

**UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS**

Financial Statements

Years Ended March 31, 2010 and 2009

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Financial Statements
Years Ended March 31, 2010 and 2009

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Audited Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

- Certified Public Accountants
- Business Advisors

p: 865.583.0091
f: 865.583.0560
w: rodefermoss.com
608 Mabry Hood Road
Knoxville, TN 37932



Independent Auditors' Report

To the Board of Directors
United Way of Greater Knoxville, Inc. and
Its Operating Divisions

We have audited the accompanying statements of financial position of United Way of Greater Knoxville, Inc. and Its Operating Divisions (collectively, the Organization) as of March 31, 2010 and 2009 and the related statements of activities, functional expenses and cash flows for the years 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 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 that 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Greater Knoxville, Inc. and Its Operating Divisions as of March 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Rodefer Moss & Co, PLLC

Knoxville, Tennessee
July 21, 2010

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Statements of Financial Position
March 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6,869,861	\$ 10,567,740
Restricted cash	204,251	116,715
Certificates of deposit	2,669,599	186,978
Pledges receivable (net of allowance for uncollectible pledges of \$2,049,595 and \$2,275,215 for 2010 and 2009, respectively)	6,613,001	6,683,599
Prepaid items and other current assets	46,123	29,330
Receivable from related parties	<u>78,242</u>	<u>60,183</u>
Total current assets	<u>16,481,077</u>	<u>17,644,545</u>
Property and equipment, net	<u>2,745,371</u>	<u>2,797,730</u>
Other Assets		
Beneficial interest in assets held by others - endowment	4,384,456	3,312,938
Other investments	<u>9,000</u>	<u>9,000</u>
Total other assets	<u>4,393,456</u>	<u>3,321,938</u>
Total assets	<u>\$ 23,619,904</u>	<u>\$ 23,764,213</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable - related parties	\$ -	\$ 12,600
Accounts payable and accrued expenses	27,073	3,858
Allocations payable	6,931,169	8,286,991
Amounts designated by donors for specific organizations	<u>1,610,085</u>	<u>1,912,192</u>
Total current liabilities	<u>8,568,327</u>	<u>10,215,641</u>
Net Assets		
Unrestricted		
Undesignated	4,567,356	3,732,838
Board designated	8,257,090	7,656,677
Temporarily restricted	303,748	256,048
Permanantly restricted	<u>1,923,383</u>	<u>1,903,009</u>
Total net assets	<u>15,051,577</u>	<u>13,548,572</u>
Total liabilities and net assets	<u>\$ 23,619,904</u>	<u>\$ 23,764,213</u>

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Statements of Activities
Years Ended March 31, 2010 and 2009

	2010			Total	2009 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Campaign revenue, support and other					
Campaign revenue					
Campaign results	\$ 12,016,802	\$ -	\$ -	\$ 12,016,802	\$ 12,985,057
Less amounts designated by donors for specific organizations	(1,398,130)	-	-	(1,398,130)	(1,689,681)
Less provision for uncollectible pledges receivable	(618,285)	-	-	(618,285)	(1,463,467)
Net campaign revenue	<u>10,000,387</u>	<u>-</u>	<u>-</u>	<u>10,000,387</u>	<u>9,831,909</u>
Support and other					
Administration fee retained on amount designated by donors for specific organizations	-	-	-	-	191,323
Donated in-kind services	432,186	-	-	432,186	388,515
Program service fees	3,165	-	-	3,165	2,220
Grant income	108,447	-	-	108,447	35,652
Rental income	-	107,400	-	107,400	107,400
Interest income	36,134	3,659	-	39,793	87,524
Change in beneficial interest in assets held by others	1,044,577	-	20,374	1,064,951	(962,968)
Other contributions	41,910	-	-	41,910	72,144
Recovery of uncollectible pledges	-	-	-	-	25,747
Management fee income	117,801	-	-	117,801	185,547
Miscellaneous income	35,003	-	-	35,003	1,035
Total support and other	<u>1,819,223</u>	<u>111,059</u>	<u>20,374</u>	<u>1,950,656</u>	<u>134,139</u>
Net assets released from restrictions					
Restrictions satisfied by payments	<u>63,359</u>	<u>(63,359)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total campaign revenue, support and other	<u>11,882,969</u>	<u>47,700</u>	<u>20,374</u>	<u>11,951,043</u>	<u>9,966,048</u>
Allocations and functional expenses					
Allocations					
Allocations and designations	9,506,449	-	-	9,506,449	11,024,855
Less amounts designated by donors for specific organizations	(1,398,130)	-	-	(1,398,130)	(1,689,681)
Net allocations	<u>8,108,319</u>	<u>-</u>	<u>-</u>	<u>8,108,319</u>	<u>9,335,174</u>
Functional expenses					
Program services	441,381	-	-	441,381	495,379
Support services	1,898,338	-	-	1,898,338	2,181,872
Total functional expenses	<u>2,339,719</u>	<u>-</u>	<u>-</u>	<u>2,339,719</u>	<u>2,677,251</u>

See notes to financial statements.

