

UNITED WAY OF THE BLUEGRASS, INC.
Lexington, Kentucky

FINANCIAL STATEMENTS
June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Way of the Bluegrass, Inc.
Lexington, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of the Bluegrass, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of the Bluegrass, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of allocations to agencies is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Lexington, Kentucky
December 1, 2017

UNITED WAY OF THE BLUEGRASS, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 133,935	\$ 797,576
Investments (Note 3)	1,688,436	1,654,948
Pledges receivable		
Current year campaign (net of allowance for uncollectible pledges of \$377,403 and \$341,456 for 2017 and 2016, respectively)	1,295,254	1,333,407
Prepaid expenses	20,633	21,434
Other assets		
Grants and other miscellaneous receivables	176,387	134,467
Property and equipment, net (Note 4)	<u>1,259</u>	<u>2,539</u>
Total other assets	<u>177,646</u>	<u>137,006</u>
Total assets	<u>\$ 3,315,904</u>	<u>\$ 3,944,371</u>
LIABILITIES AND NET ASSETS		
Allocations payable	\$ 410,029	\$ 492,401
Accounts payable and accrued expenses	91,166	184,506
Deferred rent payable	<u>92,247</u>	<u>104,311</u>
Total liabilities	593,442	781,218
Net assets		
Unrestricted		
Unappropriated	1,477,136	1,785,703
Designated by Board of Directors (Note 5)	<u>554,389</u>	<u>543,695</u>
Total unrestricted	2,031,525	2,329,398
Temporarily restricted (Note 6)	600,937	743,755
Permanently restricted (Note 7)	<u>90,000</u>	<u>90,000</u>
Total net assets	<u>2,722,462</u>	<u>3,163,153</u>
Total liabilities and net assets	<u>\$ 3,315,904</u>	<u>\$ 3,944,371</u>

See accompanying notes to financial statements

UNITED WAY OF THE BLUEGRASS, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2017
(2016 Total for Comparison Purposes)

	-----2017-----			<u>Total</u>	2016 <u>Total</u>
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>		
Revenue, gains and other support					
Current year campaign					
Contributions received in current period	\$ 3,520,569	\$ -	\$ -	\$ 3,520,569	\$ 3,668,542
Less amounts designated by contributors	(57,969)	-	-	(57,969)	(210,751)
Less provision for uncollectible pledges	<u>(211,992)</u>	<u>-</u>	<u>-</u>	<u>(211,992)</u>	<u>(221,272)</u>
	3,250,608	-	-	3,250,568	3,236,519
Prior year campaign					
Contributions received in current period	34,740	-	-	34,740	50,922
Future year campaign					
Contributions	<u>7,146</u>	<u>-</u>	<u>-</u>	<u>7,146</u>	<u>5,218</u>
Total campaigns	3,292,494	-	-	3,292,494	3,292,659
Other contributions	21,351	-	-	21,351	53,441
Special events	-	-	-	-	18,831
Grants	-	766,695	-	766,695	1,270,387
In-kind contributions	423,785	-	-	423,785	369,252
Other income	190,869	11,625	-	202,494	208,029
Investment income	26,893	-	-	26,893	32,746
Realized and unrealized (gains) losses on investments, net	173,109	-	-	173,109	(141,679)
Contributions released from restrictions	<u>921,138</u>	<u>(921,138)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue, gains and other support	5,049,639	(142,818)	-	4,906,821	5,103,666
Allocations and other functional expenses					
Program services					
Allocations to agencies	2,180,562	-	-	2,180,562	2,572,641
Less amounts designated by contributors	<u>(57,969)</u>	<u>-</u>	<u>-</u>	<u>(57,969)</u>	<u>(210,751)</u>
Total allocations to agencies	2,122,593	-	-	2,122,593	2,361,890
Community impact	918,201	-	-	918,201	914,309
All other programs	<u>846,274</u>	<u>-</u>	<u>-</u>	<u>846,274</u>	<u>679,734</u>
Total program services	3,887,068	-	-	3,887,068	3,955,933
Support services					
Resource development	1,167,146	-	-	1,167,146	1,229,360
Organizational administration	<u>293,298</u>	<u>-</u>	<u>-</u>	<u>293,298</u>	<u>233,149</u>
Total support services	1,460,444	-	-	1,460,444	1,462,509
Total allocations and other functional expenses	<u>5,347,512</u>	<u>-</u>	<u>-</u>	<u>5,347,512</u>	<u>5,418,442</u>
Change in net assets	(297,873)	(142,818)	-	(440,691)	(314,776)
Net assets, beginning of period	<u>2,329,398</u>	<u>743,755</u>	<u>90,000</u>	<u>3,163,153</u>	<u>3,477,929</u>
Net assets, end of period	<u>\$ 2,031,525</u>	<u>\$ 600,937</u>	<u>\$ 90,000</u>	<u>\$ 2,722,462</u>	<u>\$ 3,163,153</u>

