

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

**Knoxville, Tennessee**

**FINANCIAL STATEMENTS**

**Years Ended March 31, 2009 and 2008**

UNITED WAY OF GREATER KNOXVILLE, INC.  
AND ITS OPERATING DIVISIONS  
Financial Statements  
Years Ended March 31, 2009 and 2008

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### 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 (a not-for-profit organization) as of March 31, 2009 and 2008 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 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 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 audit provides 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, 2009 and 2008, 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 29, 2009

UNITED WAY OF GREATER KNOXVILLE, INC.  
AND ITS OPERATING DIVISIONS  
Statements of Financial Position  
March 31, 2009 and 2008

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	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 10,567,740	\$ 9,452,306
Restricted cash	116,715	257,891
Certificates of deposit	186,978	1,301,537
Pledges receivable (net of allowance for uncollectible pledges of \$2,280,431 and \$2,156,178 for 2009 and 2008, respectively)	6,683,599	7,116,649
Prepaid items and other	29,330	90,308
Receivable from related parties	<u>60,183</u>	<u>109,977</u>
Total current assets	<u>17,644,545</u>	<u>18,328,668</u>
Property and equipment, net	<u>2,797,730</u>	<u>2,891,723</u>
Other assets		
Beneficial interest in assets held by others - endowment	3,312,938	4,065,702
Other investments	<u>9,000</u>	<u>9,000</u>
Total other assets	<u>3,321,938</u>	<u>4,074,702</u>
Total assets	<u>\$ 23,764,213</u>	<u>\$ 25,295,093</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable - related parties	\$ 12,600	\$ -
Accounts payable and accrued expenses	3,858	239,028
Allocations payable	8,286,991	7,740,992
Amounts designated by donors for specific organizations	<u>1,912,192</u>	<u>1,720,124</u>
Total current liabilities	<u>10,215,641</u>	<u>9,700,144</u>
Net assets		
Unrestricted		
Undesignated	3,732,838	5,160,309
Board designated	7,656,677	8,294,813
Temporarily restricted	256,048	218,178
Permanantly restricted	<u>1,903,009</u>	<u>1,921,649</u>
Total net assets	<u>13,548,572</u>	<u>15,594,949</u>
Total liabilities and net assets	<u>\$ 23,764,213</u>	<u>\$ 25,295,093</u>

See notes to financial statements.

UNITED WAY OF GREATER KNOXVILLE, INC.  
AND ITS OPERATING DIVISIONS  
Statements of Activities  
Years Ended March 31, 2009 and 2008

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	2009			Total	2008
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Campaign revenue, support and other					
Campaign revenue					
Campaign results	\$ 12,985,057	\$ -	\$ -	\$ 12,985,057	\$ 13,369,833
Less amounts designated by donors for specific organizations	(1,689,681)	-	-	(1,689,681)	(1,984,301)
Less provision for uncollectible pledges receivable	(1,463,467)	-	-	(1,463,467)	(1,071,934)
Net campaign revenue	9,831,909	-	-	9,831,909	10,313,598
Support and other					
Administration fee retained on amount designated by donors for specific organizations	191,323	-	-	191,323	66,618
Donated in-kind services	388,515	-	-	388,515	567,528
Program service fees	2,220	-	-	2,220	2,071
Grant income	35,652	-	-	35,652	26,849
Rental income	-	107,400	-	107,400	109,945
Interest income	85,092	2,432	-	87,524	232,467
Change in beneficial interest in assets held by others	(944,328)	-	(18,640)	(962,968)	11,271
Other contributions	66,414	5,730	-	72,144	69,250
Recovery of uncollectible pledges	25,747	-	-	25,747	449,134
Management fee income	185,547	-	-	185,547	105,665
Miscellaneous income	1,035	-	-	1,035	108,663
Total support and other	37,217	115,562	(18,640)	134,139	1,749,461
Net assets released from restrictions					
Restrictions satisfied by payments	77,692	(77,692)	-	-	-
Total campaign revenue, support and other	9,946,818	37,870	(18,640)	9,966,048	12,063,059
Allocations and functional expenses					
Allocations					
Allocations and designations	11,024,855	-	-	11,024,855	11,227,340
Less amounts designated by donors for specific organizations	(1,689,681)	-	-	(1,689,681)	(1,983,802)
Net allocations	9,335,174	-	-	9,335,174	9,243,538
Functional expenses					
Program services	495,379	-	-	495,379	489,440
Support services	2,181,872	-	-	2,181,872	2,151,178
Total functional expenses	2,677,251	-	-	2,677,251	2,640,618

See notes to financial statements.