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Statements of Activities (Continued)
Years Ended March 31, 2010 and 2009

	2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2009 Total
Total allocations and functional expenses	<u>\$ 10,448,038</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,448,038</u>	<u>\$ 12,012,425</u>
Change in net assets	1,434,931	47,700	20,374	1,503,005	(2,046,377)
Net assets at the beginning of the year	<u>11,389,515</u>	<u>256,048</u>	<u>1,903,009</u>	<u>13,548,572</u>	<u>15,594,949</u>
Net assets at the end of the year	<u>\$ 12,824,446</u>	<u>\$ 303,748</u>	<u>\$ 1,923,383</u>	<u>\$ 15,051,577</u>	<u>\$ 13,548,572</u>

See notes to financial statements.

This Page Intentionally Left Blank

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Statements of Functional Expenses
Years Ended March 31, 2010 and 2009

PROGRAM SERVICES

	Health	Education	Financial Stability	Basic Needs	Community Impact
Personnel expenses					
Salaries and related expenses	\$ 74,383	\$ 61,865	\$ 31,097	\$ 34,442	\$ 114,324
Non-personnel expenses					
Professional and contract fees	-	-	31,184	150	10,000
Supplies	497	1,805	2,442	218	1,823
Telephone	1,405	1,043	360	645	1,589
Postage and shipping	92	259	13	59	860
Building occupancy	2,550	1,682	3,242	1,218	2,938
Rental and maintenance of equipment	3,613	2,333	1,025	1,629	21,682
Donated services	-	-	-	-	-
Printing and publications	387	586	2,675	870	1,777
Travel and transportation	755	2,391	992	33	1,577
Meetings	319	1,544	385	45	721
Membership dues and permits	90	189	26	36	262
Insurance	747	493	210	357	856
Depreciation	4,623	3,086	1,275	1,596	5,978
Total non-personnel expenses	<u>15,078</u>	<u>15,411</u>	<u>43,829</u>	<u>6,856</u>	<u>50,063</u>
Total expenses before UWA dues	<u>89,461</u>	<u>77,276</u>	<u>74,926</u>	<u>41,298</u>	<u>164,387</u>
United Way of America dues	<u>7,083</u>	<u>5,902</u>	<u>3,541</u>	<u>3,541</u>	<u>11,805</u>
Total functional expenses	<u>\$ 96,544</u>	<u>\$ 83,178</u>	<u>\$ 78,467</u>	<u>\$ 44,839</u>	<u>\$ 176,192</u>

See notes to financial statements.

PROGRAM SERVICES		SUPPORT SERVICES				2010	2009
Labor Relations	Total Program Services	Resource Development	Management and General	Management of Other Campaigns	Total Support Services	Total Program and Support Services	Total Program and Support Services
\$ 19,216	\$ 335,327	\$ 468,824	\$ 259,906	\$ 100,785	\$ 829,515	\$ 1,164,842	\$ 1,493,353
-	41,334	42,137	130,497	-	172,634	213,968	192,393
124	6,909	13,279	3,398	6,361	23,038	29,947	49,880
357	5,399	11,844	6,322	2,483	20,649	26,048	23,107
(47)	1,236	5,058	3,566	1,494	10,118	11,354	27,364
679	12,309	16,383	11,670	3,794	31,847	44,156	62,613
983	31,265	24,585	18,594	5,118	48,297	79,562	63,920
-	-	432,186	-	-	432,186	432,186	388,515
(84)	6,211	23,031	(4,551)	16,966	35,446	41,657	50,512
202	5,950	10,022	(121)	7,417	17,318	23,268	15,424
628	3,642	39,416	576	4,111	44,103	47,745	49,220
22	625	379	16,696	807	17,882	18,507	21,848
198	2,861	4,911	3,441	1,021	9,373	12,234	9,479
1,352	17,910	30,640	20,793	6,856	58,289	76,199	99,001
4,414	135,651	653,871	210,881	56,428	921,180	1,056,831	1,053,276
23,630	470,978	1,122,695	470,787	157,213	1,750,695	2,221,673	2,546,629
2,361	34,233	47,218	25,971	10,624	83,813	118,046	130,622
\$ 25,991	\$ 505,211	\$ 1,169,913	\$ 496,758	\$ 167,837	\$ 1,834,508	\$ 2,339,719	\$ 2,677,251