See accompanying notes to financial statements

UNITED WAY OF THE BLUEGRASS, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, gains and other support				
Current year campaign				
Contributions received in current period	\$ 3,668,542	\$ -	\$ -	\$ 3,668,542
Less amounts designated by contributors	(210,751)	-	-	(210,751)
Less provision for uncollectible pledges	<u>(221,272)</u>	<u>-</u>	<u>-</u>	<u>(221,272)</u>
	3,236,519	-	-	3,236,519
Prior year campaign				
Contributions received in current period	50,922	-	-	50,922
Future year campaign				
Contributions	<u>5,218</u>	<u>-</u>	<u>-</u>	<u>5,218</u>
Total campaigns	3,292,659	-	-	3,292,659
Other contributions	53,441	-	-	53,441
Special events	18,831	-	-	18,831
Grants	-	1,270,387	-	1,270,387
In-kind contributions	369,252	-	-	369,252
Other income	191,399	16,630	-	208,029
Investment income	32,746	-	-	32,746
Realized and unrealized (gains) losses on investments, net	(141,679)	-	-	(141,679)
Contributions released from restrictions	<u>799,594</u>	<u>(799,594)</u>	<u>-</u>	<u>-</u>
Total revenue, gains and other support	4,616,243	487,423	-	5,103,666
Allocations and other functional expenses				
Program services				
Allocations to agencies	2,572,641	-	-	2,572,641
Less amounts designated by contributors	<u>(210,751)</u>	<u>-</u>	<u>-</u>	<u>(210,751)</u>
Total allocations to agencies	2,361,890	-	-	2,361,890
Community impact	914,309	-	-	914,309
All other programs	<u>679,734</u>	<u>-</u>	<u>-</u>	<u>679,734</u>
Total program services	3,955,933	-	-	3,955,933
Support services				
Resource development	1,229,360	-	-	1,229,360
Organizational administration	<u>233,149</u>	<u>-</u>	<u>-</u>	<u>233,149</u>
Total support services	<u>1,462,509</u>	<u>-</u>	<u>-</u>	<u>1,462,509</u>
Total allocations and other functional expenses	<u>5,418,442</u>	<u>-</u>	<u>-</u>	<u>5,418,442</u>
Change in net assets	(802,199)	487,423	-	(314,776)
Net assets, beginning of period	<u>3,131,597</u>	<u>256,332</u>	<u>90,000</u>	<u>3,477,929</u>
Net assets, end of period	<u>\$ 2,329,398</u>	<u>\$ 743,755</u>	<u>\$ 90,000</u>	<u>\$ 3,163,153</u>

See accompanying notes to financial statements

UNITED WAY OF THE BLUEGRASS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2017

	Program Services			Support Services			Total
	Allocations and Community Impact	All Other Programs	Total Program Services	Resource Development	Organizational Administration	Total Support Services	
Allocations to agencies	\$ 2,180,562	\$ -	\$ 2,180,562	\$ -	\$ -	\$ -	\$ 2,180,562
Less amounts designated by contributors	(57,969)	-	(57,969)	-	-	-	(57,969)
	<u>2,122,593</u>	<u>-</u>	<u>2,122,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,122,593</u>
Salaries	536,391	457,342	993,733	505,233	99,805	605,038	1,598,771
Employee benefits	93,711	74,237	167,948	91,329	20,738	112,067	280,015
Payroll taxes	45,313	35,309	80,622	45,272	9,842	55,114	135,736
	<u>675,415</u>	<u>566,888</u>	<u>1,242,303</u>	<u>641,834</u>	<u>130,385</u>	<u>772,219</u>	<u>2,014,522</u>
Contract services	89,602	152,172	241,774	46,155	52,363	98,518	340,292
Supplies	5,499	40,882	46,381	6,160	3,859	10,019	56,400
Promotions and publications	2,364	50,823	53,187	42,803	12,334	55,137	108,324
Telephone and networks	5,263	16,746	22,009	8,952	3,346	12,298	34,307
Postage and shipping	1,043	621	1,664	11,373	995	12,368	14,032
Occupancy	58,164	5,420	63,584	38,208	9,275	47,483	111,067
Insurance	5,041	585	5,626	2,741	991	3,732	9,358
Equipment	1,934	-	1,934	2,704	221	2,925	4,859
Travel	6,107	4,691	10,798	11,314	1,096	12,410	23,208
Meeting expense	3,464	4,882	8,346	-	493	493	8,839
Board/staff development	3,633	1,958	5,591	-	-	-	5,591
Dues and subscriptions	38,253	550	38,803	20,579	8,049	28,628	67,431
Miscellaneous	1,357	56	1,413	-	211	211	1,624
Depreciation expense	525	-	525	563	191	754	1,279
In-kind contributions	20,537	-	20,537	333,760	69,489	403,249	423,786
	<u>242,786</u>	<u>279,386</u>	<u>522,172</u>	<u>525,312</u>	<u>162,913</u>	<u>688,225</u>	<u>1,210,397</u>
Total functional expenses	<u>\$ 3,040,794</u>	<u>\$ 846,274</u>	<u>\$ 3,887,068</u>	<u>\$ 1,167,146</u>	<u>\$ 293,298</u>	<u>\$ 1,460,444</u>	<u>\$ 5,347,512</u>

