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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
United Way of Knox County  
110 East High Street  
Mount Vernon, Ohio 43050-3402

We have audited the accompanying statement of financial position of United Way of Knox County (Not-for-Profit Organization) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of United Way of Knox County Not-for-Profit Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The financial statements of United Way of Knox County as of December 31, 2009 were audited by another auditor. The predecessor's audit report was dated July 22, 2010 and the auditor's report that was issued was unqualified.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the financial position of United Way of Knox County (Not-for-Profit Organization) as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Mansfield, Ohio  
June 14, 2011

UNITED WAY OF KNOX COUNTY, INC.

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u> (Summary)
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 239,707	
Accounts Receivable-Net	441,464	
Prepaid Expenses	792	
Beneficial Interest in Assets Held by Foundation	192,939	
Equipment-net	6,813	
Deposits	32	
	-----	
<b>TOTAL ASSETS</b>	<b>\$ 881,747</b>	<b>\$ 819,249</b>
	=====	=====
<b>LIABILITIES:</b>		
Accounts Payable	\$ 371	
Accrued Expenses	1,015	
Allocations Payable	369,932	
Donor Designations Payable- United Way Agencies	36,677	
Donor Designations Payable- Other Area United Ways	40,340	
	-----	
<b>TOTAL LIABILITIES</b>	<b>448,336</b>	<b>424,097</b>
<b>NET ASSETS:</b>		
Unrestricted	\$ 432,531	
Accounting Adjustment for Prior Periods	(10,897)	
	-----	
Temporarily Restricted	421,634	
Permanently Restricted	11,777	
	0	
	-----	
<b>TOTAL NET ASSETS</b>	<b>433,411</b>	<b>395,151</b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 881,747</b>	<b>\$ 819,249</b>
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THE NOTES TO THE FINANCIAL STATEMENT  
ARE AN INTEGRAL PART OF THIS STATEMENT

(2)

UNITED WAY OF KNOX COUNTY, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009

	<u>2010</u>	<u>2009</u> (Summary)
<u>UNRESTRICTED NET ASSETS:</u>		
<u>PUBLIC SUPPORT AND REVENUE:</u>		
<u>Public Support:</u>		
Annual Campaign Results:		
Campaign Results	\$ 635,203	
Less Donor Designations	(71,088)	
Less Allowance for Uncollectible Pledges	(17,893)	
	-----	
Net Campaign Revenues	546,222	
Additional Prior Year Campaign Revenues	90,695	
Contributions	19,524	
	-----	
Total Public Support	656,441	795,706
<u>Revenue:</u>		
Investment Income	15,302	
	-----	
Total Revenue	15,302	5,695
	-----	-----
Total Public Support and Revenue	671,743	801,401
Net Assets Released from Restrictions	34,484	
	-----	
	706,226	
<u>EXPENSES:</u>		
<u>Program Services:</u>		
Allocations	603,499	
<u>Supporting Services:</u>		
Fund Raising	42,084	
Management and General	23,263	
	-----	
	65,347	
	-----	
Total Expenses	668,847	731,886
	-----	-----
Increase in Unrestricted Net Assets	37,380	69,515
<u>TEMPORARILY RESTRICTED NET ASSETS:</u>		
Sponsorship	46,261	
Restrictions Satisfied by Payments	(34,484)	
	-----	
Increase in Temporarily Restricted Net Assets	11,777	
	-----	
Increase in Net Assets Before Accounting Adjustment for Prior Periods	49,157	
Less Accounting Adjustment for Prior Periods	(10,897)	
	-----	
Increase in Net Assets	38,260	
Net Assets at Beginning of Year	395,151	325,636
	-----	-----
Net Assets at End of Year	\$ 433,411	\$ 395,151
	=====	=====

THE NOTES TO THE FINANCIAL STATEMENT  
ARE AN INTEGRAL PART OF THIS STATEMENT

(3)

