

United Way of Greater Kansas City, Inc.

Accountants' Report and Financial Statements

December 31, 2008



United Way of Greater Kansas City, Inc.
December 31, 2008

Contents

Independent Accountants' Report.....1

Financial Statements

Statement of Financial Position2
Statement of Activities.....3
Statement of Functional Expenses4
Statement of Cash Flows5
Notes to Financial Statements.....6

Independent Accountants' Report on Supplementary Information21

Organizational Realignment22
Proforma Statements of Activities – December 31, 2008 and 200723

Independent Accountants' Report

Board of Directors
United Way of Greater Kansas City, Inc.
Kansas City, Missouri

We have audited the accompanying statement of financial position of United Way of Greater Kansas City, Inc. as of December 31, 2008, and the related statements of activities, functional expenses and cash flows for the year 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 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 above present fairly, in all material respects, the financial position of United Way of Greater Kansas City, Inc. as of December 31, 2008 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.

As discussed in Note 10, in 2008 the Organization changed its method of accounting for fair value measurements in accordance with Statement of Financial Accounting Standard No. 157.

BKD, LLP

June 11, 2009

United Way of Greater Kansas City, Inc.
Statement of Financial Position
December 31, 2008

Assets

	<u>Operations</u>	<u>Quasi Endowment</u>	<u>Total</u>
Cash and cash equivalents	\$ 5,233,453	\$ -	\$ 5,233,453
Contributions receivable, net of allowance of \$5,709,641	20,257,100	-	20,257,100
Accounts and grants receivable	100,481	-	100,481
Certificates of Deposit	3,810,151	-	3,810,151
Investments	384,900	-	384,900
Property and equipment, net of accumulated depreciation and amortization of \$4,351,628	2,987,531	-	2,987,531
Beneficial interest in assets held by others	-	3,854,644	3,854,644
Other	39,992	-	39,992
	<u>\$ 32,813,608</u>	<u>\$ 3,854,644</u>	<u>\$ 36,668,252</u>
Total assets	<u>\$ 32,813,608</u>	<u>\$ 3,854,644</u>	<u>\$ 36,668,252</u>

Liabilities and Net Assets

Liabilities

Payables to agencies – Community Care funds	\$ 17,283,825	\$ -	\$ 17,283,825
Designations to agencies and grants payable	9,229,802	-	9,229,802
Accounts payable	88,548	-	88,548
Accrued expenses	1,013,652	-	1,013,652
Accrued pension plan obligation	1,278,115	-	1,278,115
Long-term debt	1,581,029	-	1,581,029
	<u>30,474,971</u>	<u>-</u>	<u>30,474,971</u>
Total liabilities	<u>30,474,971</u>	<u>-</u>	<u>30,474,971</u>

Net Assets

Unrestricted			
Undesignated – available for general activities	(11,918,663)	-	(11,918,663)
Board-designated contingency fund	3,203,516	-	3,203,516
Board-designated quasi endowment fund	-	3,854,644	3,854,644
Temporarily restricted	11,053,784	-	11,053,784
	<u>2,338,637</u>	<u>3,854,644</u>	<u>6,193,281</u>
Total net assets	<u>2,338,637</u>	<u>3,854,644</u>	<u>6,193,281</u>
Total liabilities and net assets	<u>\$ 32,813,608</u>	<u>\$ 3,854,644</u>	<u>\$ 36,668,252</u>

United Way of Greater Kansas City, Inc.
Statement of Activities
December 31, 2008