See accompanying notes to financial statements

UNITED WAY OF THE BLUEGRASS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2016

	Program Services			Support Services			Total
	Allocations and Community Impact	All Other Programs	Total Program Services	Resource Development	Organizational Administration	Total Support Services	
Allocations to agencies	\$ 2,572,641	\$ -	\$ 2,572,641	\$ -	\$ -	\$ -	\$ 2,572,641
Less amounts designated by contributors	<u>(210,751)</u>	<u>-</u>	<u>(210,751)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(210,751)</u>
	2,361,890	-	2,361,890	-	-	-	2,361,890
Salaries	577,409	343,846	921,255	512,962	95,089	608,051	1,529,306
Employee benefits	92,933	52,506	145,439	83,876	18,993	102,869	248,308
Payroll taxes	<u>47,060</u>	<u>27,423</u>	<u>74,483</u>	<u>44,055</u>	<u>8,987</u>	<u>53,042</u>	<u>127,525</u>
	717,402	423,775	1,141,177	640,893	123,069	763,962	1,905,139
Contract services	68,930	60,346	129,276	47,812	47,862	95,674	224,950
Supplies	9,613	79,122	88,735	6,235	5,804	12,039	100,774
Printing and copying	-	3,928	3,928	-	350	350	4,278
Promotions and publications	4,197	80,007	84,204	90,730	2,543	93,273	177,477
Telephone and networks	11,355	7,133	18,488	8,030	3,115	11,145	29,633
Postage and shipping	430	1,290	1,720	14,832	609	15,441	17,161
Occupancy	54,459	3,398	57,857	36,327	9,722	46,049	103,906
Insurance	2,225	4,334	6,559	3,196	1,135	4,331	10,890
Equipment	4,083	-	4,083	5,745	1,018	6,763	10,846
Travel	2,744	9,305	12,049	13,901	1,535	15,436	27,485
Meeting expense	6,823	3,366	10,189	5,738	2,110	7,848	18,037
Board/staff development	-	3,180	3,180	1,716	890	2,606	5,786
Dues and subscriptions	18,559	550	19,109	17,075	19,755	36,830	55,939
Miscellaneous	1,996	-	1,996	82	90	172	2,168
Depreciation expense	934	-	934	1,003	342	1,345	2,279
In-kind contributions	<u>10,559</u>	<u>-</u>	<u>10,559</u>	<u>336,045</u>	<u>13,200</u>	<u>349,245</u>	<u>359,804</u>
	<u>196,907</u>	<u>255,959</u>	<u>452,866</u>	<u>588,467</u>	<u>110,080</u>	<u>698,547</u>	<u>1,151,413</u>
Total functional expenses	<u>\$ 3,276,199</u>	<u>\$ 679,734</u>	<u>\$ 3,955,933</u>	<u>\$ 1,229,360</u>	<u>\$ 233,149</u>	<u>\$ 1,462,509</u>	<u>\$ 5,418,442</u>

See accompanying notes to financial statements

UNITED WAY OF THE BLUEGRASS, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ (440,691)	\$ (314,776)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,279	2,279
Realized and unrealized gains (losses) on investments, net	(173,109)	141,679
Contributions of stock	(12,034)	(11,869)
Changes in		
Pledges receivable	38,153	66,810
Prepaid expenses and other assets	801	(3,425)
Miscellaneous receivables	(41,920)	(100,366)
Accounts payable and accrued expenses	(93,340)	29,936
Allocations payable	(82,372)	183,161
Deferred rent payable	(12,064)	15,961
Net cash from operating activities	<u>(815,297)</u>	<u>9,390</u>
Cash flows from investing activities		
Proceeds from sale of investments	790,677	2,014,446
Purchases of investments	<u>(639,021)</u>	<u>(1,735,560)</u>
Net cash from investing activities	<u>151,656</u>	<u>278,886</u>
Net change in cash and cash equivalents	(663,641)	288,276
Cash and cash equivalents, beginning of period	<u>797,576</u>	<u>509,300</u>
Cash and cash equivalents, end of period	<u>\$ 133,935</u>	<u>\$ 797,576</u>
Supplemental disclosures of cash flow information		
Stock contributions	\$ 12,034	\$ 11,869
In-kind contributions	423,785	369,252

See accompanying notes to financial statements

NOTE 1 – NATURE OF ACTIVITIES

Nature of Activities: United Way of the Bluegrass, Inc. ("UWBG") is a non-profit organization governed by a volunteer Board of Directors and serving nine counties throughout Central Kentucky. UWBG was founded in August 1955 and incorporated in July 1959, originally under the name United Community Services of Lexington and Fayette County, Kentucky until October 1973, when the name was changed to United Way of the Bluegrass, Inc.

