Program Services - 4Community2	9,908	-	9,908
Program Services - Disaster Relief	<u>47,234</u>	<u>-</u>	<u>47,234</u>
Total Program Services	<u>401,780</u>	<u>-</u>	<u>401,780</u>
Support Services			
Management and General	18,788	-	18,788
Fundraising	20,347	-	20,347
Unallocated Payments to Affiliated Organization - UWA Dues	<u>4,082</u>	<u>-</u>	<u>4,082</u>
Total Support Services	<u>43,217</u>	<u>-</u>	<u>43,217</u>
Total Expenses	<u>444,997</u>	<u>-</u>	<u>444,997</u>
Change in Net Assets	7,012	(16,950)	(9,938)
Net Assets - Beginning of Year - Note 8	<u>121,296</u>	<u>289,655</u>	<u>410,951</u>
Net Assets - End of Year	<u>\$ 128,308</u>	<u>\$ 272,705</u>	<u>\$ 401,013</u>

United Way of Knox County, Indiana, Inc.
Vincennes, Indiana
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2008
(See Independent Auditor's Report)

	Program Services - Note 7				Support Services			Total
	Community Impact	4Community2	Disaster Relief	Subtotal	Management & General	Fund-Raising	UWA Dues	
Gross Funds Distributed								
Gross Distributions	\$ 345,509	\$ -	\$ -	\$ 345,509	\$ -	\$ -	\$ -	\$ 345,509
Donor Designations	(65,867)	-	-	(65,867)	-	-	-	(65,867)
Total Gross Funds Distributed	<u>279,642</u>	<u>-</u>	<u>-</u>	<u>279,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,642</u>
Salaries and Wages	37,784	523	8,971	47,278	1,337	15,918	-	64,533
Payroll Taxes and Benefits	5,912	21	1,294	7,227	194	388	-	7,809
Total Personnel	<u>43,696</u>	<u>544</u>	<u>10,265</u>	<u>54,505</u>	<u>1,531</u>	<u>16,306</u>	<u>-</u>	<u>72,342</u>
Processing and Accounting Services	-	368	368	736	10,304	-	-	11,040
Professional Fees	-	-	7,836	7,836	6,300	-	-	14,136
Contract Service Fees	-	-	-	-	-	2,774	-	2,774
Campaign	-	-	-	-	-	115	-	115
Marketing and Advertising	520	465	2,000	2,985	17	34	-	3,036
Printing and Publications	1,351	204	356	1,911	43	62	-	2,016
Postage	394	126	340	860	16	23	-	899
Office Supplies	445	632	2,258	3,335	3	5	-	3,343
Occupancy	6,792	-	-	6,792	224	448	-	7,464
Telephone and Utilities	859	127	1,530	2,516	28	57	-	2,601
Repairs and Maintenance	2,823	99	99	3,021	93	186	-	3,300
Insurance	(94)	273	1,042	1,221	(3)	(6)	-	1,212
Conferences, Training and Meetings	1,480	214	522	2,216	(4)	52	-	2,264
Travel	3,375	-	1,122	4,497	141	168	-	4,806
Equipment Purchases	-	1,120	2,820	3,940	-	-	-	3,940
Disaster Relief - Other	-	-	16,576	16,576	-	-	-	16,576
4Community2 - Other	-	3,700	-	3,700	-	-	-	3,700
Special Event, Day of Caring	587	-	-	587	-	-	-	587
Local and State Organization Fees	1,503	-	-	1,503	50	99	-	1,652
Depreciation - Note 1	929	2,036	100	3,065	-	-	-	3,065
Miscellaneous	336	-	-	336	45	22	-	403
Subtotal	<u>64,996</u>	<u>9,908</u>	<u>47,234</u>	<u>122,138</u>	<u>18,788</u>	<u>20,345</u>	<u>-</u>	<u>161,271</u>
United Way of America Dues	-	-	-	-	-	-	4,082	4,082
Total	<u>\$ 344,638</u>	<u>\$ 9,908</u>	<u>\$ 47,234</u>	<u>\$ 401,780</u>	<u>\$ 18,788</u>	<u>\$ 20,345</u>	<u>\$ 4,082</u>	<u>\$ 444,995</u>

United Way of Knox County, Indiana, Inc.
Vincennes, Indiana
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2008
(See Independent Auditor's Report)

Cash Flows from Operating Activities	
Change in Net Assets	\$ (9,938)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation Expense	3,065
Interest Income Added to Investment Balance	(1,678)
Increase in Pledges Receivable - Net	(4,022)
Increase in Accrued Interest Receivable	(3,727)
Increase in Other Receivable	(96)
Increase in Prepaid Expense	(2,234)
Increase in Accounts Payable	556
Increase in Accrued Expense	7,949
Decrease in Designations Payable - Net	<u>(11,957)</u>
Net Cash Used in Operating Activities	<u>(22,082)</u>
Cash Flows From Investing Activities	
Proceeds from Redemptions of Investments	44,057
Purchase of Property and Equipment	<u>(3,850)</u>
Net Cash Provided by Investing Activities	<u>40,207</u>
Net Increase in Cash and Cash Equivalents	18,125
Cash and Cash Equivalents - Beginning of Year	<u>55,630</u>
Cash and Cash Equivalents - End of Year	<u>\$ <u>73,755</u></u>