	Unrestricted	Quasi Endowment	Temporarily Restricted	Total
Revenues, Gains and Other Support				
Prior Year Campaign Revenue				
Campaign results (net of estimated uncollectible pledges of \$347,339)	\$ 7,654,625	\$ -	\$ -	\$ 7,654,625
2008 / 2009 Campaign Revenue				
Campaign results (net of estimated uncollectible pledges of \$2,697,575)	17,984,821	378,143	11,053,784	29,416,748
Less donor designation	<u>(7,866,230)</u>	<u>-</u>	<u>-</u>	<u>(7,866,230)</u>
Net campaign	17,773,216	378,143	11,053,784	29,205,143
Grants	208,423	-	-	208,423
Investment income	115,904	(1,443,655)	-	(1,327,751)
In-kind income	554,239	-	-	554,239
Other	983,853	-	-	983,853
Net assets released from restrictions	<u>11,248,874</u>	<u>-</u>	<u>(11,248,874)</u>	<u>-</u>
Total revenues, gains and other support	<u>30,884,509</u>	<u>(1,065,512)</u>	<u>(195,090)</u>	<u>29,623,907</u>
Allocations and Expenses				
Program services				
Agency allocations 2007-2008	21,243,865	244,556	-	21,488,421
Agency allocations 2008-2009	17,283,825	-	-	17,283,825
Grant expense	91,359	-	-	91,359
Support services				
Management and general	738,462	-	-	738,462
Financial resources development	4,017,434	-	-	4,017,434
Community services	<u>3,254,760</u>	<u>-</u>	<u>-</u>	<u>3,254,760</u>
Total allocations and expenses	<u>46,629,705</u>	<u>244,556</u>	<u>-</u>	<u>46,874,261</u>
Change in Net Assets Before Minimum Pension Liability Adjustment	(15,745,196)	(1,310,068)	(195,090)	(17,250,354)
Minimum Pension Liability Adjustment	<u>(1,002,949)</u>	<u>-</u>	<u>-</u>	<u>(1,002,949)</u>
Change in Net Assets	(16,748,145)	(1,310,068)	(195,090)	(18,253,303)
Net Assets, Beginning of Year	<u>8,032,998</u>	<u>5,164,712</u>	<u>11,248,874</u>	<u>24,446,584</u>
Net Assets, End of Year	<u><u>\$ (8,715,147)</u></u>	<u><u>\$ 3,854,644</u></u>	<u><u>\$ 11,053,784</u></u>	<u><u>\$ 6,193,281</u></u>

United Way of Greater Kansas City, Inc.

Statement of Functional Expenses

Year Ended December 31, 2008

	Program Services			Support Services		Total
	Agency Allocations	Grant Expense	Community Services	Management and General	Financial Resources Development	
Agency allocations	\$ 38,772,246					\$ 38,772,246
Salaries			\$ 1,664,349	\$ 315,097	\$ 1,812,191	3,791,637
Employee benefits			230,628	70,262	318,506	619,396
Defined benefit pension			138,130	30,033	173,084	341,247
Retirement expense (401k and 403b)			139,654	30,365	174,996	345,015
Payroll taxes			126,510	33,441	147,336	307,287
Contract services		\$ 68,551	114,651	110,398	146,506	440,106
Training, conferences and meetings		13,412	48,410	1,953	227,642	291,417
Insurance			19,109	2,950	16,963	39,022
Printing and subscriptions		8,747	19,873	3,507	216,690	248,817
Occupancy			268,576	33,665	193,576	495,817
Publicity			2,616		36,609	39,225
Professional fees			40,236	6,967	40,058	87,261
Equipment, rental and maintenance			55,874	14,161	101,055	171,090
Supplies		649	41,547	41,719	39,450	123,365
Telephone			35,650	5,672	38,742	80,064
Postage			8,518	7,403	24,460	40,381
Travel and transportation			32,724	4,167	41,728	78,619
Miscellaneous expense			2,026	(19,503)	2,162	(15,315)
United Way of America dues			166,829	29,014	166,829	362,672
	38,772,246	91,359	3,155,910	721,271	3,918,583	46,659,369
Depreciation			98,850	17,191	98,851	214,892
	38,772,246	91,359	3,254,760	738,462	4,017,434	46,874,261
Total operating expense	\$ 38,772,246	\$ 91,359	\$ 3,254,760	\$ 738,462	\$ 4,017,434	\$ 46,874,261

United Way of Greater Kansas City, Inc.
Statement of Cash Flows
Year Ended December 31, 2008

Operating Activities	
Change in net assets	\$ (18,253,303)
Items not requiring (providing) cash	
Depreciation and amortization	214,892
Net realized and unrealized losses on investments and beneficial interests in assets held by others	1,573,366
Contributions restricted for long-term purposes	(378,143)
Accretion of capital lease obligation for building	88,503
Changes in	
Campaign pledges receivable	738,324
Accounts and grants receivable	32,714
Other assets	(11,872)
Payable to agencies – community care funds	17,276,738
Designations to agencies and grants payable	(567,086)
Accounts payable and accrued expenses	286,621
Accrued pension plan obligation	<u>1,344,196</u>
Net cash provided by operating activities	<u>2,344,950</u>
Investing Activities	
Proceeds from maturities of investments	2,480,000
Net change in beneficial interest in assets held by others	(263,298)
Purchase of investments	(3,604,537)
Purchase of property and equipment	<u>(47,227)</u>
Net cash used in investing activities	<u>(1,435,062)</u>
Financing Activities	
Proceeds from contributions restricted for long-term purpose	378,143
Additions to capital leases	29,876
Principal payments under capital lease	<u>(37,885)</u>
Net cash provided by financing activities	<u>370,134</u>
Increase in Cash and Cash Equivalents	1,280,022
Cash and Cash Equivalents, Beginning of Year	<u>3,953,431</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,233,453</u></u>
Supplemental Cash Flows Information	
Interest paid	<u><u>\$ 141,162</u></u>

United Way of Greater Kansas City, Inc.