UNITED WAY OF GREATER KNOXVILLE, INC.  
AND ITS OPERATING DIVISIONS  
Statements of Activities (continued)  
Years Ended March 31, 2009 and 2008

	2009				2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Total allocations and functional expenses	<u>\$ 12,012,425</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,012,425</u>	<u>\$ 11,884,156</u>
Change in net assets	(2,065,607)	37,870	(18,640)	(2,046,377)	178,903
Net assets, beginning of the year	<u>13,455,122</u>	<u>218,178</u>	<u>1,921,649</u>	<u>15,594,949</u>	<u>15,416,046</u>
Net assets, end 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>

See notes to financial statements.

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UNITED WAY OF GREATER KNOXVILLE, INC.  
AND ITS OPERATING DIVISIONS  
Statements of Functional Expenses  
Years Ended March 31, 2009 and 2008

PROGRAM SERVICES

	Health	Education	Financial Stability	Basic Needs	Community Impact	Labor Relations	Total Program Services
Personnel expenses							
Salaries and related expenses	\$ 99,561	\$ 76,443	\$ 52,401	\$ 29,783	\$ 116,735	\$ 23,664	\$ 398,587
Non-personnel expenses							
Professional and contract fees	1,454	1,115	211	625	2,052	201	5,658
Supplies	1,279	1,323	1,293	462	2,805	253	7,415
Telephone	1,163	846	655	286	1,466	298	4,714
Postage and shipping	444	773	64	127	986	83	2,477
Building occupancy	3,440	2,433	1,344	931	4,442	894	13,484
Rental and maintenance of equipment	2,710	2,011	1,174	592	3,686	746	10,919
Donated services	-	-	-	-	-	-	-
Printing and publications	169	144	721	54	793	64	1,945
Travel and transportation	761	399	1,255	119	2,347	1,920	6,801
Meetings	3,149	841	561	92	10,190	1,521	16,354
Membership dues and permits	59	42	32	12	83	18	246
Insurance	468	348	196	100	1,008	131	2,251
Other expenses	-	-	-	-	-	-	-
Depreciation	6,325	4,771	2,402	1,624	7,796	1,610	24,528
Total non-personnel expenses	<u>21,421</u>	<u>15,046</u>	<u>9,908</u>	<u>5,024</u>	<u>37,654</u>	<u>7,739</u>	<u>96,792</u>
Total expenses before UWA dues	<u>120,982</u>	<u>91,489</u>	<u>62,309</u>	<u>34,807</u>	<u>154,389</u>	<u>31,403</u>	<u>495,379</u>
United Way of America dues	-	-	-	-	-	-	-
Total functional expenses	<u>\$ 120,982</u>	<u>\$ 91,489</u>	<u>\$ 62,309</u>	<u>\$ 34,807</u>	<u>\$ 154,389</u>	<u>\$ 31,403</u>	<u>\$ 495,379</u>

See notes to financial statements.

<u>SUPPORT SERVICES</u>				2009	2008
<u>Resource Development</u>	<u>Management and General</u>	<u>Management of Other Campaigns</u>	<u>Total Support Services</u>	<u>Total Program and Support Services</u>	<u>Total Program and Support Services</u>
<u>\$ 548,676</u>	<u>\$ 450,749</u>	<u>\$ 95,341</u>	<u>\$ 1,094,766</u>	<u>\$ 1,493,353</u>	<u>\$ 1,352,461</u>
9,140	168,920	8,675	186,735	192,393	85,546
23,746	10,746	7,973	42,465	49,880	29,773
7,040	8,920	2,433	18,393	23,107	24,179
37,826	(14,409)	1,470	24,887	27,364	22,866
21,367	24,240	3,522	49,129	62,613	63,573
17,473	32,594	2,934	53,001	63,920	56,897
388,515	-	-	388,515	388,515	554,328
33,577	3,055	11,935	48,567	50,512	81,200
5,810	(4,766)	7,579	8,623	15,424	30,472
25,071	3,489	4,306	32,866	49,220	83,363
2,014	18,792	796	21,602	21,848	20,983
3,023	3,697	508	7,228	9,479	6,832
-	-	-	-	-	790
<u>37,523</u>	<u>30,620</u>	<u>6,328</u>	<u>74,473</u>	<u>99,001</u>	<u>98,506</u>
<u>612,125</u>	<u>285,898</u>	<u>58,459</u>	<u>956,484</u>	<u>1,053,276</u>	<u>1,159,308</u>
<u>1,160,801</u>	<u>736,647</u>	<u>153,800</u>	<u>2,051,250</u>	<u>2,546,629</u>	<u>2,511,769</u>
-	<u>126,486</u>	<u>4,136</u>	<u>130,622</u>	<u>130,622</u>	<u>128,849</u>
<u>\$ 1,160,801</u>	<u>\$ 863,133</u>	<u>\$ 157,936</u>	<u>\$ 2,181,872</u>	<u>\$ 2,677,251</u>	<u>\$ 2,640,618</u>