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Statements of Cash Flows
Years Ended March 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,503,005	\$ (2,046,377)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	76,199	99,001
Realized gain on endowment	(23,997)	(99,885)
Unrealized (gain) loss on endowment	(951,806)	1,133,178
Changes in assets and liabilities		
Pledges receivable	70,598	433,050
Prepaid items and other current assets	(16,793)	60,978
Receivable from related parties	(18,059)	49,794
Accounts payable	23,215	(235,170)
Accounts payable - related parties	(12,600)	12,600
Allocation payable	(1,355,822)	545,999
Amounts designated by donors for specific organizations	<u>(302,107)</u>	<u>192,068</u>
Net cash from operating activities	<u>(1,008,167)</u>	<u>145,236</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(23,840)	(5,008)
Maturities (purchases) of certificates of deposit, net	(2,482,621)	1,114,559
Transfers to endowment fund	<u>(95,715)</u>	<u>(280,529)</u>
Net cash from investing activities	<u>(2,602,176)</u>	<u>829,022</u>
Net change in cash and cash equivalents	(3,610,343)	974,258
Cash and cash equivalents at the beginning of the year	<u>10,684,455</u>	<u>9,710,197</u>
Cash and cash equivalents at the end of the year	<u>\$ 7,074,112</u>	<u>\$ 10,684,455</u>

See notes to financial statements.

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements
March 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The United Way of Greater Knoxville, Inc. and Its Operating Divisions, the United Ways of Union, Jefferson, and Grainger Counties (collectively, the Organization), is a non-profit organization which provides supporting services and other assistance to public and private agencies and community organizations to meet the human service needs of the general public of Greater Knoxville, Union County, Jefferson County, and Grainger County, Tennessee.

Consolidated Financial Statements - The financial statements include United Way of Greater Knoxville, Inc. and Its Operating Divisions: the United Ways of Union, Jefferson, and Grainger Counties. All interdivisional transactions have been eliminated.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of Presentation - 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.

Cash and Cash Equivalents - For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Restricted Cash - Restricted cash consists of funds held by the Organization in its capacity as the Principal Combined Fund Organization (PCFO) for the Smoky Mountain Region Combined Federal Campaign (CFC).

Revenue Recognition - The Organization records pledges and contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Pledges receivable are recognized when the donors makes a promise to give to the Organization, that is in substance, unconditional. All other donor-restricted pledges are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (i.e. when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions."

Allowance for Uncollectible Pledges - The Organization uses the allowance method to determine uncollectible, unconditional pledges receivable. The allowance is based on prior experience and management's analysis of specific pledges made. Periodically, management reviews pledges receivable and adjusts the allowance based on current circumstances and charges off uncollectible receivables when all attempts to collect have failed.

Property and Equipment - Purchased property and equipment are stated at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose or time of use. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Organization capitalizes property and equipment with an original cost of at least \$500. Depreciation is computed on the straight-line method over the estimated useful lives of the assets and is considered a cost of operations.

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Property and Equipment (continued) - The following summarizes the estimated useful lives, cost of purchased land, building and equipment and the fair value of the donated land:

	Estimated Useful Life	2010		Total	2009
		Unrestricted	Permanently Restricted		
Land	N/A	\$ 51,050	\$ 1,839,520	\$ 1,890,570	\$ 1,890,570
Building	18-32 years	1,216,841	-	1,216,841	1,216,841
Equipment and furniture	5-15 years	514,348	-	514,348	626,192
		1,782,239	1,839,520	3,621,759	3,733,603
Accumulated depreciation		(876,388)	-	(876,388)	(935,873)
Net land, property and equipment		<u>\$ 905,851</u>	<u>\$ 1,839,520</u>	<u>\$ 2,745,371</u>	<u>\$ 2,797,730</u>

Donated Services - No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated In-Kind Advertising Services - The value of donated in-kind advertising services has been recorded as in-kind revenue and expensed in the amounts of \$432,186 and \$388,515 for 2010 and 2009, respectively, and is included in the statements of activities.

Income Tax Status - The Organization is exempt from federal income tax under Internal Revenue Code 501(c) (3). The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could vary from those estimates.