United Way isn't about short-term charity, it's about lasting, systemic change. UWBG looks at the big picture - what resources are lacking, down to food, shelter and health needs, and how can UWBG address these issues to ensure that poverty is never a reason that a child doesn't succeed inside or outside of the classroom. Kids can't learn when they are hungry, when they are sick, or when they have to move from school to school. Kids who start to fall behind find it harder to catch up each year and get increasingly frustrated. That's why simple solutions, like volunteer mentors and tutors at the elementary level, have proven to be so successful in increasing graduation rates later on. In Central Kentucky, UWBG is transforming the quality of life: 769 kids were mentored last year, 3,786 families had their taxes prepared and filed for free so they could maximize their return, and more than 200 people were helped financially to assist with going back to school or buying their first home. UWBG is working together to improve Central Kentucky.

United Way of the Bluegrass is a leader and motivator of change for long-term solutions. We are constantly evaluating the greatest needs and opportunities of our communities in order to make lasting change and uphold the highest level of efficiency and impact. Recent feedback from focus groups and surveys among our donors and supporters, show that our community believes that United Way must focus efforts on serving and addressing the basic needs of our community in order to remove barriers that often stand in the way of community success. Recent census data shows that nearly 55,000 families in the Bluegrass are living at or near poverty. The issues surrounding these working families are affecting the entire community. That's why in September of 2014 we launched a Big Bold Goal for the Central Kentucky community that 10,000 more Bluegrass families will be self-sufficient by 2020.

United Way is working to convene the private, business, faith and non-profit communities to help meet this Big Bold Goal, because we know that together, we can accomplish more. When more of our families succeed and thrive, we all win. When more students are ready for kindergarten on the first day of school or graduate prepared for college or career, we are ensuring that our communities will be stronger, safer and more viable for future generations. United Way has committed to four key drivers for community and economic success as we work to help more families become self-sufficient: Basic Needs, School Readiness, Student Success and Financial Stability. We believe that poverty should never be a reason that a child doesn't succeed in school or that a family cannot meet their basic needs or achieve the dream of financial stability. Our Mission is simple, but powerful. United Way of the Bluegrass wants everyone in Central Kentucky to have the opportunity to live their best lives and that's what the Big Bold Goal is all about.

UWBG is supported by a year-round fundraising campaign to solicit donations for community-wide initiatives and programs. Its mission is to improve lives by mobilizing the caring power of communities.

NOTE 1 – NATURE OF ACTIVITIES (Continued)

Program services provided by UWBG include:

Supporting Community Programs: UWBG is a leader and motivator of change for long-term solutions for Central Kentucky communities. They have a Big Bold Goal that 10,000 more families in the Bluegrass will be self-sufficient by 2020. This is a community goal, and one that they can accomplish together. UWBG has committed to four key drivers for community and economic success: Basic Needs, School Readiness, Student Success and Financial Stability. UWBG has developed systems to evaluate the quality and success of the programs and partners that their investors help fund, to ensure that donor dollars yield maximum impact on the communities that they serve. UWBG operates by a comprehensive plan of partnership, collaboration, and investment to create positive impact on the community along these three areas. Regional community volunteers, with input from field experts, determine program allocations on a three-year funding cycle. UWBG is addressing the underlying cause of community issues through investments and oversight of community programs. Results are thoroughly examined every six months in partnership with the University of Kentucky to ensure programs are on track to reach intended results.

United Way-AIRS 211: United Way 211 connects people who need human services with those who provide them. Last year, United Way 211 connected more than 26,000 people with the help they needed, from food to shelter to dependence assistance.

Back On Track (Assets for Independence): Back On Track is designed to help hardworking individuals succeed by matching their savings through Individual Development Accounts (IDAs). As someone saves, UWBG works with them to build assets through free tax preparation and filing, financial literacy classes, access to financial assistance programs, and more. Back on Track provides for people to have their savings matched to build for their future. Savings and matched dollars are used to further education, buy a first home or start a small business. Those who qualify attend multiple trainings and programs, such as financial literacy courses, in order to receive the match dollars. UWBG was one of 33 nonprofits nationwide to receive an Assets for Independence (AFI) grant from the Office of Community Service at the U.S. Department of Health and Human Services.