UNITED WAY OF KNOX COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009

	Program Services	Supporting Services			Total Expenses 2010	Summary Expenses 2009
		Agency Programs	Fund Raising	Management and General		
Salary and Wages	\$ 43,250	\$ 21,625	\$ 7,208	\$ 28,833	\$ 72,083	\$ 75,080
Payroll Taxes	3,428	1,714	571	2,285	5,713	6,058
Total Salaries and Related Expenses	46,677	23,339	7,780	31,118	77,796	81,138
Professional Fees	0	0	6,169	6,169	6,169	
Rent and Utilities	671	671	149	821	1,492	
Repairs and Maintenance	1,913	1,391	174	1,565	3,478	
Insurance	89	89	1,608	1,697	1,786	
Publicity	6,311	1,791	1,426	2,217	8,528	
Postage	897	718	179	897	1,795	
Telephone	1,612	1,450	161	1,612	3,223	
Office Supplies	892	803	89	892	1,785	
Dues and Subscriptions	200	180	20	200	400	
Bank Charges	0	0	538	538	538	
Payroll Processing Fees	0	0	1,200	1,200	1,200	
Printing Expense	2,234	634	151	1,785	3,018	
Payments to Affiliated Organizations	4,856	0	3,035	3,035	7,891	
Conferences and Meetings	523	139	35	174	697	
Travel	834	93	0	93	927	
Campaign Expense	4,402	8,777	0	8,777	13,179	
Investment Fees	0	0	43	43	43	
Grants	10,560	0	0	0	10,560	
Agency Training	2,432	0	0	0	2,432	
Agency Programs	28,921	0	0	0	28,921	
Allocations Expense	487,969	0	0	0	487,969	
Programs and Services	36,677	0	0	0	36,677	
Less Allocations Funded Through Designations	(36,677)	0	0	0	(36,677)	
Total Expenses Before Depreciation	601,993	40,076	21,757	61,833	663,826	227,512
Depreciation Expense	1,506	2,008	1,506	3,515	5,021	6,262
Total Expenses	\$ 603,499	\$ 42,084	\$ 23,263	\$ 65,347	\$ 668,847	\$ 233,774

THE NOTES TO THE FINANCIAL STATEMENT  
ARE AN INTEGRAL PART OF THIS STATEMENT  
(4)

UNITED WAY OF KNOX COUNTY, INC.

STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED  
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u> (Summary)
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Increase (Decrease) in Net Assets	\$ 38,260	\$ 69,515
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	5,021	
(Increase) Decrease in Assets:		
Accounts Receivable	(145,158)	
Prepaid Expenses	164	
Beneficial Interest in Assets Held by Foundation	(14,991)	
Increase (Decrease) in Liabilities:		
Accounts Payable	(305)	
Accrued Expenses	(472)	
Allocations Payable	(325)	
Donor Designations Payable	25,341	
	-----	
Net Cash Provided (Used) by Operating Activities	(92,466)	
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of Equipment	(1,343)	
	-----	
Net Cash Used by Investing Activities	(1,343)	
	-----	
Net Increase (Decrease) in Cash and Cash Equivalents	(93,809)	40,755
Cash and Cash Equivalents at Beginning of Year	333,515	292,760
	-----	-----
Cash and Cash Equivalents at End of Year	\$ 239,707	\$ 333,515
	=====	=====

THE NOTES TO THE FINANCIAL STATEMENT  
ARE AN INTEGRAL PART OF THIS STATEMENT  
(5)

UNITED WAY OF KNOX COUNTY, INC.

NOTES TO FINANCIAL STATEMENT  
December 31, 2010 and 2009

1. Summary of Significant Accounting Policies:

a. Basis of Accounting:

The financial statements are prepared on the accrual basis of accounting in accordance with the recommendations of the American Institute of Certified Public Accountants and its Industry Guide, Audits of Not-for-Profit Organizations. The significant accounting policies followed are described below.

b. Nature of Activities:

United Way of Knox County, Inc. is organized to:

- i. Improve the quality of peoples' lives throughout Knox County by efficiently raising and responsibly distributing funds to a collaborative agency network;
- ii. Serve as the steward of donor contributions, investing in programs that measurably impact community needs in all parts of Knox County.