United Way of Knox County, Indiana, Inc.
Vincennes, Indiana
Notes to Consolidated Financial Statements
December 31, 2008
(See Independent Auditor's Report)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES - The United Way of Knox County, Indiana, Inc. (the Organization), was formed in 1956 as a voluntary not-for-profit organization benefiting the Knox County, Indiana community. The mission of the Organization is to develop teamwork among the social service agencies serving Knox County and their constituencies in the interest of the financial support of such agencies, and the effective planning and executions of the social service program of this community.

In 2006, the Organization formed United Way of Crawford County, Illinois, LLC, as a single member limited liability company with the same mission. The Organization and United Way of Crawford County, Illinois, LLC, are each governed by a volunteer board of directors. They solicit donations from the public in their respective communities and grant monies to various not-for-profit agencies.

PRINCIPLES OF CONSOLIDATION - The accompanying consolidated financial statements include, after elimination of intercompany balances and transactions, the accounts of the Organization and its wholly-owned subsidiary, United Way of Crawford County, Illinois, LLC.

BASIS OF PRESENTATION - The Organization records income and expense using the accrual method of accounting and accordingly reflects all significant receivables, payables and other liabilities. Financial statement presentation follows Financial Accounting Standards Board (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets: Unrestricted net assets include expendable resources over which the Organization's Board of Directors has discretionary control and are used to carry out the Organization's operations in accordance with its by-laws.

Temporarily Restricted Net Assets: Temporarily restricted net assets include resources expendable only for those purposes specified by the donor or grantor. The restrictions are satisfied either by the passage of time or by actions of the Organization.

Permanently Restricted Net Assets: Permanently restricted net assets include resources subject to donor imposed stipulations that are maintained permanently by the Organization.

CASH AND CASH EQUIVALENTS AND CREDIT RISK - For the purposes of the Statement of Cash Flows, the Organization considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. During the year, the Organization may maintain cash balances in excess of the \$250,000 limit insured by the FDIC. At December 31, 2008, cash and cash equivalents did not exceed the FDIC insured amount.

COST DEDUCTION - The Organization is committed to compliance with United Way of America's cost deduction requirements for recovering actual costs associated with processing and transferring designated funds.

FUNCTIONAL ALLOCATION OF EXPENSES - The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services based upon the distribution of staff time.

(Continued)

United Way of Knox County, Indiana, Inc.
Vincennes, Indiana
Notes to Consolidated Financial Statements
December 31, 2008
(See Independent Auditor's Report)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost or, if donated, at the approximate fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Maintenance and repairs are expensed as they are incurred. Depreciation expense is computed using the straight-line method over the estimated useful lives of the respective asset as follows:

Office Furniture and Equipment	5 Years
Depreciation Expense	\$ <u>3,065</u>

SUPPORT, REVENUE AND PLEDGES - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Pledges for contributions are recorded as a receivable when the pledge is received and allowances are provided for pledges estimated to be uncollectible. Amounts received that are restricted for future periods or donor restricted for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classifications.

When a donor stipulated time restriction ends or a purpose restriction is accomplished, then the restricted net assets are reclassified to unrestricted net assets and are replaced in the Statement of Activities as net assets released from restriction.

The majority of pledges receivable are received from a broad base of Knox County, Indiana and Crawford County, Illinois contributors as a result of the annual United Way Campaign.

The allowance for uncollectible pledges is maintained at a level which, in management's judgment, is adequate to absorb potential bad debts inherent with pledges receivable. The amount of the allowance is based on management's evaluation of the collectability of the pledges receivable, trends in historical bad debt experience and economic conditions, applied to gross campaign, including donor designations. The allowance is increased by a provision for uncollectible pledges, which is charged to expense and reduced by charge-offs, net of recoveries. Because of uncertainties inherent in the estimation process, management's estimate of bad debts and the related allowance may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

SHORT-TERM INVESTMENTS - Short-term investments consist of certificates of deposit and are recorded at cost which approximates fair value. The fair value of the short-term investments falls in the Level 1 hierarchy described in SFAS No. 157, *Fair Value Measurements*.