Notes to Financial Statements

December 31, 2008

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

United Way of Greater Kansas City, Inc. (the "Organization") is a not-for-profit organization established to benefit the metropolitan Kansas City area through investments in other not-for-profit organizations and partnerships formed to address the community's human service needs. The Organization's primary source of revenue is an annual fundraising campaign. The proceeds of the campaign allow the organization to sponsor and invest in a wide breadth of local programs that further its mission of improving lives.

The Organization's revenues and other support are derived principally from contributions and federal and state grants and its activities are conducted principally in the Kansas City area.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2008, cash equivalents consisted primarily of money market funds and certificates of deposit.

The financial institutions holding the Organization's cash accounts are participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2009, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

Effective October 3, 2008, the FDIC's insurance limits increased to \$250,000. The increase in federally insured limits is currently set to expire December 31, 2013. At December 31, 2008, the Organization's interest-bearing cash accounts and certificates of deposit exceeded federally insured limits by approximately \$1.6 million.

Accounts and Grants Receivable

Accounts and grants receivable are stated at the amounts billed under the terms of the grants or agreements. If necessary, the Organization will record an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances.

United Way of Greater Kansas City, Inc.

Notes to Financial Statements

December 31, 2008

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Property and Equipment

Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor 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. Gifts having donor stipulations, which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. 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. It is the Organization's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as support increasing temporarily restricted net assets. The Organization reclassifies temporarily restricted net assets to unrestricted net assets each year in the amount of the donated property and equipment's depreciation expense.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

United Way of Greater Kansas City, Inc.

Notes to Financial Statements

December 31, 2008

Contributed Services

No amounts have been reflected in the financial statements for donated services, since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and financial resources development.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose.

Board-Designated Quasi Endowment

The quasi endowment represents the beneficial interest in assets held by others, which are designated by the governing body of the Organization to be used in a manner similar to an endowment.

Government Grants

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Payable to Agencies and Other Organizations

Unconditional grants to participating agencies are recorded when approved by the Board of Directors. Conditional grants are recorded when the grantee has substantially met the conditions of the grant. Funds are distributed to designated agencies based on actual dollars collected.

United Way of Greater Kansas City, Inc.

Notes to Financial Statements

December 31, 2008

Amounts Raised on Behalf of Others

Contributions, which are donor designated for specific participating agencies or communities, other than those represented by the Organization, are considered amounts raised on behalf of others and are not considered income to the Organization. These amounts are included in designations to agencies and grants payable on the statement of financial position.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated by management among the program, management and general and fundraising categories based on accumulation of relevant, current and historical data.

In-Kind Contributions

In addition to receiving cash contributions, the Organization received in-kind contributions of \$4,386,642 from various donors during 2008. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the year ended December 31, 2008, \$554,239 was received in in-kind contributions that was recorded in the statement of activities.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law.

Uncertain Tax Positions

In accordance with Financial Accounting Standards Board (FASB) Staff Position No. FIN 48-3, the Organization has elected to defer the effective date of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, until its fiscal year ending December 31, 2009. The Organization has continued to account for any uncertain tax positions in accordance with literature that was authoritative immediately prior to the effective date of FIN 48, such as FASB Statement No. 109, *Accounting for Income Taxes* and FASB Statement No. 5, *Accounting for Contingencies*.

United Way of Greater Kansas City, Inc.
Notes to Financial Statements
December 31, 2008

Note 2: Investments and Beneficial Interest in Assets Held by Others

Investments

Investments at December 31 consisted of the following:

Government securities and other fixed income securities	<u>\$ 384,900</u>
---	-------------------

Beneficial Interest in Assets Held by Others

The Organization has transferred assets to the Greater Kansas City Community Foundation (Foundation) and retained a beneficial interest in those assets. At the time of the transfer, the Organization granted variance power to the Foundation. That power gives the Foundation the right to make the final decision regarding distributions from the Fund. However, under the terms of the agreement, the Organization can withdraw all or a portion of the original amount transferred, any appreciation on those transferred assets, or both, provided the governing board of the Organization and the Foundation approve of the withdrawal. At December 31, 2008, the fund had a fair value of \$3,854,644 which is reported in the statement of financial position as beneficial interest in assets held by others. The assets of the quasi endowment fund consist of short-term, fixed income and equity securities.

