

UNITED WAY OF LOUDON COUNTY

Financial Statements

March 31, 2009 and 2008

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Independent Auditors' Report

To the Board of Directors
United Way of Loudon County
Lenoir City, Tennessee

We have audited the accompanying statements of financial position of United Way of Loudon County (a non-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 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 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 Loudon County 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.

Roderfer Moss & Co, PLLC

Knoxville, Tennessee
July 29, 2009

UNITED WAY OF LOUDON COUNTY
 Statements of Financial Position
 March 31, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 362,364 | \$ 296,373 |
| Certificates of deposit | 81,066 | 77,242 |
| Pledges receivable - net of allowance for uncollectible pledges of \$91,668 and \$69,027 | 53,083 | 102,246 |
| Other current assets | <u>1,213</u> | <u>2,631</u> |
| Total assets | <u>\$ 497,726</u> | <u>\$ 478,492</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | \$ 3,300 | \$ 2,974 |
| Allocations payable | 205,541 | 204,279 |
| Amounts designated by donors for specific organizations | 11,022 | 19,598 |
| Accounts payable to related party | <u>38,400</u> | <u>37,485</u> |
| Total liabilities | <u>258,263</u> | <u>264,336</u> |
| NET ASSETS | | |
| Unrestricted | | |
| Undesignated | 109,463 | 135,428 |
| Board designated | <u>130,000</u> | <u>78,728</u> |
| Total net assets | <u>239,463</u> | <u>214,156</u> |
| Total liabilities and net assets | <u>\$ 497,726</u> | <u>\$ 478,492</u> |

UNITED WAY OF LOUDON COUNTY
 Statements of Activities
 For the Years Ended March 31, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|--|-------------------|-------------------|
| Campaign support, revenues, and other | | |
| Campaign revenue | | |
| Campaign results | \$ 280,995 | \$ 257,574 |
| Less: amounts designated by donors for specific organizations | (6,923) | (19,233) |
| Less: provision for uncollectible pledges | <u>(22,480)</u> | <u>(12,000)</u> |
| Net campaign revenue | <u>251,592</u> | <u>226,341</u> |
| Support and other | | |
| Grant income | 10,000 | 10,000 |
| Other contributions | 33,385 | 50,614 |
| Miscellaneous | - | 2,296 |
| Interest income | <u>5,567</u> | <u>9,670</u> |
| Total support and other | <u>48,952</u> | <u>72,580</u> |
| Total unrestricted support, revenues, and other | <u>300,544</u> | <u>298,921</u> |
| Allocations and functional expenses | | |
| Allocations | | |
| Allocations and donor designations | 232,197 | 238,367 |
| Less: amounts designated by donors for specific organizations | <u>(6,923)</u> | <u>(19,233)</u> |
| Net allocations | <u>225,274</u> | <u>219,134</u> |
| Functional expenses | | |
| Fundraising | 19,590 | 19,146 |
| Management and general | <u>30,373</u> | <u>22,854</u> |
| Total functional expenses | <u>49,963</u> | <u>42,000</u> |
| Total allocations and functional expenses | <u>275,237</u> | <u>261,134</u> |
| Increase in unrestricted net assets | 25,307 | 37,787 |
| Net assets, beginning of year | <u>214,156</u> | <u>176,369</u> |
| Net assets, end of year | <u>\$ 239,463</u> | <u>\$ 214,156</u> |

See notes to financial statements.

UNITED WAY OF LOUDON COUNTY
 Statements of Functional Expenses
 For the Years Ended March 31, 2009 and 2008

| | 2009 Support Services | | | 2008 Support Services | | |
|---|-----------------------|---------------------------|-----------|-----------------------|---------------------------|-----------|
| | Fundraising | Management and General | Total | Fundraising | Management and General | Total |
| Professional and contract fees | \$ - | \$ 10,383 | \$ 10,383 | \$ - | \$ 3,305 | \$ 3,305 |
| Membership dues and permits | - | 400 | 400 | - | 403 | 403 |
| United Way of Greater Knoxville campaign and administrative fees | 19,590 | 19,590 | 39,180 | 19,146 | 19,146 | 38,292 |
| Total | \$ 19,590 | \$ 30,373 | \$ 49,963 | \$ 19,146 | \$ 22,854 | \$ 42,000 |