Concentration of Credit Risk - Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and promises to give receivable. The Organization places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to promises receivable are limited due to the large number of contributors comprising the Organization's contributor base and their dispersion across different industries and geographic areas. As of March 31, 2010, the Organization had no significant concentrations of credit risk.

Reclassifications - Reclassifications have been made to the prior years financial statement presentation to correspond to the current year's format. Total equity and change in net assets are unchanged due to these reclassifications.

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements (continued)

NOTE 2 - AMOUNTS DONATED BY DONORS FOR SPECIFIC ORGANIZATIONS

The Organization has included \$1,398,130 and \$1,689,681 of amounts designated by donors for specific organizations as a portion of total campaign results on the Statement of Activities for 2010 and 2009, respectively. This amount includes funds pledged to the Organization but designated by the donor for other organizations. Included within this designated amount is \$620,068 and \$674,114 of funds raised through the CFC for the fiscal years ended March 31, 2010 and 2009, respectively. The CFC is a separate entity for which United Way of Greater Knoxville, Inc. serves as the PCFO. However, due to the Organization's efforts in raising funds in the community, funds raised by the CFC are considered part of the Organization's overall campaign.

The Organization does not retain variance power related to these designations. They are treated as agency transactions rather than contributions and are reflected as liabilities of the Organization. The Statements of Activities show a reduction of campaign results for these pledges and also a reduction of allocation expense for the pledges.

The Organization, in accordance with the Office of Personnel Management (OPM), honors designations made to the Combined Federal Campaign to each member organization by distributing a proportionate share of receipts based on donor designations to each member.

NOTE 3 - PENSION PLAN

The Organization has a defined contribution pension plan covering substantially all employees. Plan benefits are cliff vested after three years. The monthly employer contribution on behalf of a participant is 8.8% of the participant's compensation. The contribution will not exceed the maximum amount allowed by the Internal Revenue Service regulations. The defined contribution plan expense amounted to \$77,362 and \$106,251 as of March 31, 2010 and 2009, respectively.

NOTE 4 - LAND LEASES AND RELATED RENTAL INCOME

The Organization owns, by deed of gift, the following properties (permanently restricted-see Note 5) and related operating leases:

	2010		2009	
	Recorded Value	Estimated Rental Income	Recorded Value	Estimated Rental Income
Monday Foundation Northgate Shopping Center-Land (Tract I)	\$ 478,800	\$ 46,117	\$ 478,800	\$ 46,117
Northgate Shopping Center-Land (Tract II)	110,720	4,883	110,720	4,883
Papermill Holiday Inn - Land	<u>1,250,000</u>	<u>56,400</u>	<u>1,250,000</u>	<u>56,400</u>
	<u>\$ 1,839,520</u>	<u>\$ 107,400</u>	<u>\$ 1,839,520</u>	<u>\$ 107,400</u>

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements (Continued)

NOTE 4 - LAND LEASES AND RELATED RENTAL INCOME - (Continued)

These land leases are classified as non-cancelable operating leases with remaining terms ranging from 30 to 62 years. Future minimum rental receipts under the non-cancelable operating leases with remaining terms in excess of one year as of March 31, 2010 are as follows:

Year ending March 31,		
2011	\$	114,400
2012		114,400
2013		114,400
2014		114,400
2015		59,167
Thereafter		<u>2,627,163</u>
	<u>\$</u>	<u>3,143,930</u>

NOTE 5 - RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or time periods as of March 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Rental income from Monday Foundation Land allocated to agencies based on recommendation of the Monday Foundation's Trustees	\$ 294,748	\$ 247,048
Stock-sales restriction	<u>9,000</u>	<u>9,000</u>
	<u>\$ 303,748</u>	<u>\$ 256,048</u>

Permanently restricted net assets consist of an endowment to be held indefinitely, the income from which is expendable to support the following purposes:

	<u>2010</u>	<u>2009</u>
Rental income from Monday Foundation Land allocated to agencies based on recommendation of the Monday Foundation's Trustees	\$ 1,839,520	\$ 1,839,520
Funding of the Organization's operating expenses	<u>83,863</u>	<u>63,489</u>
	<u>\$ 1,923,383</u>	<u>\$ 1,903,009</u>

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements (Continued)

NOTE 6 - RELATED PARTIES

United Way of Greater Knoxville, Inc. serves as the PCFO for the CFC. The Organization recorded \$90,014 and \$120,304 of program service fees for this service during the years ended March 31, 2010 and 2009, respectively.