Trailblazers (Retired and Senior Volunteer Program): In Anderson, Clark, Scott and Woodford counties, adults aged 55+ are making an impact in education through academic and youth development programs with United Way's Trailblazers program. Trailblazers act as readers, tutors and mentors to increase the success of kids in the Bluegrass. Sometimes kids just need someone who believes in them. Volunteers give the extra individual attention kids sometimes need. We all win when a child succeeds in school and grows up to be a productive adult who gives back to the community. Last year, 81 Trailblazers worked with youth in Central Kentucky to make a difference that will last a lifetime. Trailblazers operates through a federal grant from the Corporation for National & Community Service through their Retired and Senior Volunteer Program to implement the Trailblazers program in Anderson, Clark, Scott, and Woodford counties.

The Volunteer Center at United Way: UWBG helps refer and match volunteer interests to appropriate volunteer opportunities. The Volunteer Center promotes volunteerism in Central Kentucky. UWBG has a specific effort underway to recruit and place volunteers in under-performing and low-income schools in Lexington and surrounding counties. This effort involves community collaborations and working with partners and programs already in place to serve our most vulnerable student populations.

(Continued)

NOTE 1 – NATURE OF ACTIVITIES (Continued)

Central Kentucky Economic Empowerment Program (CKEEP): The Central Kentucky Economic Empowerment Program (CKEEP) is a coalition, led by United Way of the Bluegrass, that partners with the IRS to provide free tax preparation to low-income families, raise awareness about the Earned Income Tax Credit (EITC) and help families build assets. Thanks to the work of hundreds of volunteer tax preparers, families are able to save their much needed money while strengthening our overall economy. Each year, millions of dollars are lost by hard-working families in the Bluegrass who do not file for their Earned Income Tax Credit (EITC) during tax time. That money is lost to them and the local economy. The IRS estimates that approximately 20 to 25 percent of those eligible for the credit do not claim it because they don't know they are eligible for it, they don't know how to claim it, or they don't know where to go for assistance. CKEEP's goal is to make eligible households aware of the credit and help them claim it without having to pay for tax preparation and filing services.

The free tax preparation provided by CKEEP and its volunteer tax preparers offers immediate savings to Central Kentuckians. This past tax season, CKEEP saved its clients at least \$775,000 in tax preparation fees.

Support services include:

Resource Development: Resource Development staff plan, direct, and raise financial resources for UWBG through a variety of sources, including the annual fundraising campaign, planned and deferred giving, supplemental fundraising and grant acquisition. In addition, marketing staff oversee year-round communications with donors and the general public as well as event management and public relations activities.

Organizational Administration: Organizational Administration directs the internal operation of UWBG, coordinates and manages programs designed to meet goals and objectives at the direction of the Board of Directors, and directs and controls financial systems and assets of UWBG.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America. UWBG reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of UWBG and/or passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that assets be maintained permanently by UWBG. Generally, the donors of these assets permit UWBG to use all or part of the income earned on any related investments for general or specific purposes.

Estimates in the Financial Statements: 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to \$250,000 per financial institution. Additionally, for purposes of the statement of cash flows, the United Way considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At various times throughout the year, United Way had cash deposited at a financial institution in excess of federally insured limits of \$250,000.

(Continued)

UNITED WAY OF THE BLUEGRASS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: Investments are recorded at fair value based on available market values as of June 30, 2017 and 2016. Unrealized and realized gains and losses are recorded in the statement of activities.

Pledges Receivable: Pledges, less an allowance for uncollectible amounts, are recorded as receivables in the period made. The allowance for uncollectible pledges is based upon United Way's past experience, a review of current outstanding pledges and current economic conditions. Pledges are written off when collection efforts will produce no additional collections.

UWBG receives pledges from corporations and individuals primarily located in Fayette, Anderson, Bourbon, Clark, Jessamine, Madison, Montgomery, Scott and Woodford counties. Although UWBG has many diverse pledges from donors, a substantial portion of its donors' ability to give is somewhat dependent on the economic conditions of the counties in which it operates.

Property and Equipment: Assets acquired are stated at cost, or in the case of donated assets, at fair value on the date of donation. UWBG capitalizes items with a cost or fair value at acquisition of \$1,000 or greater. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets or for leasehold improvements, the lease term if shorter.

Allocations Payable: Agency allocations are expensed and recorded as allocations payable when approved by UWBG's Board of Directors each year. Allocations are generally paid to agencies from July through June, and the unpaid amounts as of June 30 are recorded as allocations payable. Donor designated amounts that have not been paid to agencies as of June 30 are also recorded as part of allocations payable.

Contributions: Contributions received and unconditional promises to give are recorded as unrestricted, temporarily restricted, or permanently restricted revenue depending on the existence of donor restrictions and the nature of such restrictions, if they exist.

UWBG operates its fundraising campaign practices and solicitation efforts such that the focus is on both current period and future allocations. Accordingly, all pledges received are classified as unrestricted, unless a donor has restricted the funds for a particular purpose or time period. When a donor 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.

Contributions received which have been designated by the donor and over which UWBG does not have variance power, are presented as a reduction of contributions and a reduction in allocations to agencies in the statement of activities. These contributions pass through UWBG as agency transactions to the designated recipient.