The majority of United Way of Knox County, Inc.'s funding to carry out the above purposes is received in the annual campaign drive of the organization. Approximately 88% and 86% came from its campaigns during 2010 and 2009, respectively.

c. Recognition of Donor Restrictions:

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Pledges received by the organization, which the donor has

UNITED WAY OF KNOX COUNTY, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 2010 and 2009

1. Summary of Significant Accounting Policies, continued:

c. Recognition of Donor Restrictions, continued:

designated to a specific third party agency, are considered to be agent transactions. The assets received from such transactions are not considered as revenue to the organization and are shown as a reduction in total campaign revenues in the statement of activities.

d. Allocated Expenses:

Expenses by function have been allocated among program and supporting services classifications on the basis of actual expenses incurred by the program or supporting service, time records, and estimates made by the organization's management.

e. Cash and Cash Equivalents:

For purposes of the statement of cash flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. During 2008, the Organization entered into an agreement with First-Knox National Bank in which First-Knox has the right to sweep in and out funds from the primary checking account into a cash management sweep account. The sweep account is included in cash and cash equivalents in the accompanying statement of financial position.

The cash management account funds are collateralized by various Federal Home Loan Mortgage Corporation (FHLMC) 15 year bonds. The bonds have a maturity date of February 15, 2020 and have a coupon rate of 4.5%. At December 31, 2010 and 2009, the balance of the cash management account was \$186,493 and \$271,601, respectively.

f. Use of Estimates:

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

UNITED WAY OF KNOX COUNTY, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 2010 and 2009

1. Summary of Significant Accounting Policies, continued:

g. Pledges Receivable:

All contributions are considered available for unrestricted use, unless specifically restricted by the donor. Pledges are recorded in the statement of financial position when the organization is notified of the pledge, and allowances are provided for amounts estimated as uncollectible. All pledges receivable are due within one year.

h. Equipment:

Purchased equipment and leasehold improvements are capitalized at cost. Depreciation is computed on the straight-line basis over the estimated useful life of the asset, which varies from 3 to 10 years. Maintenance and repairs are charged to expense in the year incurred. Cost and related accumulated depreciation of the property sold or otherwise retired are relieved from the accounts and resulting gains and losses are reflected in the statement of activities.

Donations of equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire 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.

UNITED WAY OF KNOX COUNTY, INC.

NOTES TO FINANCIAL STATEMENT  
December 31, 2010 and 2009

1. Summary of Significant Accounting Policies, continued:

i. Allocations Expense:

Amounts allocated to other nonprofit organizations are shown as a total of \$36,677 on the statement of functional expenses. Allocations to be paid from amounts designated by donors to those organizations are shown as a reduction of total allocations expense in the statement of functional expenses.

j. Investments:

Investments are stated at fair value. Donated investments are recorded as contributions at their market value on the date of receipt and are classified according to donor restrictions or lack thereof.

2. Nature of Organization:

United Way of Knox County, Inc. is a Not-for-Profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by Internal Revenue Service as other than a private foundation.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2007, 2008, and 2009 are subject to examination by the IRS, generally for three years after they were filed.

3. Accounts Receivable:

Accounts receivable at December 31, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Pledges Receivable:		
Due in Less Than One Year		
2009 Campaign	\$ 41,634	
2010 Campaign	434,605	
Total Pledge Receivables	<u>\$ 476,239</u>	<u>\$ 338,307</u>
Less allowance for uncollectible pledges	(37,000)	(42,000)
Other Receivables	<u>2,225</u>	<u>0</u>
	<u>\$ 441,464</u>	<u>\$ 296,307</u>

UNITED WAY OF KNOX COUNTY, INC.