NOTE 7 - CHANGE IN BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The change in beneficial interest in assets held by others is summarized as follows:

	<u>2010</u>	<u>2009</u>
Dividends and contributions	\$ 113,186	\$ 91,677
Realized gains	23,997	99,885
Unrealized gain (loss)	951,806	(1,133,178)
Administrative fees	(12,230)	(12,393)
Investment fees	<u>(11,808)</u>	<u>(8,959)</u>
	<u>\$ 1,064,951</u>	<u>\$ (962,968)</u>

Transfers into beneficial interest in assets held by others were \$6,567 and \$210,204 for the years ended March 31, 2010 and 2009, respectively.

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

As discussed in Note 1, when a purpose restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

During the years ended March 31, 2010 and 2009, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors as follows:

	<u>2010</u>	<u>2009</u>
Purpose restrictions accomplished:		
Monday Foundation allocations	<u>\$ 63,359</u>	<u>\$ 77,692</u>

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements (Continued)

NOTE 9 - CONTINGENT LIABILITY - MEDICAL HOME INITIATIVE

An agreement was entered into with Cherokee Health Systems, Interfaith Health Clinic, and Knoxville Area Project Access on July 1, 2007 for three years to primarily provide additional staffing increasing the capacity of the organizations to create an additional 7,250 medical homes for the working uninsured. Each year of funding is contingent upon contractually agreed upon outcome measures and is performance based. Each organization has specific targets and reports on those monthly, quarterly and annually. The program provides low-cost comprehensive medical services at an annual cost of \$170 per person per year. The table below indicates the financial commitments to each organization as of March 31, 2010:

Organization	Year Ending March 31, 2010
Cherokee Health Systems	\$ 119,255
InterFaith Health Clinic	\$ 121,200
Knoxville Area Project Access	\$ 83,465

NOTE 10 - BOARD DESIGNATED UNRESTRICTED NET ASSETS

The board designated unrestricted net assets fund consists of \$8,081,289 and \$7,656,677 at March 31, 2010 and 2009, respectively, set aside by the Organization's board of directors in the Endowment Fund, Operating Stabilization Reserve and agency operating reserves.

The Operating Stabilization Reserve (the Reserve) was established by the Organization's board of directors on March 31, 2006. The Reserve had balances of \$3,444,491 and \$3,982,125 at March 31, 2010 and 2009, respectively. The Reserve assists in maintaining financial stability for the Organization and can be temporarily used to cover unanticipated expenses or pledge collection losses. The recommended balance of the Reserve is determined annually by the Finance Committee based upon a calculation that takes into consideration financial directives of the Organization's Board of Directors.

The Endowment Fund is a self-imposed investment vehicle used to accumulate funds over time with a long-term goal of funding the Organization's operating expenses from the earnings of the fund. The Fund is managed by the East Tennessee Foundation. Funds may only be removed from the Endowment Fund with two consecutive majority votes of the board of directors and approval by the East Tennessee Foundation board of directors. The activity in the fund for the years ended March 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Balance at beginning of the year	\$ 3,312,938	\$ 4,065,702
Additions	9,768	212,477
Net investment return (loss)	<u>1,061,750</u>	<u>(965,241)</u>
Balance at end of the year	<u>\$ 4,384,456</u>	<u>\$ 3,312,938</u>

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements (Continued)

NOTE 10 - BOARD DESIGNATED UNRESTRICTED NET ASSETS - (Continued)

The balance of the board designated unrestricted net assets at March 31, 2010 is as follows:

Board designated unrestricted net assets:	Operating	Endowment	Other Reserves	Total
	Stabilization Reserve	Fund		
United Way of Greater Knoxville	\$ 3,444,491	\$ 4,384,456	\$ 311,066	\$ 8,140,013
United Way of Union County	-	-	23,568	23,568
United Way of Jefferson County	-	-	63,429	63,429
United Way of Grainger County	-	-	30,080	30,080
	<u>\$ 3,444,491</u>	<u>\$ 4,384,456</u>	<u>\$ 428,143</u>	<u>\$ 8,257,090</u>

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A valuation hierarchy has been established for disclosure of the inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Organization's assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

At March 31, 2010 and 2009, the Organization had no liabilities carried at fair value subject to remeasurement on a recurring basis. The following table provides the assets carried at fair value measured on a recurring basis as of December 31, 2009:

	2010	2009
	Level 1	Level 1
Endowment	<u>\$ 4,384,456</u>	<u>\$ 3,312,938</u>
Stock	<u>\$ 9,000</u>	<u>\$ 9,000</u>

NOTE 12 - SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to the balance sheet date of March 31, 2010 for items that should potentially be recognized or disclosed in the financial statements. The evaluation was conducted through July 21, 2010.