Investment Return

Investment return on investments and beneficial interest in assets held by others is composed of the following:

Interest and dividend income	\$ 245,615
Net realized and unrealized losses	<u>(1,573,366)</u>
	<u>\$ (1,327,751)</u>

Note 3: Property and Equipment

Property and equipment at December 31, 2008 consists of:

Building	\$ 3,554,416
Equipment, furniture and fixtures	<u>3,784,743</u>
	7,339,159
Less accumulated depreciation and amortization	<u>4,351,628</u>
	<u>\$ 2,987,531</u>

United Way of Greater Kansas City, Inc.
Notes to Financial Statements
December 31, 2008

Note 4: Line of Credit

The Organization has a \$1,000,000 revolving bank line of credit, which expires in April 2010 and also a \$300,000 line of credit that is maintained on behalf of the Combined Federal Campaign, which expires in October 2009. There were no outstanding borrowings on either line of credit at December 31, 2008.

Note 5: Long-Term Debt

Note payable (A)	\$ 335,000
Capital lease obligations (B)	<u>1,246,029</u>
	<u>\$ 1,581,029</u>

(A) Payable to a not-for-profit corporation for building renovations; bears interest at 1%, payable annually on May 1; matures in 2019 or within 90 days after the Organization exercises the purchase option on the renovated property.

(B) Capital leases include a building and copier lease. The building lease consists of the building the Organization occupies, which has a carrying value of approximately \$1,860,000. Interest is imputed at 10.5%. The Organization has exercised a purchase option (which is included in the capital lease obligation) for \$1,200,000 at the expiration of the lease in 2009. Interest expense on the building and copier lease amounted to \$141,162 for the year ended December 31, 2008.

United Way of Greater Kansas City, Inc.
Notes to Financial Statements
December 31, 2008

Maturities on long-term debt and payments on capital lease obligations at December 31, 2008 are:

	Note Payable	Capital Lease Obligations	Total
2009	\$ 335,000	\$ 1,283,009	\$ 1,618,009
2010	-	55,962	55,962
2011	-	17,586	17,586
2012	-	17,586	17,586
2013	-	620	620
Thereafter	-	-	-
	<u>335,000</u>	<u>1,374,763</u>	<u>1,709,763</u>
Less amounts representing interest	-	128,734	128,734
	<u>\$ 335,000</u>	<u>\$ 1,246,029</u>	<u>\$ 1,581,029</u>

Note 6: Operating Leases

Operating leases consist of office space and equipment rental. Rental expense on such leases amounted to \$75,819 for the year ended December 31, 2008.

Future minimum lease payments at December 31, 2008, were:

2009	\$ 80,844
2010	75,113
2011	77,352
2012	79,676
2013	17,975
	<u>\$ 330,960</u>

The Organization also leases office space to another not-for-profit entity. The agreement expires in March 2012. Future minimum lease receipts at December 31, 2008 amounted to \$50,505.

United Way of Greater Kansas City, Inc.
Notes to Financial Statements
December 31, 2008

Note 7: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes or periods:

Time restriction, pledge drives, net of designations payable	<u>\$ 11,053,784</u>
--	----------------------

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Release of time restriction for campaign	<u>\$ 11,248,874</u>
--	----------------------

Note 8: Related Party Transactions

Heartland Combined Federal Campaign

The Organization has an agreement with the Heartland Combined Federal Campaign (“HCFC”) to collect pledges from federal employers on behalf of HCFC. In addition, the Organization pays certain campaign expenditures on a reimbursable basis on behalf of HCFC, and receives an allocation from and performs required accounting functions for HCFC.

Note 9: Employee Benefit Plans

Defined Benefit Plan

The Organization has a noncontributory defined benefit pension plan covering all employees who meet the eligibility requirements. The Organization’s funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Organization may determine to be appropriate from time to time. The Organization expects to pay approximately \$18,000 to meet the minimum annual contribution plus an additional \$180,000 in 2009. The Organization froze the plan on January 31, 2008.