UNITED WAY OF GREATER KNOXVILLE, INC.  
AND ITS OPERATING DIVISIONS  
Statements of Cash Flows  
Years Ended March 31, 2009 and 2008

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	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets	\$ (2,046,377)	\$ 178,903
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	99,001	98,505
Realized gain on endowment	(99,885)	-
Unrealized loss on endowment	1,133,178	376,431
Bad debt expense	-	487,665
Changes in assets and liabilities		
Pledges receivable	433,050	(179,602)
Prepaid items and other	60,978	(3,653)
Receivable from related party	49,794	(77,543)
Accounts payable	(235,170)	187,880
Accounts payable - related party	12,600	-
Allocation payable	545,999	(330,262)
Amounts designated by donors for specific organizations	<u>192,068</u>	<u>25,088</u>
Net cash from operating activities	<u>145,236</u>	<u>763,412</u>
Cash flows from investing activities		
Purchases of fixed assets	(5,008)	(101,781)
Maturities (Purchases) of certificates of deposit	1,114,559	(40,106)
Transfers to endowment fund	<u>(280,529)</u>	<u>(99,984)</u>
Net cash from investing activities	<u>829,022</u>	<u>(241,871)</u>
Net change in cash and cash equivalents	974,258	521,541
Cash and cash equivalents, beginning of year	<u>9,710,197</u>	<u>9,188,656</u>
Cash and cash equivalents, end of year	<u>\$ 10,684,455</u>	<u>\$ 9,710,197</u>

See notes to financial statements.

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.

These financial statements are for 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.

**Method of Accounting** – The financial statements of the Organization have been prepared on the accrual basis of accounting.

**Basis of Presentation** – The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for 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. In addition, the Organization is required to present a statement of cash flows.

The Organization has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-For-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or use) in the reporting period in which the income and gains are recognized.

The Organization has adopted SFAS No. 136, *Transfer of Assets to a Not-For-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*. This statement establishes standards for transactions in which an entity (the donor) makes a contribution by transferring assets to a not-for-profit organization or charitable trust (the recipient organization) that accepts the assets from the donor and agrees to use those assets on behalf of or transfer those assets, the return on investments of those assets, or both to another entity (the beneficiary) that is specified by the donor. It also establishes standards for transactions that take place in a similar manner but are not contributions because the transfers are revocable, repayable, or reciprocal.

**Revenue Recognition** – The Organization has adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, pledges and contributions received are recorded 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.”

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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, 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.

**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.

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	2009		Total	2008
		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	1,191,707
Equipment and furniture	5-15 years	626,192	-	626,192	734,197
		1,894,083	1,839,520	3,733,603	3,816,474
Accumulated depreciation		(935,873)	-	(935,873)	(924,751)
Net land, property and equipment		<u>\$ 958,210</u>	<u>\$ 1,839,520</u>	<u>\$ 2,797,730</u>	<u>\$ 2,891,723</u>

**Donated Services, Materials, and Labor** – A substantial number of unpaid volunteers have donated significant amounts of their time to develop and staff the Organization’s many programs. The value of said services is not susceptible to objective measurement or valuation, thus no amounts are reflected in the financial statements for those services.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Donated In-Kind Advertising Services** – Donated in-kind advertising services were received in the current year. The values of these contributions have been recorded as in-kind revenue and expensed in the amounts of \$388,515 and \$567,528 for 2009 and 2008, respectively, and are included in the statement of activities.

**Income Tax Status** – The Organization is exempt from federal income tax under Internal Revenue Code 501(c)(3).

**Cash and Cash Equivalents** – The Organization considers all highly liquid investments with an original maturity of three months or less when purchased 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”).

**Concentration of Credit Risk** – Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash on deposit, pledges receivable and investments. The cash deposits are primarily in financial institutions in Tennessee and may at times exceed federally insured amounts. Pledges receivable, which have been adjusted for all known and estimated doubtful accounts, are from individuals, foundations and corporations primarily in East Tennessee. Investments consist of money market mutual funds, short and long-term fixed income funds and equity securities. The Organization’s investments are subject to market risk and are not federally insured.

**Reclassifications** – Certain reclassifications have been made to the March 31, 2008 financial statement presentation to correspond to the current year’s format. Total equity and net income are unchanged due to these reclassifications.