The Organization's investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to the changes in the values of investments, it is at least reasonably possible that changes in risks in the near term would materially affect the amount reported in the Statement of Financial Position and the Statement of Activities.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(Continued)

United Way of Knox County, Indiana, Inc.
Vincennes, Indiana
Notes to Consolidated Financial Statements
December 31, 2008
(See Independent Auditor's Report)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONTRIBUTED SERVICES - During the year ended December 31, 2008, a substantial number of volunteers have contributed significant amounts of their time to the Organization and its fundraising campaigns. These services do not meet the requirements for recognition in the financial statements in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made* and are not included in the financial statements.

COMPENSATED ABSENCES - Employees of the Organization are entitled to paid vacation, paid sick days and paid personal days off, depending on job classification, length of service and other factors. It is impractical to estimate the amount of compensation for future absences and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

IN-KIND CONTRIBUTIONS - During the year ended December 31, 2008, the Organization has recorded the value of contributions meeting the requirements for recognition in the financial statements totaling \$7,464. In-Kind Contributions are as follows:

Rent	\$ <u>7,464</u>
------	-----------------

INCOME TAXES - The Organization is a not-for-profit, charitable organization other than a private foundation, as defined by Internal Revenue Code Section 501(c)(3) and is not subject to federal or Indiana income taxes.

NOTE 2 - PROPERTY AND EQUIPMENT

The Organization's property and equipment consists of the following:

Furniture and Equipment	\$ 19,385
Less: Accumulated Depreciation	<u>(6,857)</u>
Total Property and Equipment - Net	\$ <u>12,528</u>

NOTE 3 - INVESTMENTS

The Organization's investments are as follows:

	Cost	Fair Value
Certificates of Deposit	\$ <u>100,138</u>	\$ <u>100,138</u>

Investment return is summarized below:

Interest from Investments	\$ <u>5,693</u>
---------------------------	-----------------

United Way of Knox County, Indiana, Inc.
Vincennes, Indiana
Notes to Consolidated Financial Statements
December 31, 2008
(See Independent Auditor's Report)

NOTE 4 - UNRESTRICTED AND TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2008 are available for the following purposes:

4Community2 Program	\$	10,091
Disaster Relief		21,065
Time Restriction		<u>241,549</u>
Total Temporarily Restricted Net Assets	\$	<u><u>272,705</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

4Community2 Program	\$	9,909
Disaster Relief		36,582
Time Restriction		<u>289,655</u>
Total Restrictions Released	\$	<u><u>336,146</u></u>

NOTE 5 - OPERATING LEASE

The Organization leases office space from an unrelated party under a non-cancelable operating lease that expires on May 31, 2009. Under the agreement, the lessor pays the costs of gas, electricity, water and sewer. Lease payments are \$1 per year. Accordingly, a contribution was recognized for \$7,464 in 2008 for in-kind occupancy for the year ended December 31, 2008.

NOTE 6 - CONCENTRATION OF CAMPAIGN PLEDGES

During the year ended December 31, 2008, campaign pledges were received from donors who exceeded ten percent of the Organization's total gross campaign results for the year as follows:

Marathon Petroleum Company	\$	89,098	27.32%
Good Samaritan Hospital		<u>86,177</u>	<u>26.42%</u>
Totals	\$	<u><u>175,275</u></u>	<u><u>53.74%</u></u>

United Way of Knox County, Indiana, Inc.
Vincennes, Indiana
Notes to Consolidated Financial Statements
December 31, 2008
(See Independent Auditor's Report)

NOTE 7 - DESCRIPTION OF PROGRAM SERVICES

Community Impact is the Organization's primary program service. The program service assesses community needs and distributes funds to agencies and programs in the community to address these needs.

4Community2 is a planning grant received by the Organization from the Indiana Association of United Ways (IaUW) in June, 2008 for \$20,000. The focus of the program is to assist the people of Knox County to develop sustainable resources and work on local community issues.

Disaster Relief is a \$100,000 grant the Organization was awarded from IaUW in July, 2008 to provide flexible funding for purposes of assessing and evaluating the funding needs in Knox County, Indiana as a result of the 2008 floods, tornados and storms affecting the area. The funding may be used for immediate needs and for identifying and valuing the future needs for additional funding as a result of the disasters. As of December 31, 2008, \$50,000 had been received from IaUW and \$7,647 had been received from other contributors.

NOTE 8 - PRIOR PERIOD RESTATEMENT OF BEGINNING BALANCE OF NET ASSETS

The beginning balance of unrestricted and temporarily restricted net assets has been restated as of January 1, 2008 to correct the temporary restricted computation of time restriction campaign. The corrected calculation is in accordance with United Way procedures. The adjustment totaled \$1,029 and is summarized below:

	Prior Audit Total Net Assets as of <u>December 31, 2007</u>	Net Assets Change	Net Assets Restated as of <u>January 1, 2008</u>
Net Assets			
Unrestricted	\$ <u>122,325</u>	\$ <u>(1,029)</u>	\$ <u>121,296</u>
Temporarily	\$ <u>288,626</u>	\$ <u>1,029</u>	\$ <u>289,655</u>