United Way of Greater Kansas City, Inc.
Notes to Financial Statements
December 31, 2008

The Organization uses a December 31 measurement date for the plans. Significant balances, costs and assumptions are:

	Pension Benefits 2008
Change in benefit obligation	
Beginning of year	\$ 6,258,874
Service cost	17,671
Interest cost	309,053
Change due to plan amendment(s)	(668,954)
Change due to assumption change(s)	77,879
Actuarial loss	142,952
Benefits paid and expenses	<u>(549,146)</u>
End of year	<u>5,588,329</u>
Change in fair value of plan assets	
Beginning of year	6,324,955
Actual return on plan assets	(1,465,595)
Employer contribution	-
Benefits paid and expenses	<u>(549,146)</u>
End of year	<u>4,310,214</u>
Pension liability	<u><u>\$ (1,278,115)</u></u>

United Way of Greater Kansas City, Inc.
Notes to Financial Statements
December 31, 2008

Weighted-average assumptions used to determine benefit obligations:

Discount rate	5.75%
Rate of compensation increase	0.00%

Weighted-average assumptions used to determine benefit costs:

Discount rate	5.75%
Expected return rate on plan assets	8.00%
Rate of compensation increase	0.00%

The following table presents the components of net periodic pension cost as of December 31, 2008:

Service cost	\$ 17,671
Interest cost	309,053
Expected return on plan assets	(467,850)
Recognized net actuarial (gain) or losses	237,875
(Gain) or loss recognized due to settlement	<u>244,498</u>
Net periodic pension expense	<u>\$ 341,247</u>

The loss due to settlement relates to benefit payments made during the year.

The following amounts have been recognized in the statement of activities for the year ended December 31, 2008:

Amounts arising during the period:	
Net (gain) loss	\$ 1,344,196
Net prior service cost (credit)	-

United Way of Greater Kansas City, Inc.
Notes to Financial Statements
December 31, 2008

	2008	Amounts Expected to be Recognized Within One Year
Amounts that have been recognized in unrestricted net assets, but not yet recognized as components of net periodic benefit cost		
Net (gain) loss	\$ 2,491,617	\$ 110,067
Net prior service cost (credit)	-	-
Net transition (asset) obligation	-	-

The Organization has estimated the long-term rate of return on plan assets based on the real rate of return (net of inflation) and for inflation based on historic 30-year period rolling averages.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2008:

2009	\$ 1,404,000
2010	91,000
2011	205,000
2012	82,000
2013	736,000
2014-2018	2,529,000

Plan assets are held by a bank-administered trust fund, which invests the plan assets in accordance with the provisions of the plan agreement. The plan agreements permit investment in common stocks, corporate bonds and debentures and U.S. Government securities based on certain target allocation percentages.

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through a limited investment in equity securities.

Plan assets are re-balanced quarterly. At December 31, 2008, plan assets by category are as follows:

Equity securities	56%
Fixed income	43%
General account	1%
	100%

United Way of Greater Kansas City, Inc.

Notes to Financial Statements

December 31, 2008

Defined Contribution Plan

The Organization also sponsors a 403(b) defined contribution plan, where eligible employees may defer a percentage of their salary to such plan. This plan includes a 50% employer matching contribution for the first 8% of salary contributed by employees. The Organization's matching contribution amounted to \$97,119. During 2008, there was an additional discretionary contribution accrual to the 403(b) plan in lieu of the contribution not made to the Defined Benefit Plan. The total discretionary contribution was \$348,529.

Note 10: Disclosures About Fair Value of Assets and Liabilities

Effective January 1, 2008, the Organization adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 has been applied prospectively as of the beginning of the year.

FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 also 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 in active markets for identical assets or liabilities
- Level 2** 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 for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Trading and Available-for-Sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include government bonds and pooled investments held at the Greater Kansas City Community Foundation. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3. There were no investments with a Level 3 valuation for the year ended December 31, 2008.

United Way of Greater Kansas City, Inc.