NOTES TO FINANCIAL STATEMENT  
December 31, 2010 and 2009

3. Accounts Receivable, continued:

The allowance for uncollectible pledges is based on a five year average of 2.78%.

4. Furniture and Equipment:

The furniture and equipment owned by the Organization consist of the following:

	<u>Cost or Other Basis</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>
<u>2010</u>			
Furniture and Equipment	\$ 28,753	\$ 21,940	\$ 6,813
<u>2009</u>			
Furniture and Equipment	\$ 34,286	\$ 23,795	\$ 10,491

5. Beneficial Interest in Assets Held by Foundation:

An Endowment Fund was established in 1995 with the Community Foundation of Mount Vernon and Knox County (the Foundation) whereby the principal and earnings could be invested and then transferred to United Way of Knox County at the discretion of the Organization. In addition, this Fund collects donations from the general public to support United Way in perpetuity. The Foundation has no variance power to redirect any contributions or earnings at its discretion. Thus, contributions from the general public to the Fund are recognized as an asset and liability by the Foundation upon their receipt and will be recognized as income by United Way in the year received by the Foundation. The information presented is provided by the Foundation and is represented to be at fair value.

	<u>2010</u>	<u>2009</u>
Beneficial Interest at Beginning of the year.	\$ 177,948	\$ 174,424
Net Investment Income	5,173	5,531
Net realized and unrealized Gains and (losses)	11,724	(190)
Administration Fees	<u>(1,906)</u>	<u>(1,817)</u>
Beneficial interest at end of the year.	\$ 192,939	\$ 177,948

UNITED WAY OF KNOX COUNTY, INC.

NOTES TO FINANCIAL STATEMENT  
December 31, 2010 and 2009

6. Related Party Transactions:

Included in payments to affiliated organizations for the years ended December 31, 2010 and 2009 are annual dues to United Way Worldwide, the national organization, of \$6,070 and \$5,984, respectively.

7. Donated Materials and Services:

The Organization records the value of donated goods or services when there is an objective basis available to measure their value. During 2010 and 2009, the Organization was the recipient of donations with a total fair market value, as determined by the contributors, of \$19,524 and \$11,814, respectively. These donations for 2010 and 2009 consist of air time on local radio, payroll processing, professional services, banquet expenses, promotional items, computer maintenance and training. The donations of goods and services are included in the statement of activities as part of unrestricted contributions and the expenses thereof are included in the statement of functional expenses as part of campaign expense, promotion, payroll processing, professional fees, repairs and maintenance, and agency training.

The Organization has also received services donated by various individuals to assist the Organization in its program services and fund raising campaign. These donated services are not reported in the accompanying financial statements because there is no objective method or basis to measure the value of such services.

8. Restrictions on Assets:

The temporarily restricted net assets shown on the statement of financial position at December 31, 2010 and 2009 are comprised of the following components:

	<u>2010</u>	<u>2009</u>
Temporarily Restricted For:		
Imagination Library Books	\$ 11,777	\$ 0
Total Temporarily Restricted Net Assets	<u>\$ 11,177</u>	<u>\$ 0</u>

UNITED WAY OF KNOX COUNTY, INC.

NOTES TO FINANCIAL STATEMENT  
December 31, 2010 and 2009

9. Fair Value:

The Organization has estimated that the fair value of its pledges receivable are substantially equivalent to the value presented on the statement of financial position included in the Accounts Receivable of \$441,464. The pledges receivable at December 31, 2010 is \$476,239 less a calculated allowance for doubtful of \$37,000 for a total of \$439,239. The calculation to arrive at fair value utilized methodologies based on level 3 inputs that include a five year bad debt write off average along with analyzing other historical data and current donor payment habits.

10. Accounting Adjustments:

During the auditing process for the year 2010, the following information was discovered that occurred in prior years affecting unrestricted net assets:

Donor Designations Payable to	
Other United Ways was understated	\$ (6,334)
Payroll Liabilities were overstated	848
Allocation Receivable were overstated	(5,411)
	<u>\$ (10,897)</u>