Functional Expenses: Expenses have been classified as program services, organizational administration and resource development, based on actual direct expenditures and cost allocations based upon actual time and effort.

Impairment of Long-Lived Assets: On an ongoing basis, UWBG reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. UWBG recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the discounted cash flows.

Income Taxes: UWBG is exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, UWBG has been determined not to be a private foundation under Section 509(a) of the Internal Revenue Code.

(Continued)

UNITED WAY OF THE BLUEGRASS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions: Various volunteers have donated substantial amounts of time toward the annual campaign and the various community activities; however, no amounts of donated volunteer services have been included in the financial statements as there is no reliable basis upon which to measure the value of these services. Donated property is recorded in the financial statements at its fair value when received. During the years ended June 30, 2017 and 2016, donated goods of \$423,785 and \$369,252, respectively, were recognized as revenues and recorded as program and support services expenses.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2017, to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended June 30, 2017. Management performed their analysis through December 1, 2017, the date the financial statements were available to be issued.

Effective July 1, 2017, UWBG's Board approved agency allocations totaling approximately \$1,463,000, which will be paid between July 1, 2017 and June 30, 2018.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 3 – INVESTMENTS

At June 30, 2017 and 2016, the fair value of investments consisted of the following:

	<u>2017</u>	<u>2016</u>
Common stock		
Materials	\$ 9,973	\$ 5,976
Industrials	31,409	33,241
Consumer discretionary	35,102	64,115
Consumer staples	26,905	46,648
Energy	17,591	32,675
Health care	43,638	67,044
Financials	33,425	58,280
Telecommunication services	6,336	12,919
Information technology	59,501	73,927
Utilities	9,009	15,628
Equity funds- ETFs	484,880	219,323
Mutual funds		
Developed international	272,723	270,535
Emerging markets	89,168	89,713
Real estate	136,711	180,961
Fixed income equities	342,324	354,507
Alternative strategies	<u>89,741</u>	<u>129,456</u>
Total	<u>\$ 1,688,436</u>	<u>\$ 1,654,948</u>

(Continued)

UNITED WAY OF THE BLUEGRASS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 3 – INVESTMENTS (Continued)

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in UWBG's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. The fair values of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

UWBG's investments, which include equities and mutual funds, totaled \$1,688,436 and \$1,654,948 at June 30, 2017 and 2016, respectively, and are classified as Level 1. The fair values of these investments are based upon quoted prices for identical assets in active markets that the entity has the ability to access as of the measurement date.

NOTE 4 –PROPERTY AND EQUIPMENT

UWBG's property and equipment and related accumulated depreciation at June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Furniture, fixtures and equipment	\$ 95,937	\$ 112,144
Less accumulated depreciation	<u>(94,678)</u>	<u>(109,605)</u>
Net property and equipment	<u>\$ 1,259</u>	<u>\$ 2,539</u>

Depreciation expense for the year ended June 30, 2017 and 2016 was \$1,279 and \$2,279, respectively.

NOTE 5 – UNRESTRICTED NET ASSETS DESIGNATED BY THE BOARD OF DIRECTORS

Unrestricted net assets of \$554,389 and \$543,695 have been designated by the UWBG Board of Directors at June 30, 2017 and 2016, respectively. Of these balances, \$488,233 and \$487,620 have been designated to the endowment by the UWBG Board of Directors at June 30, 2017 and 2016, respectively.

(Continued)

UNITED WAY OF THE BLUEGRASS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5 – UNRESTRICTED NET ASSETS DESIGNATED BY THE BOARD OF DIRECTORS (Continued)

The designation of unrestricted net assets for future agency allocations varies from year to year due to the timing of allocation approvals by UWBG's Board of Directors.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTION

Temporarily restricted net assets of \$600,937 and \$743,755 at June 30, 2017 and 2016, respectively, are related to various purpose-restricted grants.

Net assets of \$921,138 and \$799,594 for the years ended June 30, 2017 and 2016, respectively, have been released from temporarily restricted net assets due to the satisfaction of grantor and donor imposed purpose restrictions.

NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets of \$90,000 at June 30, 2017 and 2016, represent a permanently restricted operating endowment.

NOTE 8 – PENSION PLANS

UWBG has a 401(k) profit-sharing plan for all full-time employees that are 21 years of age or older and have at least one year of service. Each participant can contribute at least 1% but no more than 12% of his or her annual salary. UWBG will make a matching contribution of up to 3% of the employee's annual contribution. UWBG also contributes 5% of each eligible employee's monthly compensation, whether or not the employee has elected to participate in the Plan. The employee is always 100% vested in the employee account, and is 100% vested in the employer account after four years of service. UWBG contributed \$94,478 and \$75,444 for the years ended June 30, 2017 and 2016, respectively.