Notes to Financial Statements

December 31, 2008

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial position measured at fair value on a recurring basis and the level within the FAS 157 fair value hierarchy in which the fair value measurements fall at December 31, 2008:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observ- able Inputs (Level 2)	Significant Unobserv- able Inputs (Level 3)
Investments	\$ 4,239,544	\$ -	\$ 4,239,544	\$ -

Note 11: Quasi Endowment

The Organization's endowment consists of approximately five individual funds. The endowment funds are designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing body has interpreted the State of Missouri Uniform Management of Institutional Funds Acts (SUMIFA) as requiring 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. The board-designated endowment funds are classified as unrestricted net assets. In accordance with SUMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

United Way of Greater Kansas City, Inc.
Notes to Financial Statements
December 31, 2008

The composition of net assets by type of endowment fund at December 31, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ -	\$ -
Board-designated endowment funds	<u>3,854,644</u>	<u>-</u>	<u>-</u>	<u>3,854,644</u>
Total endowment funds	<u>\$ 3,854,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,854,644</u>

Changes in endowment net assets for the year ended December 31, 2008, were:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 5,164,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,164,712</u>
Investment return				
Investment income	115,833	-	-	115,833
Net appreciation (depreciation)	<u>(1,559,488)</u>	<u>-</u>	<u>-</u>	<u>(1,559,488)</u>
Total investment return	<u>(1,443,655)</u>	<u>-</u>	<u>-</u>	<u>(1,443,655)</u>
Contributions	378,143	-	-	378,143
Appropriation of endowment assets for expenditure	(228,929)	-	-	(228,929)
Other changes - removal of board designation of endowment funds	<u>(15,627)</u>	<u>-</u>	<u>-</u>	<u>(15,627)</u>
Endowment net assets, end of year	<u>\$ 3,854,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,854,644</u>

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of board-designated endowment funds. Under the Organization's policies, endowment assets are invested in a ratio of 60% equity and 40% fixed income securities. The Organization expects its endowment funds to provide an average rate of return of approximately 5% annually based on the funds average balance over the previous three years. The Organization authorized expenditures of 5% for the 2008 year. Any portion of investment returns that is not distributed for a particular calendar year will be added to the principal. Actual returns in any given year may vary from this amount.

United Way of Greater Kansas City, Inc.

Notes to Financial Statements

December 31, 2008

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Note 12: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. These matters include the following:

General Litigation

The Organization is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the Organization.

Current Economic Conditions

The current economic environment presents not-for-profit organizations with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in pledge contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Organization.

Current economic conditions have made it difficult for many donors to continue to contribute to not-for-profit organizations. A significant decline in pledge contribution revenue could have an adverse impact on the Organization's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for contributions receivable that could negatively impact the Organization's ability to maintain sufficient liquidity.

**Independent Accountants' Report on
Supplementary Information**

Board of Directors
United Way of Greater Kansas City, Inc.
Kansas City, Missouri

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKO, LLP

Kansas City, Missouri
June 11, 2009

United Way of Greater Kansas City, Inc.
Organizational Realignment
December 31, 2008

Organizational Realignment

On March 13, 2007, a new Missouri not-for-profit corporation, United Way of Greater Kansas City, Inc., was created. On July 1, 2007, the Heart of America United Way, Inc. (the surviving entity) merged with the Bi-County United Way of Cass and Jackson County, Inc. (Bi-County) and Johnson County United Way, Inc. (Johnson County). Effective on the merger date, the surviving entity changed its name to the United Way of Greater Kansas City, Inc. The Board of Directors has elected to account for the merger as of the date of the transaction.

The following table summarizes the comparative proforma statements of activities at December 31, 2008 and 2007 and includes all of the activities of the various entities for the full twelve month periods.

United Way of Greater Kansas City, Inc.
Proforma Statements of Activities
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues, Gains and Other Support		
Campaign (net of uncollectibles)	\$ 37,071,373	\$ 37,167,745
Less donor designations	<u>(7,866,230)</u>	<u>(9,688,220)</u>
Net campaign	29,205,143	27,479,525
Grants	208,423	67,887
Investment income	(1,327,751)	547,087
In-kind income	554,239	1,694,315
Other	<u>983,853</u>	<u>1,255,260</u>
Total revenues, gains and other support	<u>29,623,907</u>	<u>31,044,074</u>
Allocations and Expenses		
Program expenses		
Agency allocations	38,772,246	23,885,030
Grant expense	91,359	84,419
Support services		
Management and general	738,462	1,020,285
Financial resource development	4,017,434	3,961,828
Community services	<u>3,254,760</u>	<u>3,015,009</u>
Total allocations and expenses	<u>46,874,261</u>	<u>31,966,571</u>
	(17,250,354)	(922,497)
Minimum Pension Liability Adjustment	<u>(1,002,949)</u>	<u>552,594</u>
	<u>\$ (18,253,303)</u>	<u>\$ (369,903)</u>