NOTE 2 – AMOUNTS DONATED BY DONORS FOR SPECIFIC ORGANIZATIONS

The Organization has included \$1,689,682 and \$1,984,301 of amounts designated by donors for specific organizations as a portion of total campaign results on the Statement of Activities for 2009 and 2008, respectively. This amount includes funds pledged to the Organization but designated by the donor for other organizations. Included within this designated amount is \$674,114 and \$720,302 of funds raised through the CFC for the fiscal years ended March 31, 2009 and 2008. 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.

In accordance with accounting principles generally accepted in the United States of America, 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 Statement of Activities shows a reduction of campaign results for these pledges and also a reduction of allocation expense for the pledges.

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 \$106,251. and \$96,991 as of March 31, 2009 and 2008, 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:

	<u>2009</u>		<u>2008</u>	
	<u>Recorded Value</u>	<u>Estimated Rental Income</u>	<u>Recorded Value</u>	<u>Estimated Rental Income</u>
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>

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, 2009 are as follows:

<u>Year ending March 31,</u>	
2010	\$ 108,566
2011	114,400
2012	114,400
2013	114,400
2014	114,400
Thereafter	<u>2,686,330</u>
	<u>\$ 3,252,496</u>

When the leases expire, all building and improvements on the land will become the property of the Organization.

NOTE 5 – RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or time periods as of March 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Rental income from Monday Foundation Land allocated to agencies based on recommendation of the Monday Foundation's Trustees	\$ 247,048	\$ 209,178
Stock-sales restriction	<u>9,000</u>	<u>9,000</u>
	<u>\$ 256,048</u>	<u>\$ 218,178</u>

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

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NOTE 5 – RESTRICTED NET ASSETS (continued)

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

	<u>2009</u>	<u>2008</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>63,489</u>	<u>82,129</u>
	<u>\$ 1,903,009</u>	<u>\$ 1,921,649</u>

NOTE 6 – RELATED PARTIES

United Way of Greater Knoxville, Inc. serves as the PCFO for the CFC. During the year ended March 31, 2009, the Organization recorded \$120,304 of program service fees for this service.

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>2009</u>	<u>2008</u>
Dividends and contributions	\$ 91,677	\$ 113,378
Realized gains	99,885	296,028
Unrealized loss	(1,133,178)	(376,431)
Administrative fees	(12,393)	(13,032)
Investment fees	<u>(8,959)</u>	<u>(8,672)</u>
	<u>\$ (962,968)</u>	<u>\$ 11,271</u>

Transfers into beneficial interest in assets held by others were \$210,204. and \$99,984 for the years ended March 31, 2009 and 2008, 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, 2009 and 2008, 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>2009</u>	<u>2008</u>
Purpose restrictions accomplished:		
Monday Foundation allocations	<u>\$ 77,692</u>	<u>\$ 106,634</u>

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, 2009 and 2008:

<u>Organization</u>	<u>Year Ending March 31, 2009</u>	<u>Year Ending March 31, 2008</u>	<u>Total</u>
Cherokee Health Systems	\$ 475,134	\$ 119,255	\$ 594,389
InterFaith Health Clinic	\$ 482,895	\$ 121,200	\$ 604,095
Knoxville Area Project Access	\$ 331,144	\$ 83,466	\$ 414,610

NOTE 10 – BOARD DESIGNATED UNRESTRICTED NET ASSETS

The board designated unrestricted net assets fund consists of \$7,656,677 and \$8,294,813 at March 31, 2009 and 2008, 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 \$3,982,125 and \$4,206,445 at March 31, 2009 and 2008, 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, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Balance at beginning of the year	\$ 3,983,573	\$ 3,872,769
Additions	210,204	78,670
Net investment return (loss)	<u>(630,146)</u>	<u>32,134</u>
Balance at end of the year	<u>\$ 3,563,631</u>	<u>\$ 3,983,573</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, 2009 is as follows:

Board designated unrestricted net asset -	Agency Operating Reserves	Operating Stabilization Reserve	Endowment Fund	Other Reserves	Total
United Way of Greater Knoxville	\$ -	\$ 3,982,125	\$ 3,249,748	\$ 313,883	\$ 7,545,756
United Way of Union County	22,412	-	-	-	22,412
United Way of Jefferson County	58,429	-	-	-	58,429
United Way of Grainger County	30,080	-	-	-	30,080
	<u>\$ 110,921</u>	<u>\$ 3,982,125</u>	<u>\$ 3,249,748</u>	<u>\$ 313,883</u>	<u>\$ 7,656,677</u>