NOTE 9 – OPERATING LEASE

On February 1, 2014, UWBG entered into a lease agreement for office space which expires on January 30, 2024. The following is a schedule by year of the future minimum rental payments required under this lease:

Fiscal year ending June 30	
2018	\$ 112,677
2019	109,994
2020	112,736
2021	115,550
2022	118,436
Thereafter	<u>193,240</u>
	<u>\$ 762,633</u>

Rent expense recognized was \$101,831 for both of the years ended June 30, 2017 and 2016.

(Continued)

UNITED WAY OF THE BLUEGRASS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 10 – ENDOWMENT COMPOSITION

UWBG's endowment includes both donor-restricted endowment funds and funds designed by the Board of Directors to function as endowments. As required by applicable standards, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. UWBG's endowment policy allows investment earnings allocated for use during the same year they are earned to be classified as unrestricted.

Endowment net asset composition by type of fund is as follows at June 30, 2017 and 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2017</u>				
Donor restricted endowment funds	\$ -	\$ -	\$ 90,000	\$ 90,000
Board-designated funds	<u>488,233</u>	<u>-</u>	<u>-</u>	<u>488,233</u>
	<u>\$ 488,233</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 578,233</u>
 <u>2016</u>				
Donor restricted endowment funds	\$ -	\$ -	\$ 90,000	\$ 90,000
Board-designated funds	<u>487,620</u>	<u>-</u>	<u>-</u>	<u>487,620</u>
	<u>\$ 487,620</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 577,620</u>

Changes in endowment net assets for the fiscal year ended June 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of period	\$ 487,620	\$ -	\$ 90,000	\$ 577,620
Investment return:				
Realized and unrealized loss	58,465	-	-	58,465
Interest and dividends	<u>12,148</u>	<u>-</u>	<u>-</u>	<u>12,148</u>
Total investment return	70,613	-	-	70,613
Appropriation of endowment assets for expenditures	<u>(70,000)</u>	<u>-</u>	<u>-</u>	<u>(70,000)</u>
Net assets, end of period	<u>\$ 488,233</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 578,233</u>

(Continued)

UNITED WAY OF THE BLUEGRASS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 10 – ENDOWMENT COMPOSITION (Continued)

Changes in endowment net assets for the fiscal year ended June 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of period	\$ 555,572	\$ -	\$ 90,000	\$ 645,572
Investment return:				
Realized and unrealized loss	(43,359)	-	-	(43,359)
Interest and dividends	<u>13,407</u>	<u>-</u>	<u>-</u>	<u>13,407</u>
Total investment return	(29,952)	-	-	(29,952)
Appropriation of endowment assets for expenditures	<u>(38,000)</u>	<u>-</u>	<u>-</u>	<u>(38,000)</u>
Net assets, end of period	<u>\$ 487,620</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 577,620</u>

Interpretation of UPMIFA: The Board of Directors of UWBG has interpreted the Kentucky enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, UWBG classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Return Objectives and Risk Parameters: UWBG has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that UWBG must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives: The purpose of the endowment is to facilitate donors' desires to make substantial long-term gifts to the community and to develop a new and significant source of revenue for UWBG. In doing so, the endowment will provide a secure, long-term source of funds to: (i) stabilize agency funding during periods of below normal annual campaigns; (ii) fund special grants; (iii) ensure long-term growth; (iv) enhance UWBG's ability to meet changing community needs in both the short and long-term; and, (v) support the administrative expenses of UWBG as deemed appropriate.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The spending policy determined each year by the Board of Directors will be based on the total return of the assets invested in the endowment (income plus capital appreciation) and will be determined as a percentage of the total market value of the endowment based on a three year rolling average of total endowment fund market value. The market value will be based on the June 30 balance each year. The percentage determined each year will range between 0% and 5% of that three year rolling average. The funds will be available to spend as soon as practically possible after July 1st. The funds will be used to supplement on-going budgetary needs as determined by the Board of Directors. In addition, the Board may approve additional endowment spending beyond the stated policy as they deem appropriate and prudent.

(Continued)

NOTE 10 – ENDOWMENT COMPOSITION (Continued)

The Board of Directors always has the authority to revert the designation of unrestricted net assets and to use them for other purposes in connection with the charter of UWBG and governing laws, regulations and Board policies.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires UWBG to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. There were no such amounts as of June 30, 2017 or 2016.

NOTE 11 - GOVERNMENT GRANT ACTIVITIES

During fiscal year 2016, UWBG received \$400,000 of federal grant funds from the Office of Community Service at the U.S. Department of Health and Human Services, which has been recorded as grant revenue on the statement of activities. UWBG uses this federal grant funding to service eligible individuals. If the individuals served are subsequently determined to not meet certain eligibility or other criteria, a portion of these funds may be required to be returned to the grantor. As of June 30, 2017, management believes there is a possibility that some funds will need to be returned but is unable to estimate the potential amount at this time.