UNITED WAY OF LOUDON COUNTY
 Statements of Cash Flows
 For the Years Ended March 31, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|---|-------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Increase in net assets | \$ 25,307 | \$ 37,787 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Bad debt expense | 22,480 | 12,000 |
| Decrease (increase) in current assets: | | |
| Pledges receivable | 26,683 | 25,351 |
| Other current assets | 1,417 | (2,630) |
| Increase (decrease) in current liabilities: | | |
| Accounts payable | 326 | 1,049 |
| Allocations payable | 1,262 | (17,166) |
| Amounts designated by donors for specific organizations | (8,576) | (793) |
| Accounts payable to related party | 915 | 4,961 |
| | <u>69,814</u> | <u>60,559</u> |
| Net cash flows from operating activities | | |
| Cash Flows From Investing Activities | | |
| Purchase of certificates of deposit | <u>(3,823)</u> | <u>(1,560)</u> |
| Net cash flows from investing activities | <u>(3,823)</u> | <u>(1,560)</u> |
| Net change in cash and cash equivalents | 65,991 | 58,999 |
| Cash and cash equivalents, beginning of year | <u>296,373</u> | <u>237,374</u> |
| Cash and cash equivalents, end of year | <u>\$ 362,364</u> | <u>\$ 296,373</u> |

UNITED WAY OF LOUDON COUNTY
Notes to Financial Statements
March 31, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – United Way of Loudon County (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 Loudon County, Tennessee.

Mission Statement – United Way of Loudon County was formed to bring together a cross section of people and organizations in a community-wide effort to support the efficient delivery of human service programs that are directly related to current needs.

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. During the years ended March 31, 2009 and 2008, there were no net assets or activities classified as temporarily restricted or permanently restricted. In addition, the Organization is required to present a statement of cash flows.

Use of Estimates and Assumptions – 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 these estimates.

Cash and Cash Equivalents – The Organization considers all highly liquid investments with an original maturity of three month or less when purchased to be cash equivalents.

Allowance for Uncollectible Pledges – The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior experience and management’s analysis of specific pledges made.

Revenue Recognition – The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. Under SFAS No. 116, pledges and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence and nature of any donor restrictions. Pledges and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the pledge or contribution is recognized. All other donor-restricted net assets are reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. During the years ended March 31, 2009 and 2008, there were no contributions received that were classified as temporarily restricted or permanently restricted.

Income Tax Status – United Way of Loudon County is a non-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is subject, however, to federal income tax on unrelated business income as stipulated in Internal Revenue Code Section 511 and Regulation Section 1.511. During the years ended March 31, 2009 and 2008, United Way of Loudon County had no activities unrelated to its exempt purpose, and therefore, incurred no tax liability.

UNITED WAY OF LOUDON COUNTY
Notes to Financial Statements (Continued)

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

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 these services is not susceptible to objective measurement or valuation. Thus, no amounts are reflected in the financial statements for these services.

Concentration of Credit Risk – Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash on deposit, and pledges receivable. 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 located primarily in East Tennessee.

Functional Classification of Expenses – Functional classifications of expenses are based upon the guidance included in the *Audit and Accounting Guide for Not-For-Profit Organizations*, issued by the American Institute of Certified Public Accountants. The Organization incurs costs and expenses related to its supporting activities, such as fundraising and management. Expenses that are directly related to, and can be assigned to, a single supporting activity are charged directly to such function. Expenses that are related to more than one function are allocated among the appropriate functions. The most significant of United Way of Loudon County’s joint costs are the costs associated with campaign and administrative fees. The Organization allocates these joint costs primarily using proportional methods based on the time expended by personnel on the various functions.

Reclassifications - Certain reclassifications have been made to the March 31, 2008 financial statement presentation to correspond to the current year’s format. Net assets are unchanged due to these reclassifications.

NOTE 2 – RELATED PARTY

Fundraising and management and general expenses are the costs incurred by the United Way of Greater Knoxville, Inc. (a related party) for campaign and accounting expenses on behalf of and charged to the United Way of Loudon County. Total costs incurred were \$48,828 for the year ending March 31, 2009, \$38,400 being the expenses paid and the remainder of \$10,428 considered services donated by the United Way of Greater Knoxville. For the year ending March 31, 2008 total costs incurred were \$48,481 with \$37,485 being the expenses paid and the remainder of \$10,996 considered services donated by the United Way of Greater Knoxville. Accounts payable to United Way of Greater Knoxville at March 31, 2009 and 2008 were \$38,400 and \$37,485, respectively.

NOTE 3 – AMOUNTS DESIGNATED BY DONORS FOR SPECIFIC ORGANIZATIONS

The Organization has included \$11,022 and \$19,598 of amounts designated by donors for specific organizations as a portion of total campaign results on the statement of activities for the years ended March 31, 2009 and 2008, respectively. Such contributions are referred to as “donor choice.” The collections of these contributions and distributions to donor specified agencies are transactions in which the Organization is acting as the agent. These transactions are not reported in the statement of activities as revenues and expenses, but are included in the total campaign results and then deducted as amounts designated by donors for specific organizations before arriving at net campaign revenue.

NOTE 4 – NET ASSETS

The board has designated funds for the years ended March 31, 2009 and 2008, of \$130,000 and \$78,728, respectively. These are funds which have been set aside by the Organization’s board of directors as an agency operating reserve.