SUPPLEMENTAL SCHEDULE

UNITED WAY OF THE BLUEGRASS, INC.
 SUPPLEMENTAL SCHEDULE OF ALLOCATIONS TO AGENCIES
 Year ended June 30, 2017

<u>Agency</u>	<u>Total Allocations</u>
2-1-1 Kenan Foundation Grant	\$ 12,343
4Kids, a Faith Cmty Prtnrshp	10,500
AccuTran Industries	14,923
AIDS Volunteers, Inc.	29,356
American Red Cross, Bluegrass Chapter	42,652
American Red Cross, Daniel Boone Chapter	6,263
Anderson County Adult Education and Literacy Council	5,000
AppalReD Legal Aid	8,300
Apprisen	14,100
Assets for Independence	230,618
Big Brothers/Big Sisters of the Bluegrass	30,074
Bluegrass Boy Scout Council	3,000
Bluegrass Community Action Agency	96,028
Bluegrass Council of the Blind	7,349
Bluegrass Domestic Violence Program	69,155
Bluegrass Technology Center	3,296
Bluegrass.org	5,000
Bourbon County 4-H Council	417
CASA of Madison County	2,787
CASA of the Bluegrass	11,000
Catholic Social Service Bureau	24,290
Center for Women, Children & Families	68,846
Child Advocacy Center	9,703
Child Care Council	67,795
Children Development Centers of the Bluegrass, Inc.	49,993
Children's Law Center	2,500
Chrysalis House, Inc.	18,243
Clark Co Homeless Coalition	21,800
Clark County Association For Handicapped Citizens	20
Clark County Children's Council	12,117
Clark County Community Services, Inc.	17,697
Clark County RX Assistance	4,000
Community Action Council	70,672
Community Service Center of Wilmore-High Bridge	36
Domestic Violence Prevention Board, Inc.	966
DuBois Community Center	2,250
Employment Solutions, Inc.	12,768
Faith Feeds of Kentucky, Inc.	17,500
Financial Stability- Sponsored Initiative	5,000
Foothills Community Action Partnership	23,855
Foster Care Council of LexKY	8,200
Gateway Juvenile Diversion Project, Inc.	12,506
Girl Scouts – Wilderness Road Council	43,438
Growing Together Preschool, Inc.	71,703
GSC Immigrant Initiative	5,057
Harvest Christian Minstr Inc.	5,000
HOPE Center	44,130
Hope Ministries Food Pantry	14,193
Human Needs Fund	791
Jessamine County Board of Education	5,000
Jubilee Jobs	17,191
KDVA Grant	20,802
Kenan Education Capacity Grant	25,000

(Continued)

UNITED WAY OF THE BLUEGRASS, INC.
SUPPLEMENTAL SCHEDULE OF ALLOCATIONS TO AGENCIES
Year ended June 30, 2017

<u>Agency</u>	<u>Total Allocations</u>
Kentucky Equal Justice Center	\$ 16,200
Kidney Health Alliance of Kentucky, Inc.	9,295
Legal Aid of the Bluegrass	16,261
Lex Wmn Club Clth Ctr	5,000
LexGives Panhandling Project	500
Lexington Hearing & Speech Center	39,063
M & M Pantry	3,500
Mentors & Meals	32,500
Metro Group Homes, Inc.	35,458
Mont Cty Schl Edu Fdtn	2,250
Montgomery County 4-H Council	3,500
Nursing Home Ombudsman Agency of the Bluegrass, Inc.	52,553
One Parent Family Facility Corp.	14,671
Operation Happiness	3,500
Paris-Bourbon County YMCA	18,826
Partners in Education	6,800
Pathways, Inc.	591
Project Read, Madison County Literacy Council	2,200
Reading Camp of the Episcopal	26,800
Repairers Lexington	14,444
Scott Co Hospitality House	5,000
Scott United Ministries – A.M.E.N. House	6,833
Shepherd's House, Inc.	14,652
Surgery on Sunday	10,116
Telford YMCA	322
The Bluegrass Rape Crisis Center	12,250
The Cleveland Home dba Life Adventure Center of the Bluegrass	3,519
The Color of Education	3,500
The Post Clinic	9,600
The Salvation Army, Bluegrass Area Chapter	209,422
Toyota/BG Born Learning	21,000
Tweens Nutrition & Fitness	21,600
United Promise	28,686
Urban League of Lexington-Fayette County	132,345
Visually Impaired Preschool Services, Inc.	26,929
White House	464
Winburn/FCPS Athletic Grant	1,128
Women's Club Coats & Shoes Program	5,000
Woodford County 4-H Council	3,000
Woodford County Theatrical Arts	16,827
Y.M.C.A. of Central Kentucky	111,036
Out of Area	<u>45,881</u>
	2,298,245
 Funds returned from agencies	 <u>(117,683)</u>
	 <u>\$ 2,180,562</u>